

**REPORT ON PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO THE ABILITY OF LOCAL GOVERNMENTS TO  
FUND INFRASTRUCTURE AND SERVICES**

**CORRECTED**

**At Council Chambers, Dubbo Regional Council, Dubbo, on Friday 28 June 2024**

**The Committee met at 8:50.**

**PRESENT**

The Hon. Emily Suvaal (Chair)

Dr Amanda Cohn

The Hon. Sam Faraway (Deputy Chair)

The Hon. Stephen Lawrence

\* Please note:

[inaudible] is used when audio words cannot be deciphered.

[audio malfunction] is used when words are lost due to a technical malfunction.

[disorder] is used when members or witnesses speak over one another.





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**The CHAIR:** Welcome to the sixth hearing of the Committee's inquiry into the ability of local governments to fund infrastructure and services. I acknowledge the Wiradjuri people of the Wiradjuri nation, the traditional custodians of the lands on which we are 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 and Torres Strait Islander people joining us today. My name is Emily Suvaal and I am the Chair of the Committee.

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.

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**Ms JENNIFER BENNETT**, Executive Officer, Central NSW Joint Organisation, before the Committee via videoconference, affirmed and examined

**Councillor MARK KELLAM**, Mayor of Oberon Council and Deputy Chair, Central NSW Joint Organisation, before the Committee via videoconference, affirmed and examined

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

**MARK KELLAM:** I'll defer to Ms Bennett for the opening statement.

**JENNIFER BENNETT:** Thank you, Councillor Kellam. My local government career, which has been about 25 years now, has witnessed rate pegging, poor recognition of integrated planning and reporting by State agencies, tortuous funding and regulatory frameworks, a paucity of State place-based strategy, amalgamations and so many other symptoms of the poor relationship between local and State government. This has a net effect of disempowering community and deteriorating the financial position of councils. However, the other impact of this systemic failure is the gross waste of public money of State administration and processes and the opportunity cost of not leveraging the capacity of local government. Given the gravity of the challenges before us from climate change, be it reaching our net zero target or drought and disaster readiness, we must do better. Central New South Wales councils are doing the best we can with what we have. We could do so much more with willing partners that recognise, understand and trust local government.

**Dr AMANDA COHN:** Thank you so much to both of you for making the time to give evidence today and also for your very detailed written submission, which was very helpful. My first question relates to something that was in the written submission, which was the staff vacancies. You reported vacancies across your region that ranged from 5 per cent to 18 per cent. I have to imagine that that would have quite a staggering impact on the ability of councils to deliver the services that are in their community strategic plans. I was hoping you could provide us with a bit more detail from what you've heard from your member councils about the impact of those vacancies and some of the causes for those vacancies, and why councils can't recruit and retain staff.

**JENNIFER BENNETT:** There are a number of challenges around recruitment and retention. I can give you the example of Parkes Shire Council, which shares a location with Transport for NSW—a major office there—who pays so much better for jobs that are described by the people who moved to them as half the work and substantially more money. That's one challenge that we have. Another significant challenge is that we really haven't, as a State—be it our State agency partners or ourselves—invested in the training that's required for our members. We just don't have the processes in place to bring on cadets and those sorts of things that we used to see in the newspapers, for those of us who are of a certain age. Every January, everyone would see all the opportunities for young people to come and work for local councils, and those things just don't exist anymore.

Again, I'm going to say it's systemic failure. If you look at every facet of the problem, that's what's going on for our councils at the moment. We haven't done the planning. We haven't got the graduates. We've got significant competition with other providers, be they mines or State agencies. Then, for the more specialist roles like, say, in planning, it's very challenging because the broader system doesn't really exist to support those positions. I can talk to you about training of our water operators. Over the last 10 years our region has gone to a lot of trouble to get training happening for our water operators. We are probably the best trained region in Australia, I would think, at this stage of the game. But that has gone through periods where there have been no modules on scope in New South Wales to train our staff. We've had to reach outside New South Wales to get training. So, again, the training system itself is a failure. It's broad, systemic failure, Amanda, and we really need to do something about it.

**Dr AMANDA COHN:** Thank you. That's really helpful. In some of our earlier hearings for this inquiry, we heard about some very small councils that have had to take quite innovative means to fill skills gaps for some of the specialist roles. You mention planning, and that has come up. Are you aware of any local initiatives or partnerships between councils to try to get an economy of scale to be able to attract specialist staff?

**JENNIFER BENNETT:** I will hand over to Councillor Kellam for a moment, if that's all right, Amanda. I think he has something to say there as well.

**MARK KELLAM:** Amanda, we have all those problems, and we have embarked on a concerted effort to recruit people locally and train them up. It's more expensive, but what you get is people who are residents living in the area and who will be long-term employees. That's proved fairly successful at the middle level. At the upper level of the employees, we've had a lot of success in getting good people, mostly because of the quality of life that we can give people in Oberon. It's much nicer than a lot of other places. It's certainly a lot nicer than the eastern seaboard itself. We have several employees that have just serendipitously turned up on our doorstep, in fact.

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**Dr AMANDA COHN:** I also wanted to ask another question in reference to your written submission where you mentioned State agencies. The term you used was "seeking to double regulate", and there is quite a lot of detail about the resource impact that is having on councils. I was hoping you might be able to provide us with some specific examples of that double regulation. Feel free to take it on notice if you need to.

**JENNIFER BENNETT:** The comment I would make here is that integrated planning and reporting, which is regulated under the Local Government Act, is poorly understood by all the State agencies, and it's not leveraged at all well. Happily, we are starting to see some change in that, driven by the joint organisations. We are hoping that the disaster action plans that are likely to happen across New South Wales will start to leverage into greater planning and reporting but, until the eight joint organisations that are working collaboratively put the pressure on the State agencies to start thinking about this, it wasn't going to happen that way. That's happy. What's sad is that anything that we do around water security for our towns is, obviously, extremely important and, at the moment—the strategy for our water systems used to be called integrated water cycle management. We are trying really hard to move it across into integrated planning and reporting so it isn't duplicated.

At the moment there is a portal being set up by DCCEEW which will have, I think, 106 items for which councils will have to demonstrate that their strategy is sufficient where, at the moment, the funded strategies, called integrated water cycle management plans, funded by the State Government, are not passing. So the State Government is funding strategy and then not approving it. It's madness, when integrated planning and reporting based on ISO 55000 asset management is absolutely adequate for strategy. Wouldn't it be great if our State agencies used similar sorts of approaches in their strategy; that would be pretty incredible. Then we can actually review, are they good enough? Is our asset management good enough through our audit risk and improvement regulated framework? If the State agencies just looked at the existing systems under the Local Government Act instead of reinventing their own to regulate, we would be in a much better place.

**The Hon. SAM FARRAWAY:** Good morning, Jenny and Mark. From the outset, it is good to see you, and I send a big shout-out to the Central West JO. You do a fantastic job. My questions are on some different topics, if that is all right. Firstly, in the Central West JO you have councils that are heavily impacted by mining, and you may have the one mining operation over a couple of different LGAs as well. I wanted to talk about how those councils have received funding over the previous five to 10 years, their outlook for the next few years and the change in funding programs like Resources for Regions.

My questioning is around equity and making it equitable for those councils to know what sort of funding they have from having those mining activities in their communities, and the impact on those communities moving forward through an SRV because they no longer have that baseline support coming. Can you, from the JO's perspective, give us a bit of insight for the councils that are impacted? I'm thinking Blayney, Cabonne and Orange. How is their outlook around SRVs and sustainability without that funding?

**JENNIFER BENNETT:** I'm happy to have a crack at that one, Mark. Yes, we do have a number of councils in this situation; I'm going to call out Parkes. It's feeling very sad at the moment with the sovereign change in the funding program for our regional councils. It is really tough. Some of our councils are more able to weather it but others aren't. I could take on notice the actual financial impact from our members, if that's helpful? I don't know the exact dollars at the moment. But I can say that there is an opportunity for you good decision-makers sitting in the room there in Dubbo to have a really good look at the impacts of the funding of our renewable energy network that we're building across regional New South Wales at the moment.

I have put a case study into the submission that points at the extent to which our councils, who made a contribution of something like, I'm going to estimate, \$900,000 a year buying large generation certificates—that's a significant number, right, as we purchase electricity. Wouldn't it be nice if somehow the system was able to get some of the funds for the incentivisation of renewables to go back to the impacted communities? You'll see in the submission that I talk about it being 0.7 per cent of LGCs, without even the profits on top of the renewables. That's where we're at. It's really unfortunate that our communities are not being compensated.

**The Hon. SAM FARRAWAY:** I think it goes to that point about how to make it equitable for those communities that have those industries in their LGA and all the challenges that come from hosting mining or new renewable energy projects without any dividend for the community and reinvestment. I suppose those councils, in your view, need to be thought of as part of government's approach, don't they, in terms of that continued investment and somehow reinvesting those royalties—or a portion of the royalties—back into these communities, whether it's for transition or whether it is to assist those LGAs with the extra cost and burden in hosting those projects or industries and community infrastructure. Would you agree with that?

**JENNIFER BENNETT:** Absolutely. Have a look at what's going on at Lithgow. Compare what's going on at Lithgow to Collie, in Western Australia. It's really very poor, the way we look after our regional communities

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that have these impacts. I'm going to ask Councillor Kellam to speak, both about the impacts of forestry and then the wind farms in Oberon.

**MARK KELLAM:** We don't have any mines, but we do have a significant forestry industry. One of the great disadvantages we have is that half of our LGA is State forest, which is Crown land and is unrateable. We're foregoing something over a million dollars a year in rates. The Forestry Corporation and the forestry Minister will tell me that Forestry is a good neighbour and we're allowed to use their roads for recreation and other things, but at the end of the day we're a million dollars short on our rate takings.

With the current processes going on in our LGA for renewable energy projects, the community and the council are completely sidelined by the State significant development process. We get little say in anything. The only place we can make a significant effect is during community consultation and holding the companies to account to do that properly, and also in our ability to influence the outcomes of some of the EIS processes. The community is not happy. As a council, we are not happy with the way this is conducted. I have heard a senior State Minister say that she wants councils to be partners. Partners implies an equal benefit. We don't get the benefit; we get the work to do.

**The Hon. SAM FARRAWAY:** Firstly, I acknowledge, Mark, that I was in your town last night, Oberon, and I went to the town hall meeting. I've never seen so many people pile into the Oberon RSL before. I support your position around the community not being happy and council and the community trying to find a solution. I want to follow up on forestry and rates payable. That million dollars that you are unable to collect, how does that compare to your total rate base? How is that proportionate to your total rate base?

**MARK KELLAM:** In terms of rates collected, that's a deficit of about 20 per cent.

**The Hon. SAM FARRAWAY:** It's quite significant. Moving on, Jenny, maybe this one is for you or maybe it is for either of you. It is about water utilities. I know the Central West JO, over a long period of time, as you highlighted earlier, has been leading in training new engineers and new sewage treatment plant operators. With regard to water utilities more broadly, they are costly to run and the legacy infrastructure that you have, particularly across the Central Tablelands and the Central West, is significant. Is there merit in looking at having one water utility, for instance, a Central Tablelands water that could maintain the water infrastructure across more than one LGA? Is there any efficiency in that longer term and has the JO looked at that?

**JENNIFER BENNETT:** The board's policy position, which I personally support 100 per cent, is that each community should have control over as much of its assets as possible, including its water utilities. There are very different levels of water security as some of our communities have got lots of water and it's a point of difference for them, while other communities have got quite poor water security.

**The Hon. SAM FARRAWAY:** In terms of where you've got LGAs that cross over and share or could share—not the same infrastructure—interconnected infrastructure, do you believe that on a case-by-case basis there may be merit in having a dedicated water utility that looked after that infrastructure, and possibly more than one or a couple of LGAs, versus the cost of each LGA having their own engineers looking after their own infrastructure and not having scale? I suppose that is the real point to this, isn't it? It is about finding scale to maintain the infrastructure, which a lot of smaller regional councils would really struggle with.

**JENNIFER BENNETT:** Through the Central NSW Joint Organisation Water Utilities Alliance we offer scale in a number of areas. The board's position is that we can build pipelines and run them through instruments rather than through ownership.

**The CHAIR:** I might start with you, Ms Bennett. In terms of the role of the joint organisation, could you talk more about the benefit that you provide your member councils.

**JENNIFER BENNETT:** We actually calculate the benefit every year. We measure the cost savings of the 27 contracts that we run on behalf of our members. We measure the grant funding. Anything that's got a dollar, we measure it. Last financial year that came out at 9.4 to one as ROI, so it's obviously substantial. However, we are a mature JO. In my view, with the support that should have happened when joint organisations were brought in under the Destination 2036 process—unfortunately, that devolved into amalgamations instead of building up these regional collaborations of joint organisations and supporting them effectively, so now we do have some challenges across the joint organisation network where some collaborations are stepping away from the model.

**The CHAIR:** In terms of the 9.4 return on investment that you mentioned, have you managed to achieve that?

**JENNIFER BENNETT:** Most of it is with cost savings through aggregated procurement. For example, the contract that we provide for bitumen, we were able to compare with the community of Eurobodalla. Our members pay 30 per cent less. That's just one example.

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**The CHAIR:** Are there other examples? Obviously, in procurement, you are assisting councils through this aggregated procurement model. Do you have an idea of how much per year you are saving councils by procuring across the region?

**JENNIFER BENNETT:** That's from procurement? Yes, I can give you that table. I will have to take that on notice but, yes, we actually track every contract.

**The CHAIR:** That would be very interesting to see. Thank you. Your submission also notes that JOs are different to councils but that the audit costs are the same. How does that affect you?

**JENNIFER BENNETT:** The overall audit costs, no, are cheaper but they are much higher than they used to be before they went to the Auditor-General. Some joint organisations are seeing really significant numbers coming across their desks. Obviously, it's a financial impost. Obviously, we need to be good with public money. We need to be able to demonstrate ongoing value. But it's kind of another example of how if it's good for the goose, it should be good for the gander. So let's have a look at the Auditor-General's examination of what was DPE Water in 2020 and see now has there been any demonstrable improvement. Will the 106 elements that we have to demonstrate that we can actually run a strategy, that we can actually do a good enough strategy—I mean, it's outrageous that we have to be doing all this when, in 2020, the Auditor-General said to the department, "You are not doing this well." Let me tell you, they are not doing it well, still. When does the sort of parity between the expectations of what should be carrying on with councils happen to our own State agencies?

**The CHAIR:** You also mentioned the cost of the audit and risk committee and the audit fees being quite a high proportion of your total membership fees at around 43 per cent.

**JENNIFER BENNETT:** It wasn't for our joint organisation; that was for another joint organisation, I think it might have been.

**The CHAIR:** Sorry.

**JENNIFER BENNETT:** Yes, it was for a different JO. We have got a bigger income at the end of the day than some other joint organisations. But yes, it is. It's really tough. At the moment we are trying to negotiate. Because we are significantly different businesses to general-purpose councils, we are trying to negotiate a shared ARIC between JOs, even if we have to do them at all. Broadly, they are very small organisations with no assets and no rate base, no ratepayers, no planning control—so what is it that we're auditing? Why do we need this higher level of assurance for these tiny little entities? It doesn't make sense.

**The CHAIR:** Do you have a suggestion for a different model or a different approach?

**JENNIFER BENNETT:** Absolutely. Yes, we have written to the department a number of times with lots of good ideas. We're just hoping to get some common sense coming back our way. For example, it could be, "What is the total income of your joint organisation? What is the total income from fees for your joint organisation?" and set a number on that before you need the audit to happen. There are a number of different ways we could peel a pineapple.

**The CHAIR:** Sure. And is that something that you're happy to share with the Committee, in terms of those suggestions?

**JENNIFER BENNETT:** Sent to the department, yes.

**The CHAIR:** Was there anything else that you wanted to add or share with us this morning, Ms Bennett or Councillor Kellam, in addition to your submission or the comments that you have already made?

**MARK KELLAM:** There are a couple of things I'd like to mention. I think one of the impediments to being able to deliver infrastructure and services is the relationship between the bureaucracy of the State Government and councils, and it is often a paternalistic relationship. The State agencies don't trust councils, councils don't trust State agencies, and it is not necessarily a good working relationship. The DPI water issue—we've had a sewage treatment plant that we've been trying to get built for some time. We spent two years trying to convince DPI that we had a growing population. All you had to do was look at the census statistics for two consecutive censuses. They did not believe it and said, "We will stick with the Common Planning Assumptions," which are that if you're a small rural community, you're declining. That has now added \$5 million to the costs of that sewage treatment plant. It means we're going to have to borrow another \$5 million to get it done. That is a huge compliance cost and is just unacceptable, in my head.

The rate caps that we've been dealing with for the last decades have proven to be a failure. If you look at the number of councils that are going through the SRV process, that is a response to that failure. That is, again, unacceptable. It is taking a long time to even look at turning that around. I'm very pleased that the current IPART commissioner has chosen to go on a different path. I'll go back to the other statement I made earlier about being

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partners. It's very difficult to be partners with an organisation which treats you poorly. Partnership means equal opportunity and something that's an advantage to both sides, and that does not happen. There needs to be a fundamental change in the way bureaucracy looks at local councils.

**The CHAIR:** Thank you both so much for making time to give evidence to the inquiry this morning. For questions that were taken on notice—and I believe there were a couple—the Committee secretariat will be in touch with you with the details on that. You will have 21 days to respond.

**(The witnesses withdrew.)**

**(Short adjournment)**

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**Councillor MATHEW DICKERSON**, Mayor, Dubbo Regional Council, sworn and examined

**The CHAIR:** I welcome our next witness. Thank you for appearing today and making time to give evidence to the inquiry. Would you like to start by making a short opening statement?

**MATHEW DICKERSON:** Financial sustainability is obviously the number one issue that this council talks about—and councils when we gather together—because all of the wonderful things that councils do across the State, the wonderful things that this council does, are not possible unless we've got a stable base from a financial perspective. Certainly, financial sustainability is important for us, but it's a challenge. One of the huge challenges that we've found is that people expect a lot from their council—the services and the facilities that we've got. People have high expectations from their council. In my time on council so far—I was first elected 20 years ago—I think those expectations have grown. Unfortunately, the ability for us to generate income has not grown at the same rate.

You also get—and I'm sure you've heard it many times—cost shifting. In fact, when I was first elected in 2004, one of the first things I heard was about cost shifting, both from State and Federal governments. I didn't really understand what it meant in 2004. Even today, I understand vaguely what cost shifting means, but I see it in so many subtle ways. We see things, for example, in planning. The planning portal has been introduced for a number of good, valid reasons. It makes planning more open. It makes planning more transparent. The logic behind it is fantastic, but when I look at what we need from a staffing perspective, there's approximately one staff member that is dedicated to running the planning portal for the State Government. There's a number of those types of examples of cost shifting.

Overall, we need to make sure that we've got a valid, viable government. We've got extreme pressures. If we looked at our financial sustainability going forward and we put rate rises in place to cover that, we'd have a 37 per cent rate increase over the next four years. We're not doing that. We don't want to do that for our ratepayers. We want to see that we can keep our rate peg at the absolute maximum that we have. To do that, we need to work with government. One of the real issues that we see with government to make it easier for councils is the sawtooth funding model that we get for grants. A very difficult part is looking at those grants, in particular those capital grants. It might vary over the last five years from anywhere from \$30 million in a year to \$70 million. We don't know when we're going to get those grants. We don't know whether we're going to be successful. There's a cost to apply for those grants.

Some councils, not always Dubbo, make a decision not to put grant applications in simply because they can't afford to put a grant application in, but they need the money from those grants. Some type of model, such as the Federal Government has with the Federal assistance grants, would make a lot of sense from the State Government, where there is money apportioned to local government in a measured way. It'd make budgeting easier. It'd save a lot of staff time both from our perspective and from the State Government, not just to process all of those applications and go through it. There'd still be the ability to have competitive abilities out there for different grant applications, but putting the majority into that and knowing that there is a fairly consistent stream of money that flows—again, knowing how much that is and budgeting for all of that at the beginning is a very difficult process.

It's not just this State, and it's not just this country; we see this problem everywhere. One of the things I was lucky enough to do was last year I met a delegation over in Japan to compare local government in Japan to local government in Australia. The number one issue they had was financial sustainability. It was no surprise to everyone in the room from the Australian side that this was the number one issue over there as well. It is an issue everywhere. How do we solve it? That's the real issue, I suppose. That's the real question here. There are a number of ways that I think we could solve this issue—again, that funding stream that I talked about before, but even some of the competitive processes.

One of the issues we see is the Audit Office and the audit fees that we're paying. We don't have any choice. We have to use the Audit Office and we have to pay the amount of money that the Audit Office tells us we've got to pay. There's the RFS and the emergency services levy. There's a 57 per cent increase in the emergency services levy over the last five years. We have got a whole range of different pressures on us. There's the Electoral Commission. The amount we're charged for an election seems to go up at an incredible rate. Yes, we could use an external provider, but the reality is that it would be very difficult to do that, so we just have to pay the amount that the Electoral Commission asks for. There's a whole range of those different costs that seem to be imposed on council.

At the coalface, we're still trying to deliver the services. We've had a debate recently about one of our businesses, the saleyards. That's a business that many people in Dubbo saw should be run for the community. Trying to get a business like that to make money for the community and deliver a return to the community is

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difficult when you're still trying to keep everything at as low a rate as possible. But we run a number of businesses. We run a childcare centre. We have a caravan park. We've got the saleyards I mentioned. We've got an airport. So we've got a number of businesses. We try and use those to return money back to our community. Again, running those businesses with the overheads you have with the council is quite difficult but that's what councils have got to do. We've got to try and work out ways that we can deliver more for our community.

It's not as easy as lifting rate pegging because we've still got problems with our ability to pay in our community. Our SEIFA score of 966 is not the lowest in the State but it's certainly not the best in the State so when you talk about SEIFA scores and the ability to pay, lifting rate pegging—all that would mean was that more people would have an inability to pay. We know that we've got a homeless problem across the State, including Dubbo. We know that housing pressure is quite incredible. Our median house price just hit \$562,000. One of our competitive advantages used to be low house prices but now we're at the point where those house prices are climbing, which is great for investors but it still makes that housing affordability tougher. If we start raising rates above a level that what we're rate pegging, that still puts more pressure on those people in the community and their ability to pay.

A whole range of pressures there and a whole range of issues—maybe efficiencies in government but maybe one of the other ideas is the workplace hub that's being modified here in Dubbo—fantastic. Seeing more of those in regional areas and seeing more of the staff that are working for the Government in regional locations certainly would help income levels for various areas. I think looking at ways that we could generate more efficiency between State Government and local government so we can deliver the services on the ground that use some of the larger purse, if you like, of the State Government would help. That's probably enough of an opening statement. Happy to take questions.

**The CHAIR:** Thank you for appearing today, Councillor Dickerson. Dubbo has recorded a fairly consistent deficit over the last few years. Why is this?

**MATHEW DICKERSON:** It really comes down to the ability of our residents to pay. We've tried to avoid, as much as possible—well, we have avoided—a rate rise above rate pegging. The last rate rise above rate pegging that went through was back in approximately 2008 and that was a specific rate increase for our Dubbo Regional Theatre and Convention Centre. That's a perfect example. That's a facility that's provided for 200,000 people in the region but Dubbo ratepayers are paying that. When we go through and look at our finances and try to get to the stage we're delivering a balanced budget, it is a challenge to deliver the services that are required by the community while still delivering a balanced budget.

We've gotten back to the point where we're balancing our budget now. A few years ago, certainly, it was largely in the red. There was about a three-year period there where there was approximately a \$20 million deficit recorded. Again, it's a challenge to get that back to the stage where it's not only in the black but has started to fill that hole in but that still doesn't go to the point I've made earlier, where we're still able to deliver all those services the community wants. They would love to see more services. They'd love to see more mowing. They'd love to see our entrances look better. Trying to do all of that with the limited income we've got and the limited ability, I suppose, to get those various monies from other levels of government.

**The CHAIR:** So what needs to change to fix it, would you say?

**MATHEW DICKERSON:** That's an excellent question. That's really part of that whole process. In terms of the governance of council, the overall administration of government or of council—we've certainly seen changes there, where there are more compliance processes that we need to go through and more things where the State Government has pushed some costs onto council. We've got some State significant developments that are happening around this area, which is fantastic. Our staff need to take up their time to actually analyse and make comment on those SSDs but we don't get paid anything. They're not like a DA where we get paid a fee so that would be something where the State Government could say, "Well, we're paid a fee for that. We'll pay you to actually help with that." Are there different areas where the State Government could say, "We realise there are costs being imposed on council. We'll share some of that burden with you and actually pay for some of that"? We don't get paid by the State Government to process those or to make comments on those. The State Government obviously reaps some rewards out of that.

We're very lucky compared to other councils in the fact that we've got a renewable energy zone on our doorstep. One of the things that's fantastic with that is that we get community benefits funds if we're good negotiators and if we've got a good operator to work with. One of the issues that I've certainly talked to the Minister, Penny Sharpe, about is a consistent process there. That would take away our staff time. At the moment we've got 37 projects in the area. Our staff, having individual negotiations with those proponents—multiple negotiations—come back to council for a council resolution, which goes forward to go through that process for each of those. If it was a consistent guideline, for example, where the State Government said, "How can we work

with councils? Let's have consistent guidelines," and every proponent knows that they need to pay, for example, 1½ per cent of capital investment value, it would save our staff time and those proponents would know what they need to pay. It's left up to us with our individual negotiation skills, so a whole range of areas there—certainly cost shifting is a part of it—where additional regulatory compliance has been imposed on council without an additional income stream to offset that. I suppose I have to repeat things like the cost from the RFS, the red fleet, the emergency services levy—all those ones that I'm sure you hear about every time you do this inquiry.

**The CHAIR:** Yes. Other councils that are similarly large and well resourced are able to return a balanced budget. Is there something special about Dubbo that means that you can't?

**MATHEW DICKERSON:** I think the amalgamation has certainly been a part of that. When we went from 12 May 2016 as Dubbo City Council, we were in a very strong financial position. I'm not saying that Wellington wasn't in as strong a position, but certainly what we've seen from that amalgamation is that a lot of work has to be done to bring two councils together. That's eight years ago now that that started. That work is still being done. But certainly we've found that some of the asset base across now the whole area is certainly not in the condition we'd love to see it. We've got the sixth largest network of roads across the State. Roads are incredibly expensive. I attend roads congresses and I say, "Who's going to invent a wonderful machine that's going to go along and magically make our roads better for a cheap price", and everyone laughs at me because that machine doesn't exist. There's a lot of work in roads, a lot of work in keeping those roads up to a correct standard.

We've now got 7,536 square kilometres across the new local government area. We've got approximately 2,800 kilometres of roads that we've got to manage. That is a huge cost in terms of managing all of that and a huge variety in what we service in terms of the people. We've got 200,000 people that see Dubbo as a base. When you talk about from Far West, Bourke, Walgett, Brewarrina, various areas use Dubbo. Now, the businesses of Dubbo benefit from those various people coming to Dubbo to use our services, but Dubbo Regional Council doesn't receive money from all those people using our services, using what we've got, using our roads, for example, and using our facilities. That means that we're providing a service for a huge area but we still are only able to generate the money from the ratepayers of Dubbo. Obviously, every council area is a bit different but some of those council areas may not have some of those same impediments that we do. Certainly, the amalgamation in terms of that large area we've now got to cover.

**The Hon. SAM FARRAWAY:** Mr Mayor, good to see you again. You mentioned roads. Obviously, Dubbo council has a large road network—not the largest, but a large road network. We've heard throughout the inquiry the way State Government distributes funds and we're looking for equity or the most equitable way to do that. You highlighted that in some of your answers and in your opening statement. With roads, we've seen under the former New South Wales Government, and the now New South Wales Government has continued this for the time being, a change in the way we do road funding, and that is based on the size of road network. In your view, do you believe that is probably for the future the most equitable way to help councils or support councils with additional State funding to support their local road network?

**MATHEW DICKERSON:** There's certainly no perfect formula, but what I do like about that method is that you start with a basic formula that says—and debate the formula as much as you like, but you get a formula that makes it a consistent and, hopefully, as fair as possible method of delivering money for roads. The important part about that is that it does take a lot of money, as I talked about before, to go through and do grant applications for every different area. When you've got a road that needs some work, we're putting in for grant funding for that. Can we get some money for that? We go through and put a business case together. There's a lot of time and effort from a staff perspective for an unknown to deliver that. There is a cost associated with that.

If you've got a set amount that comes in—for example, if there was a formula that said for the length of the road network—or a formula that, again, can be debated at length and then decided upon. If there was a formula that said, "Your road network each year, we'll give you X dollars. We trust you, council, as a democratically elected body to go and spend that money in the best possible way across your road network", that, to me, would make it very easy, or much easier, for our staff to budget on where that money can be spent. We would know consistently how much money we'd have coming in. We could plan many years in advance. It's quite difficult to plan.

**The Hon. SAM FARRAWAY:** This, though, essentially has been happening. There has been a shift under the former Coalition Government and now the new New South Wales Government—not so much now anymore, but the current New South Wales Government—looking at this. What I've found, and I'd like your opinion on this, is that we need to ensure that councils have the unsealed road network included in the funding that's distributed by State because for so long there hasn't been that funding for unsealed road networks, correct?

**MATHEW DICKERSON:** Yes, that's exactly right. Certainly, the unsealed road network is extensive in our case—absolutely. Again, that's where I think the debate can occur: to arrive at a formula that says, "Each

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council, we're going to receive budget on that—unsealed and sealed roads. You decide where you're going to spend that money in the best possible way." That, I think, would be much better. Essentially, to reduce the amount of grant funding that you have to apply for and increase the amount of money you receive on a consistent basis makes a lot more sense. Again, I think it would be better for the State Government—and I think there's a lot of trust from a State government to allow councils to then deliver that in the best possible way.

**The Hon. SAM FARRAWAY:** From your perspective as the mayor of Dubbo Regional Council, but also your role with Regional Cities, when we see governments moving back towards a BCR—and, essentially, a beauty contest for, let's just say, road funding in this instance—that really does disadvantage smaller councils, doesn't it, because they don't have a dedicated grants officer. They don't have the resources of a larger council like Dubbo to be monitoring which grants are available, having a dedicated officer putting those applications in and then, essentially, you could be competing against Orange or Bathurst or Narromine councils for the same pot of money. That really is not equitable, is it, for regional New South Wales councils and we should be moving away from that. Would you agree with that view?

**MATHEW DICKERSON:** One of the things I have certainly had discussions with smaller councils in Dubbo in many years gone by has been that sometimes councils make a conscious decision not to put a grant application in because they simply can't afford to put the grant application in, which I know sounds counterintuitive because you need the money. Obviously, if you can't afford it, you need the money more than ever but, because you don't know whether you're definitely going to get that money, some councils make the decision not to put those grant applications in. So, if there was a fairer way where money was distributed in a more equitable way across councils—that might mean that Dubbo Regional Council misses out on some money because it's being distributed better, but I think for councils across the State, it would be fairer overall that everyone could bank on a certain amount of money coming in, making budgeting easier, making it easier for everyone to plan their road network.

Good councils that I've been involved with in the past and the present plan very well. They don't plan for the next six months or the next year; they plan five years, 10 years or 20 years in advance. I remember, when I first got back on the council a couple of years ago, we opened Boundary Road. I remember that planning started about 10 years before that. Now, that road is a very important distributor in our road network. It took about 10 years of planning, getting some grant applications in, getting some money from developers to finally get to the stage where we built that road. Good councils do plan in the long term, but it's much easier to plan if you can say that over the next year, five years or 10 years, we know how much money we've got coming in for our roads. I still think there's a place for extraordinary projects to be able to have a grant process, but I would support absolutely a reduction in the ad hoc grants, if you like—the various programs—and an increase in the regular funding that came out to councils.

**The Hon. SAM FARRAWAY:** From your view, is one way to do this to maybe overhaul the roadblock grants that come annually from State Government to councils across regional New South Wales? Should we be looking to overhaul that process—because it hasn't been reviewed in several years now—as a longer term funding model that councils know how much money they've got coming to maintain or support from State Government around their local road network?

**MATHEW DICKERSON:** Yes. When I said, "debate the formula", if you like, looking at an overhaul of that, that's exactly what I'm talking about. Work out a way—and, again, have that process through an open public debate. Councils can feed into that. Obviously, ultimately, the State Government would make the final decision on that, but at least you would say there's been a process, we've gone through, and we've now arrived at this formula—whatever that formula looks like. Hopefully, it would be as fair a formula as possible and then that would deliver money on a consistent basis to various councils to be able to do their road network.

**The Hon. SAM FARRAWAY:** As Chair of Regional Cities representing so many different councils across New South Wales, there has been that discussion and policy discussion around betterment funding, in particular on the back of natural disaster events, which this region has copped its fair share of as well. Do you think all levels of government—including local government as well, but particularly State and also the Federal Government—should be looking at better funding programs or better support around betterment. In particular, for roads when we're rebuilding—whether it's local roads, regional roads or even some of the State highways that your road network here would intersect with. I think the community expectation, whether it's a ratepayer or a constituent, is we're going to build roads back. We should build them back properly to withstand future freight movements and future weather events. Is that something that Regional Cities has a view on?

**MATHEW DICKERSON:** Certainly. I'll talk about one specific example from Dubbo Regional Council to start with. There's a road in our road network called Saxa Road. It's a regional road. There's a causeway on that road. Any resident that lives out near that particular area will tell you that every time we get a certain

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number of millimetres of rain, they know that causeway will be under a certain amount of water. They know how much rain you need to be able to take your four-wheel drive across there or just a normal car across there. During the 2022 flooding events that causeway was essentially destroyed. We had discussions with the State Government—both the last Government and the current Government—to go through a process to say there's no point replacing this causeway with another causeway because we know the same problem will exist.

Another part of the issue was Fisheries, because it was in a waterway. Fisheries were involved in that process as well and didn't want the causeway replaced with a causeway. That was another slight spanner in the works. Ultimately, we received most of the funding to build a bridge there. For the residents in that area, they saw this as a huge win. But also, not just productivity every time it rained when you mightn't be able to get across there or only certain vehicles could get across there, when you have major events, it was probably going to be the situation where that causeway was going to be damaged or have money spent on it every 10 years, maybe every 15 years. Logically, the residents in that particular location said, "Why don't you build a bridge?" Again, from our perspective, we didn't necessarily have the funds to be able to do that. But going through that process, convincing the powers that be that betterment funding, that making that a better result—

**The Hon. SAM FARRAWAY:** I suppose the real question here is the category D disaster funding. That process and the criteria shouldn't just be rigid like for like, should it? There should be some flexibility, and that should be the learning over the natural disaster events that the entire State has endured over the last few years, shouldn't it? We're not gold plating infrastructure, because that's what they say in Canberra. It's about building it back better, isn't it? That's really the expectation of the ratepayers that you represent here. If you're going to build that back, whether it's a new culvert or better drainage—if you're going to do it, do it properly.

**MATHEW DICKERSON:** I think people generally understand that you want to make decisions for the long term. Of course, the issue is that—

**The Hon. SAM FARRAWAY:** But the funding criteria doesn't allow us to do it. It's all on a case-by-case basis, which isn't really assisting local government, is it?

**MATHEW DICKERSON:** The problem is, of course, then you've got less money to spend. Again, that's an issue for the State Government. I'm not trying to solve that problem for you.

**The Hon. SAM FARRAWAY:** It's not my problem anymore.

**MATHEW DICKERSON:** If you spend more money on certain projects, that might mean less money for other projects. But if you look at a long-term view of that, certainly it makes sense. There are roads that everyone who lives in a certain area knows that every five years that road will be destroyed by certain rain events, and then they fix it up. Why don't they fix it properly? We get that at council as well. Someone will say, "Why did you patch that road? Why didn't you do it properly?" I think every level of government gets some of that criticism from time to time.

But having the funding there to do it properly, to return that back to something we know is going to be long term, one of the issues is that sometimes governments—all governments are guilty of this—make decisions in the short term because they want to deliver something for the residents. But maybe taking a broader picture view makes more sense. In this case, that causeway I gave the example of, we've had to talk to the residents there and say, "While we're building a bridge, you're not going to have any crossing there." But the residents said, "We understand it'll be very inconvenient while you're fixing it, but once it's done—fantastic." It sometimes involves a conversation with the community. But, absolutely, putting things back to a level that's going to be long term makes a lot more sense.

**Dr AMANDA COHN:** Thanks so much for being here today and also for hosting us in your beautiful city.

**MATHEW DICKERSON:** Did we charge you for renting this room, by the way? Is this more cost shifting?

**Dr AMANDA COHN:** I have to assume that we are paying the appropriate fee for the rental of your space.

**The Hon. SAM FARRAWAY:** Stephen said it was for free.

**The Hon. STEPHEN LAWRENCE:** I certainly hope not.

**Dr AMANDA COHN:** I was hoping to ask you my first couple of questions in your capacity as chair of Regional Cities New South Wales, which has provided a really excellent written submission. In particular, I want to draw out the point that Regional Cities New South Wales has made about the role of local government in providing arts and cultural facilities in regional New South Wales. There was quite a compelling statistic in

that submission that 12 individual Sydney-based organisations received the majority of private sector funding for arts and culture in New South Wales, which then obviously means there's a huge need for public funding to be going to regional facilities. You said in your opening statement that there's an increasing expectation from communities for councils to be providing a whole range of things that now includes museums and art galleries. If local government weren't stepping up and showing the leadership and providing those sorts of facilities in regional cities, who would? What would happen? Would regional residents have the opportunity to engage in arts and culture?

**MATHEW DICKERSON:** You'd have a cultural vacuum if local government didn't provide those facilities. I'll talk a little bit about Dubbo and talk a little bit about regional cities and use Dubbo as an example. When I was first elected to council in 2004, the major issue at the time was a tiered theatre for Dubbo. We didn't have a tiered theatre at the time. We had a flat floor in our civic centre, but we didn't have a tiered theatre. That was a major election issue. Councillors adopted that and took that on board. We had a facility that we knew would cost about \$14 million to build, and we applied for grant after grant after grant, both Federal and State. The total number of grants and the total dollars we received for that facility that we ended up building was approximately zero dollars: no support from State and no support from Federal.

Now, I'm going back a long time. I'm going back many years now. What we ended up doing was—as I said before, the last rate rise above rate pegging that we've had for Dubbo city council or Dubbo Regional Council to build that theatre. It was a 2.5 per cent rate rise over two years, so not a huge rate rise. We spoke to the community and said this was important to the community. The community supported us, in the main, for that particular facility. So we built that facility—fantastic. We opened it in 2010. Most people now would say, "I'm quite comfortable with that rate rise." Without that rate rise—in all my time involved in local government, I've been involved in one rate rise above rate pegging and that was to build the theatre. That theatre that we've got still costs us money to run. We don't make a profit on that theatre. About 30 per cent of the people that come and attend that theatre come from outside our LGA.

The point that I made before, that we are providing services for the region, is a perfect example of that. I see that as a tourism attraction for Dubbo. People come to that theatre. They attend the theatre. Often they are at night-time, so they stay overnight in a motel. We provide the theatre but we don't make money out of that. The motel makes some money out of that. They use our roads and they use our facilities. We're providing that for not just Dubbo but for the region. Similarly, with our Western Plains Cultural Centre that was opened back in 2007, that was a process where it was an old high school called Dubbo High School. We approached the State Government in the early 2000s to have that high school, which was no longer being used, gifted to Dubbo city council. We had to pay for it; there was no gifting there.

We paid for that facility. We spent money on that facility and now that is a fantastic facility. The number one visited facility that Dubbo Regional Council owns is that facility. About 150,000 people a year go through that. Again, over 30 per cent of people that go through that are from outside the LGA. That's not just limited to Dubbo. We, as regional cities, will go around—we mainly meet in Sydney, but we do go around and do some visits to other areas. We've been to places like Tweed and Lismore after the floods to see the damage done there. We've been to Albury and Wagga recently. All of these regional cities you go to have some type of cultural facilities. It's difficult to make money out of cultural facilities. It's difficult to build facilities that are profit generating. To have a well-rounded and mature community, I think—and certainly the community agrees and councils agree—that culture is a vital part of that.

If I go back to 2004, when I was first elected, Dubbo had a very strong range of facilities from a sporting perspective. I am happy to admit that I don't think we had enough for our cultural facilities. Where we're sitting right now used to be our cultural centre. When I say our cultural centre, it was probably four or five pieces in this facility. It was a very small facility. What we've got now is a wonderful facility. We really had a vacuum there from a cultural perspective. Dubbo has matured a lot in the last 20 years. We've now got, I think, a very strong cultural presence and a very strong group of people in our community that are involved in arts and culture, and that's for the benefit of Dubbo. Dubbo is a richer place because of that. And the costing of that? Dubbo city council and Dubbo Regional Council have borne the costs of that over those years.

**Dr AMANDA COHN:** The two examples you have provided from your own community in Dubbo are really excellent examples. Thank you. I would be interested if, on notice, you could go back to the other members of Regional Cities New South Wales. I imagine that they would have similar examples of the benefit to the broader region of the arts and cultural facilities that they are providing.

**MATHEW DICKERSON:** I'm happy to do that. I've got examples of the facilities, but I don't know the exact costings for some of those other facilities that are in those other environments. It is certainly a part of that, and I will find out some more of those numbers for you because I think it's a very valid point that you're

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making. Culture is needed across the entire State, not just in Sydney. For us to provide that—we end up providing what the community wants even if we have to work out how to fund it in some way, shape or form.

**Dr AMANDA COHN:** Similarly, the Regional Cities New South Wales submission raised the issue of regional airports. It provided the statistic that 60 per cent of regional airports are operating at a loss. Obviously, even airports that aren't viable for commercial passenger routes are still really important. Even just for health and emergency services to be able to access those regional airports, I think the whole community of New South Wales needs them to exist. Some regional cities and some of your members have airports that are profitable and run very well. I'm interested in what Regional Cities New South Wales is doing to coordinate and facilitate any of that work, but also what's needed from State Government to support those airports to be viable.

**MATHEW DICKERSON:** We did meet with Catherine King recently. We did offer to give her back all the airports, because the Federal Government gave those to councils back around 1970. But Catherine politely declined the offer to take back all the airports. They are a drain on most councils. Dubbo isn't. Dubbo's quite fortunate. During COVID, it was a drain, but Dubbo—we do have enough passenger numbers to actually support a profitable venture there. But there's a few issues when we talk about airports. When I say Dubbo's profitable, Dubbo's profitable running that. We've been fortunate enough to be able to receive grants for some major infrastructure. Even at the moment we've been talking to the State Government about a grant in the vicinity of \$60 million to provide some additional runway lengthening and strengthening of our airport, not so much for our passenger traffic but for the large aerial tankers that are used for the Rural Fire Service.

At the moment, there is an RJ85 that comes each summer and stays at the airport. The lease for that runs out in another year, and the RFS will start to use their 737s. Their 737s can't use our airport, both for the strength and for the length of that particular airport. So there's certainly an issue of providing services not just for passengers—that large aerial tanker is a perfect example of that. One of the things with airports is they're absolutely a vital link to the rest of the State. Airports across regional cities in New South Wales are vital links to those and, as you've alluded to, not just a vital link for that particular community—not just being able to fly into Wagga or into Albury or into Dubbo—but being able to provide services to their entire region. Many people from the region here talk about the fact that they come into Dubbo Regional Airport and then fly to medical appointments, fly to wherever they might need to fly from Sydney or maybe beyond there, because they're not serviced by those other airports. So they're vital.

Part of the issue there is whenever we talk about putting our fees up for passenger traffic, whether it be Qantas or Rex or whoever you might be using for those particular carriers, there's pressure from those carriers obviously to get those prices as low as possible because they want to keep their ticket prices as low as possible. That certainly is an issue. So we're trying to work with our community to say that we can make this airport at least break even, hopefully return some money back to the community, but then there's the pressure from the airlines to get those fares as low as possible. For that airline to be viable for the people in your community to use it, what we really rely on from the State Government, largely, and sometimes the Federal Government, are grants for major infrastructure and, exactly as was discussed before in terms of roads—having some consistent funding for roads—having a program where you know that you could bank on money for airports for that major infrastructure.

Not for running costs—I think if regional cities that have got airports as part of those facilities knew that their capital infrastructure upgrades were taken care of running on a day-to-day basis, most of those would be able to get to the stage where they're delivering a profit. But when we've got to account for depreciation—our accounting standards say we've got to account for depreciation—when we've got to actually pay for those capital infrastructure upgrades, that makes it very difficult to deliver a profitable airport. So, I suppose, from a Regional Cities perspective, if there was a program where we knew we could have large capital purchases funded by an external body—State Government, for example—I think we could probably get to the stage where a model could be delivered where we could actually get the operational on the day-to-day basis to the stage where we're actually in the black for those.

**Dr AMANDA COHN:** I did have one last question about the toilet that was built last year at Lion's Park West which received quite a lot of media attention. I understand that was quite an expensive public toilet relative to other councils and that it had a relatively unusual design. What kind of strategic plans or policies does Dubbo council have to determine the design or the needs for public toilets?

**MATHEW DICKERSON:** I don't want to be too harsh on you, but you've been given incorrect information. The last three toilet facilities that have been built by Dubbo Regional Council have been priced—one in Church Street was approximately \$500,000, and one in Cameron Park in Wellington was approximately \$300,000. The toilet that you've mentioned there in Lion's Park West was approximately \$300,000. In terms of more expensive, when you take into account the building cost increases over those previous two toilets—the

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Cameron Park toilet was a \$300,000 one. This toilet that was built was built several years after that, and we all know the building costs have gone up quite dramatically.

For Australia during COVID, building costs were going up around 10 per cent or 12 per cent a year. Over those last three toilets, the most recent one built, Lion's Park West, was built cheaper—certainly in relative terms, in real terms—than the previous two but, more importantly, it actually delivered more cubicles and more facilities for the public than the previous two toilets that were built, in terms of the ability for the number of people to go to the toilet. That was a very cost-effective toilet that was built and, certainly for the community, much more beneficial because of the number of people who could go to the toilet. Part of the commentary that might be coming from there might be fact that the construction method that was used with that was 3D printing.

I'm very excited about this concept because the State Government at the moment, as we speak, is actually funding more 3D printing facilities in Dubbo for social housing. I'm happy to give you a three-minute history on this as well, just to make sure you have the correct information. I'm not sure how long I have left, but if you have three minutes to hear—

**The CHAIR:** You have nine minutes.

**MATHEW DICKERSON:** I definitely have three minutes, then. In terms of some land development that council does, one of the ways we try to make sure we have enough land development in Dubbo is we do—we are a land developer in Dubbo, as well as other private developers. Two years ago we reserved, in a future land development of Dubbo, four blocks of that for a new method of construction which we believed would be cheaper and faster to try to solve the housing crisis. We reserved four blocks of that for 3D-printed toilets. That meant we weren't going to build those, we weren't going to construct those, but we were flagging to the industry that we had four blocks reserved for 3D-printed housing. That created a huge amount of interest, and we ended up doing videoconferences with approximately seven different companies that were able to provide that type of facility. We weren't ready to build those at the time, but we thought it was interesting the amount of interest that was there.

When we had a toilet block that was ready to be replaced, that was in our budget from several years earlier. There was \$300,000 in our budget for a toilet facility to be replaced. When we went to that one, we said, "This would be a great chance to test out the process of 3D printing." We put that out to tender. We got a tender that came in at about the price of \$300,000 that I mentioned there, so we went ahead with that particular company to build those toilets. They were built in incredibly quick time. The process we found absolutely fascinating. But it also gave our staff the chance to go through an approval process. How do you approve a 3D-printed product? How do you look at the construction of that? It was actually a spectator sport during the printing process there given the number of people who were interested in that and the number of people who visited from both levels of government, from individual firms and from architectural firms et cetera. That was built and it was an incredibly successful process. That stands there today. I encourage you to go and visit that when you leave today. It's quite fascinating. It's a tourist attraction in its own right. But on the back of—

**Dr AMANDA COHN:** It is my intention to visit this afternoon but I have a couple of follow-up questions, if I can. It has been really helpful for you to clarify some of this. When I was trying to google comparative toilets—this one you might have to take on notice because you've cited the cost of some of the other toilets that you've built—there's Larkin Oval. Bogan Shire Council built a toilet block of seven single-use cubicles with disability access for \$128,000, which seems significantly less than the other toilets that you have cited at Dubbo. I think there is a question on notice here about, perhaps, the tendering and procurement process that Dubbo is going through for the construction of their toilets.

But the other question I wanted to ask about the really innovative process that you've gone through—and particularly if that's something that Dubbo is going to continue to invest in moving forward—is if there has been any work done with those providers about the design of public toilets. Apologies, Chair, but this is of particular interest to me from my time as Deputy Mayor of Albury City Council, when we were looking at best practice single-cubicle design. That was particularly called for from people with disability and people who need to access public toilets with carers or parents of young children. Is there going to be capacity, moving forward with that construction style, to do best practice single-cubicle design?

**MATHEW DICKERSON:** I'm not sure about best practice single cubicle because I'm not convinced that that is best practice according to our community. But in terms of the actual construction, obviously the beauty of 3D printing is you can use that to produce any design you want. If you want single cubicle, absolutely; if you want the more common open cubicle, that's certainly able to be done. But one of the interesting things was we approved our budget last night at our council meeting, and one of the components of the budget was to investigate the Cameron Park toilets that I mentioned before, because there have been complaints, loud and clear, from the community since the building of the toilet because they replaced the open-cubicle style of toilet that was there

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previously with single cubicles and there have been complaints from the Wellington community since that time. Part of our budget process last night was to look at what we will be doing to actually fix that problem in Wellington, because now there aren't enough toilets in Cameron Park in Wellington to service the residents of Wellington. The single cubicle certainly hasn't been adopted or accepted by the community, and that Wellington example is a clear example of that.

**Dr AMANDA COHN:** I think I've probably indulged enough of the Committee's time talking about public toilets.

**MATHEW DICKERSON:** I'll finish with one last item. One of the things that I think is absolutely critical about that 3D-printed toilet that we mentioned before was the fact that now we've had discussions with State Government and Federal Government about this process because we know we've got a housing crisis. We've led the way on this. There's no other government across the nation that has produced a 3D piece of printed infrastructure. Again, the Government as it stands at the moment is funding social housing in Dubbo on the back of that. The 3D-printed process for the State Government is exciting because not only is there a fast, efficient way to produce more housing but the ongoing maintenance—where sometimes maintenance is quite expensive with social housing—of a double skin concrete wall is very attractive. So expect to see more 3D-printed housing, and I'm very proud to say that Dubbo has led the way for State Government and Federal Government to be able to develop this type of housing.

**The CHAIR:** Has it still got cracks in it? I have just googled it. I'm genuinely interested. The first thing that comes up is, "Cracks appear in Dubbo's \$300,000 3D-printed toilet block."

**MATHEW DICKERSON:** Any concrete structure will have some microcracking. The concrete slab that we're sitting on now will have some microcracking in it. With the microcracking, when that was built, we specifically said to the builders, "Don't paint it because we want to see how it performs in the environment." Microcracks appear, which everyone expected. Once those microcracks appear and the builder saw that, at their expense—that was part of the contract—they then patched the cracks and painted that. No-one is concerned about those cracks.

**The CHAIR:** That is very good to hear. Do you have any final remarks you wish to make in the last three minutes that we've got?

**MATHEW DICKERSON:** I'm disappointed that in an inquiry into the financial sustainability of local government across the State we end up talking about cracks in a toilet!

**The CHAIR:** It's all to do with financial sustainability and the decisions that councils are making to invest in services to provide for their communities over the long term. Thank you. We will now have a short break for 15 minutes.

**(The witness withdrew.)**

**(Short adjournment)**

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**Mr DAVID SHERLEY**, General Manager, Bathurst Regional Council, sworn and examined

**Mr AARON JONES**, Director of Corporate Services and Finance, Bathurst Regional Council, sworn and examined

**Mr IAN CLAYTON**, Manager of Property and Revenue, Mid-Western Regional Council, affirmed and examined

**The CHAIR:** Welcome and thank you so much for making time to give evidence to this inquiry. Would any of you like to start by making a short opening statement?

**DAVID SHERLEY:** Thank you for the opportunity to come and address the Committee; it really is appreciated. From our industry, it is an important matter—the long-term financial sustainability of the council. Just quickly, in terms of the submission we put in, I think a lot of it will have commonality across the industry. Certainly, I won't go on more about rate pegging. You are aware of the issues there. Issues with special rate variation processes have probably been discussed on a number of occasions, and I think what we've put in there covers it. On the cost of service delivery, I would only just draw a point—and it is in ours—that the costs continue to increase and a number of items, such as the rate peg each year, just don't keep pace with it. I think we need to see how that can be dealt with.

The other one I wanted to quickly mention—because it's one that doesn't really get talked about a lot—is two things. The expectations of our community as to the level of services they receive—we're particularly seeing that in locations such as Bathurst where we're getting more and more people coming out of the city area, and they expect a higher level of service than what has traditionally been there. As a former amalgamated council—in 2004 we amalgamated with the doughnut council around us, Evans Shire Council. They were brought over with basically the same revenue rates in place. What we are seeing is that there is a desire for the same level of service to be provided in rural areas as what is in the city area. That is something that is difficult to come to grips with—and the funding of it.

We always talk about cost shifting, but the one I would like to raise is the movement of responsibilities. If you don't mind, I will give what I think are two really good examples. One of them is the recent movement, particularly through the Federal Government, of the Modern Slavery Act compliance. What's happening with that is councils are being expected to proof check or proof test their suppliers as to their position with respect to the Modern Slavery Act. As a council—a good example—we've got over 4,000 creditors, and we're expected to go and examine all those 4,000 creditors and liaise with them to see what their compliance is in terms of the Modern Slavery Act.

It seems to me that it's a bit around the wrong way, in that that's being imposed down at a local government level whereas, surely, there should be an overarching compliance listing or whatever coming from the Federal Government. We're probably finding—and this is just a small example—that our purchasing officer is spending one to three hours, at least, each week trying to check those and writing off, and it will continue on. We are working with the Central NSW Joint Organisation to try and do a bit of a combined operation to try to reduce the costings, but it would seem to me to be a logical thing to go at a higher level, and it will be something that will continue into the future.

Another example that I would use is the recent movement with respect to cemeteries, whereby the operation of rural and old Crown land cemeteries is being imposed on councils. We're being told that there is a level that they must be maintained at and that we then become the cemetery operator. Traditionally, in a place like Bathurst we have one main cemetery, which we have contracted out to a private operator, and there are probably around about 16 or 18 small rural cemeteries. Of those, only six operate. Those six probably take about three burials a year. The difficulty we will have is that we're having it imposed on us to maintain the cemeteries—that were not the council's—at a certain level. We're being told that we now become the operator of the cemeteries. If people want to be buried, we don't even know—some of these cemeteries go back to the gold rush days. If they want to be buried in them, no-one knows, when you dig up the ground, whether there's actually a coffin there. That's going to require a lot of work to survey, and possibly things like ground-penetrating radar.

The reason I raise it is it's an important issue for community as to their cemeteries. I think, though, that there is an unforeseen circumstance occurring, that it's been put onto the councils but someone's got to find the money to pay for it. Those costings aren't necessarily built into our operating structures or IPART. At the same time, we're also going to be asked to collect a levy on behalf of the State Government for every person that's put into the ground. That's alright, but again it's a levy that presumably we will collect—but with no revenues. Generally, as I said, the other items are pretty much covered there. Just one little quick comment from what was raised with the Mayor of Dubbo. Certainly I agree with him about the issue of cultural facilities. We're a major

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cultural facility provider. It is a role that, particularly, the regional cities are having more and more, not thrust on them, but taken up to ensure our community growth, health and wellbeing.

**The CHAIR:** Did any of the other witnesses have an opening statement to make?

**AARON JONES:** Not from me.

**IAN CLAYTON:** If I may, just briefly, I apologise that our general manager and director, corporate, weren't able to be here today. My area of speciality is on the revenue side of the ledger, but I do have a pretty good understanding of the issues council's facing more broadly. But if there are things that I'm unable to articulate, I'd be happy to take those on notice today.

**The CHAIR:** Thank you for making time to appear. It's much appreciated.

**The Hon. SAM FARRAWAY:** Firstly, welcome to today's hearing. I'll declare from the beginning that I'm a ratepayer of Bathurst Regional Council, so the GM and director here are from the council where I live. Mr Sherley, obviously Bathurst went through the SRV process a few months ago. It was a quite harrowing experience for anyone and everyone involved—and, I suspect, including for yourself as the GM at the time. What went wrong in that process? What are the learnings that Bathurst has taken out of it that this Committee could hear about to maybe look at the process or, fundamentally, what the future looks like for regional councils in the Central West?

**DAVID SHERLEY:** Yes, it was a difficult process. Probably one of the lessons that I think could be drawn out of it is that the system of getting a variation in your rate peg, I personally feel, should be left entrusted to the council itself, as long as you are undertaking your community strategic planning and going out and consulting. As a really good example for us, at the same time as we were looking for the SRV process, we didn't, unfortunately, finish the consultation period. We had done the majority of the consultation and one of the councillors put in a notice of motion in the middle of the consultation period to cease the consultation. That got approved. Before we had even finalised, that had been completed.

A lot of that was because we had a very active anti-SRV group and it was quite distressing, the attitudes that happened. I will talk for the staff. We had staff abused for the process and physically threatened. I had staff who wouldn't wear their corporate uniforms because of the actions that were occurring. If there was the flexibility to have a look at the rates so that you could vary over the years—because we have been talking for at least 10 years about the need for an SRV. The sheer size of ours at 68 per cent, I think, caused issues. If we had done a more flexible approach, that may have helped. I think the system needs to allow that.

Getting back to my comment about entrusting it to the councils, we had the SRV go but, at the same time, the staff with the councillors looked at our water fund, our sewer fund and our waste fund, which operate under separate systems. This year the water fund will go up 15 per cent, the sewer fund will go up 12 per cent and the waste fund, 9½ per cent. That was out in the public domain for discussion and everything, and we had no issues with that. I suppose my comment would be that I think the system of trying to get a rate variation lends itself to that angst. Certainly, the consultants we used were very good and have a large track record in that space.

**The Hon. SAM FARRAWAY:** You obviously engaged consultants as third parties to come in and review the processes, which is doing a due diligence. But what led to 68 per cent? I think it was over four years, wasn't it?

**DAVID SHERLEY:** The 68 per cent was over three years.

**The Hon. SAM FARRAWAY:** What are the main issues that Bathurst Regional Council, from your view, were facing to be 68 per cent over three years?

**DAVID SHERLEY:** A large portion of it reflected infrastructure maintenance, and that was looking for funding. The agreement with the council was that we would look at getting an SRV that would maintain assets at the current level of expectation. We are now reviewing that as to whether we will provide a lower level service on our assets, given that the SRV was gone. That was probably the largest part, getting that infrastructure backlog and maintaining it. We also sought funds to assist in cyber issues. As are all councils, we are forever having our systems attacked by various people, the same as the State. As part of that 68 per cent, we were trying to raise money for the cyber security.

The other area that we were wanting to raise money for is a little bit about what I spoke to you about earlier about the expectation for higher levels of services. We are finding that in rural communities—and they've got very good progress associations. But when they used to run 20 years ago, the local community would know the park, go and clean the public toilets and do all that. They are now not doing that and they are expecting the council to do those operations. There was an allowance, I think—of the roughly \$16 million we are looking at—

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of \$2 million that we were seeking for that. To put on parks and gardens gangs, as you could imagine, if you are covering all the way from Hill End down to Trunkey, there is a lot of travelling time as well. Ours was reflecting those sorts of issues.

**The Hon. SAM FARRAWAY:** Putting aside some of the issues you have raised and depreciation, we have heard throughout the inquiry about the volatility of grants and the fact that larger councils may have the ability to have an in-house grants officer versus smaller councils that can't even afford to possibly pay a person to put the grant in. In the case of Bathurst, what has worked—whether it's in roads or community infrastructure—in terms of equitable funding that has been delivered from either the current or former State Government for programs that actually work? Are there any programs that you have seen over your time that worked better than others that this Committee and, I hope, the now State Government should be looking at?

**DAVID SHERLEY:** Look, I'd use as a good example—and it depends on what is available at the time, but the bridge replacement programs, particularly for timber bridges. You'd like more money every year, but you know that it's going to happen. I suppose that fits in. It's the knowledge you can rely on that these programs are going to occur and go into the future. With the timber bridges, when we amalgamated with Evans, Bathurst City Council that year that we amalgamated got rid of its last timber bridge. Then we amalgamated with Evans and inherited 20-odd. I think we are now down to about eight. But the timber bridges program, you know it's there. And what you tend to do, working with Transport for NSW, we will in advance design bridge replacements so that when the money becomes available, you've got something to put in. That works really good. It flows, knowing the money.

I've got to say that recently the LRCI program was fantastic, and I hope it continues. The broad spectrum that that allows has been a really useful program. The ones that become a bit difficult are where there is a grant that particularly gets you into something that's not normal, but there's no ongoing operational funding. We have been lucky. We have had good funding from the State Government with our art gallery, but that's a good example of where some councils, you just don't get that operational funding. I think that's what needs to be looked at, particularly when you build new infrastructure. And they will vary. Probably you know our collections facility that we have built, the Central Tablelands Collections Facility. That's now open at the end of last year, but that was a project we had on the books for 20 years until an appropriate grant program became available.

**The Hon. SAM FARRAWAY:** I have a final question about BCRs. In regional areas, if you applied a BCR to everything, you wouldn't probably build much, to be honest. In your view, how can the Government find more equitable funding models that aren't reliable on a BCR every time—or aren't reliant on a beauty contest between Bathurst council versus Blayney or Oberon or Orange for the same pot of money? I suppose my question is do you believe that that funding model of, essentially, a contest with a BCR is going to work and make it sustainable for councils, whether it is Bathurst or anyone into the future?

**DAVID SHERLEY:** I think, particularly in the regional areas, you are trying to provide facilities for your community for lifestyle and living, and BCR can be a real problem because there are a lot of items that your community are demanding and the benefit-cost ratio just wouldn't be there. Probably, in our place, it is sporting. As you know, there are a lot of sporting facilities in Bathurst. Over the last decade or decade and a half, we have built clubrooms for the AFL, we have built clubrooms for the rugby union, the rugby league—and that's to create lifestyle. But also we see as an underlying thing for Bathurst is the attraction of sporting carnivals.

On Hereford Street, it is just getting finalised, but we have now got six fields there. At either end there are two big clubhouses because the rugby union uses one end; the other end is used by the rugby league. There are another two ovals in the middle. The benefit-cost ratio of that will never be anywhere, but it provides the community—and we have currently attracted the Koori Knockout to come to the council area at the long weekend in October. That's expected to bring somewhere between 14,000 and 20,000 people to that event. But trying to get the benefit-cost ratios to fully acknowledge those is extremely difficult. I think it needs the Government working with councils, particularly through our community strategic planning process, to identify what our communities want, and then that identification should then feed in to the government funding programs and what they see is the way to go.

**The Hon. SAM FARRAWAY:** I have one quick question for Mr Clayton about Resources for Regions. Mudgee would have been a huge beneficiary of that program when it was in place. Was that correct?

**IAN CLAYTON:** There were projects that were funded that way, yes. One of the significant costs was the Ulan Road between Mudgee and where the mines are located. It's an extremely busy section of road for a local road, essentially. So there was funding that came through that source.

**The Hon. SAM FARRAWAY:** But Mudgee would've received a baseline amount from that program. And, depending on the commodity and the output, obviously it would then change.

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**IAN CLAYTON:** Yes.

**The Hon. SAM FARRAWAY:** What sort of pressure does that put on Mid-Western Regional Council now that that baseline funding is no longer there? You've got all the challenges of maintaining Mudgee as a beautiful destination but also a mining town, with the workforce, with the use of the roads and the community infrastructure. So you've got all those challenges but, essentially, you no longer see any of the royalty return to your LGA. What sort of pressure does that put on your rate base and expectation for Mudgee and the entire LGA—Gulgong and Kandos-Rylstone—into the future?

**IAN CLAYTON:** It's certainly going to continue to add pressure as time goes on. With rate pegging in place as it is, it can't take a lot of that stuff into account. The IP&R process—our council advocates that that should be more important in rate pegging because then the community is having a say in the services that they wish council to be providing. It's extremely good at working out the wants and aspirations of the community but not at funding that. Certainly, the withdrawal of that type of funding definitely leaves a hole, and it may be that the service level can't be maintained as it has been. Our council area is also right in the sweet spot for solar farms et cetera as well, which are having huge impacts, at this stage, on staff time and trying to coordinate those projects and inquiries from developers et cetera. But, as time goes on, there will be huge workforces attached to those projects that are going to impact the region as well.

**Dr AMANDA COHN:** Thank you all for coming to give evidence today. It's much appreciated. I had a couple of questions about the recommendations you made for the way forward in your written submissions. Firstly, Mr Clayton, rate exemptions has come up earlier in this inquiry, from some of the peak bodies as well. I'm interested in the impact, particularly at your council, of those rate exemptions. Could you give us some examples or some detail?

**IAN CLAYTON:** Yes, sure. There are many exemptions, as I'm sure the Committee is aware. Community housing providers is one area that has impacted our council in recent times. There's been a shift, I suppose, in the ownership of some of those types of housing from Housing NSW and the Department of Housing to community providers. The Department of Housing is rateable under the legislation. When it goes to a community housing provider it's not rateable. They're being used for the same purpose. They're providing housing. The residents are using the facilities that council needs to provide, but they're removed from the rate base, essentially. So that's one area. I understand Bathurst and Orange and other councils have been similarly affected with those properties becoming unrateable.

**Dr AMANDA COHN:** Feel free to jump in if there are examples at Bathurst as well.

**AARON JONES:** We are incurring similar experiences in the growth in the community housing industry in our area. The exact areas Mr Clayton has just pointed out—we are experiencing that same problem in our space as well. It's becoming an increasing need, especially in the regional centres, to provide social and affordable housing. Obviously, it's an issue for governments. We're all working in partnership in that space. But, as a consequence, it's actually eroding some of the revenue-raising capabilities at local government—through our land rates system, at least—that we're not able to have any other avenues to recoup that funding.

**IAN CLAYTON:** It's our view, really, that there should be a shift from the ownership of the property determining an exemption to what it's used for as well—to take that into account. Properties, if they're used for residential or business purposes, really should be rateable, in our view.

**Dr AMANDA COHN:** Have you got examples in your area of properties being used for business purposes that are unintentionally rate exempt?

**IAN CLAYTON:** I can't think of too many off the top of my head, to be honest. I could take that on notice.

**Dr AMANDA COHN:** I'm happy for you to take it on notice. It's not meant to be a memory exercise.

**IAN CLAYTON:** Definitely, in terms of residential properties, there are many.

**Dr AMANDA COHN:** In the Bathurst submission, the recommendation was to abolish the rate peg altogether. Certainly, there are other stakeholders who have shared that view with the Committee.

**DAVID SHERLEY:** That probably comes a little bit from the comment made earlier, particularly for the councils outside of the city area—multipurpose councils, rather than being general purpose. The reason why we would suggest it is that we seem to be able to, and it's accepted that we're allowed to, do it for our water fund, which is a large operation. In fact, Bathurst council owns two dams, so it is a large operation. We're accepted to be responsible enough to do our water. We're accepted to be responsible enough to do our sewer. We're accepted to be responsible enough for our waste management. I don't believe that from the rural councils, particularly the

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

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

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

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

**DAVID SHERLEY:** Feel free.

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

If rate pegging was to be abolished and the autonomy was left up to councils to determine what they need to consider, absolutely, there is that bill shock element. There's a catch-up element that councils would now need to consider because it would be inappropriate, in my opinion, to go to our community and say, "We need a 78 per cent increase next year<sup>1</sup>." The cost-of-living crisis that our whole State is facing at the moment has to be factored into that equation. What I would suggest—and what I would encourage our council to do—would be to engage in a conversation with your community. At the end of the day, they are our stakeholders. They're players in our space, so take them along for the journey, which we tried to do with our SRV process. Unfortunately, it was—I won't use the word "railroaded". I just did, so we'll stick with that for the time being.

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

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

**DAVID SHERLEY:** One of things I'd suggest—certainly in our case—is that bill shock issue with the percentage we are looking at. Some of that was catching up on projects or programs that had been imposed on the council, for want of a better term. You'll have all heard about the emergency services levy, obviously, and it is a significant dollar figure. I'm talking for myself but I think generally the council. The council was not against the

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<sup>1</sup> [Email from David Sherley, Bathurst Regional Council, clarifying evidence given at the 28 June 2024 hearing](#)

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emergency services levy because it reflected community demands, which was that they wanted improvement in the emergency services space. What our problem was, the emergency services levy was imposed at a very high level on us, but it was not allowed for in the rate peg. If it had been allowed for in the rate peg, it's one of the items that would've been reduced off the gap, because it would've been recognised.

The other two examples I've used today, such as the crematorium one and also the Modern Slavery Act, it's things like that that keep adding up over the years. It adds a bit here and adds a bit there. If there was some allowance in the formula that recognised those costs and charges that occur, then they can be recovered. Another good example—and I understand why the Government went down the path of DAs and having the one system across the State. Forgetting whether it works well, the logic behind it is right. What that meant is places like Bathurst have had to put on additional staff resources to handle that online system, but there were no consequent revenues. If there was one lesson, I'd say certainly those because they're all in little bits and pieces. They could add up.

The second thing is, going back to my first comment—particularly for those of us who are multipurpose councils—trust the councils to do the process. I will again mention the example of us this time with the water, sewer and waste. They're sizeable increases that we've put in, but the community have accepted those. Water is a good example. They've accepted it, because one of our dams required the wall to be completely strengthened—it was a \$17 million project. Given the last drought, where Bathurst was one of the towns that was close to running out of water, the community have accepted that responsibility to do that. We're working on a water harvesting system that will cost around \$20 million.

The community has accepted those projects that have been built into the strategic plan and have accepted that there is relevant expenditure increases. Waste management centre—people accept it because they know the cost of using your waste management centres is getting higher and higher and, from our perspective, will probably become even more important in the future with the State Government targets on greenhouse gas emissions. Out our way—and this is talking about the 11 Centroc councils. Of our greenhouse gas emissions, on average, 65 per cent to 70 per cent of the greenhouse gas emissions of our region are our waste management centres—not our electricity, not our streetlights, not our cars, not our trucks. We're needing to build in funds to help us meet those targets, and I think the community have accepted that and that's why they're able to go through.

**The CHAIR:** In terms of the increases in water and sewer and things that you mentioned, that still has to go through a process, though, in terms of going to IPART. I am just wondering whether or not you would have—

**DAVID SHERLEY:** No, sorry. Water and sewer waste don't go to IPART. They're a council controlled item.

**The CHAIR:** Sorry, my apologies.

**DAVID SHERLEY:** That's all right.

**The CHAIR:** They do go through a process. In terms of a similar process, what would be one that you would say is sufficient to satisfy the concerns of the community or any other things?

**DAVID SHERLEY:** Look, I've got to say I think the current system is already structured that way with the Government a number of years ago working with the industry to introduce integrated planning and reporting. That, particularly with the creation then of us needing to do community strategic plans is to then bring the community on with that vision. There is a little bit of a weakness there in getting government departments to engage in that process, so if there was a lesson that comes back from me, some of the government departments are very active. Some aren't as active. But that's CSP. On top of that, each year we do a budget where we go out for community consultation. I think there's a fair bit of opportunity there.

**The CHAIR:** When you there's a weakness in the level of engagement, I'm just curious to understand more what exactly that means and what perhaps we could suggest to improve?

**DAVID SHERLEY:** What I'm getting at there is we're required, as part of our community strategic planning process, to engage with our community but also government departments. It will be Health, it'll be Transport for NSW, Education or whatever. Some of them are very proactive in their engagement. Transport for NSW is a great example—really active and our group are based out of Parkes. We may not always agree, but they're very active. Health at the moment is reasonably active because of the monies that are going into the Bathurst Base Hospital, but some of the other departments don't necessarily see an affinity to local government and I think they need to have some more involvement.

**The CHAIR:** Thank you. That's very useful. Turning now back to the SRV process that you went through, I was quite alarmed to hear in your opening remarks that staff were being so significantly impacted that

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they weren't comfortable wearing their staff uniform. That says a lot to me about the potential impact that that has had on your staff. I'm interested whether or not there has been any cost to that and whether or not that is something you can share with the Committee or whether it's something that you can provide to us on notice in a more confidential fashion.

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

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

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

**AARON JONES:** Yes.

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

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

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

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

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

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

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

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

**DAVID SHERLEY:** It was mentioned earlier, and I know IPART and the Government are looking at it, but it's the figures used by IPART to actually set the rate peg. For the 2023-24 financial year, the IPART rate peg guidelines were instructed by the Government to be 2.5 per cent for a wage increase because that linked into the State figures. For that year, 2023-24, the award increase for us was 4.8 per cent. Then we had on top of that the 1 per cent for the superannuation guarantee charge, so the 4.8 is up to 5.8. Then, like all councils, there are skills and performance steps built in. So we were potentially operating on a 6.5 per cent—potentially 7 per cent—wage increase given the structure of the award and everything, but IPART were instructed that the wage figure they were to use was 2.5 per cent. Remembering that our wages are bigger than our general fund rates, the increase

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in general fund rates didn't even meet the wage increase, let alone the cost escalations that are occurring across the industry.

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

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

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

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

At the same time, we as providers—I go back to the museum example that was raised earlier and also that Mayor Dickerson raised—are trying to create lifestyle for our communities so it's healthy and makes it good for them, but also to try to attract people. That attraction is not only in the workforce space. In a place like Bathurst, we have things like the geospatial centre. We've got a very large schooling group. We've got the university. We're trying to attract people in those fields—not only the blue collar—and all of them want services, but there's the demand for greater services. I've been there for 26 years at the council. In that time, we've done the tiered theatre, like Dubbo has done, and you'll find that in all of the regional cities. We've moved down the path of creating—we run the regional art gallery<sup>2</sup>. We now run four museums, which I know some people query. We also now run what is called the Central Tablelands Collections Facility, which is a state-of-the-art facility for storage of collections.

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

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

**The CHAIR:** Did you have anything further, Ian?

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

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

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<sup>2</sup> [Email from David Sherley, Bathurst Regional Council, clarifying evidence given at 28 June 2024 hearing](#)

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

**AARON JONES:** Yes.

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

**The Hon. STEPHEN LAWRENCE:** You've largely answered this, Mr Sherley, but in terms of art and culture, are you satisfied that council's involvement in that space is supported by the community, and that that is evidenced by the consultation processes that underpin things like the Community Strategic Plan?

**DAVID SHERLEY:** I'm satisfied the majority of the community—there will always be a portion and, as you know, recently with the SRV there's a group that is particularly focused on that. Over the years, certainly, the majority have been there. The Central Tablelands Collection Facility is a great one. We were looking at that for 20 years, and the community were very supportive of it. It's actually achieving better. It's not covering its costs at the moment, but we're getting the major collections facilities in Sydney expressing interest in using our collections facility because of the costs of storage in Sydney. We have some great relationships. In one of our museums, the collection is fully owned by the Australian Museum. I think it's safe to say the majority of the community are very supportive of those cultural facilities.

**The Hon. STEPHEN LAWRENCE:** In terms of a future scenario where council was forced out of that sort of service provision because of financial issues, who do you think the community would look to to provide the services?

**DAVID SHERLEY:** The council again. There is no-one else there to provide those services. They would come back to the council.

**The Hon. STEPHEN LAWRENCE:** Speaking long term, you don't see an interest from, for example, the State Government or the Federal Government to provide those sorts of services to the community?

**DAVID SHERLEY:** I don't see any interest from the State or Federal government to take over the operations of those facilities. To be honest, if I was in the State and Federal positions, I wouldn't want to take them over because the sheer breadth of them across the industry is just so wide that it would be extremely difficult. It would be much less cost effective than being run by the communities. What I'd like to see though, is if there was funding from State or Federal to help with the operational costs.

**The Hon. STEPHEN LAWRENCE:** In terms of art and culture, if I can put it that way, what sort of percentage of the council budget are we talking about?

**DAVID SHERLEY:** I'll pass that on to Aaron Jones.

**AARON JONES:** I'll take that on notice if that's okay.

**DAVID SHERLEY:** It's not small dollars that we are putting into them. As I said, particularly in the museum space tied into the art gallery, we see it not just for the community. We're also working heavily to create it as an industry. Hopefully, when it gets to a sufficient enough size, it becomes sustainable and also then encourages smaller private operators. In a regional centre, it's the private art galleries and the private museums that then add the rest to it.

**The Hon. STEPHEN LAWRENCE:** Having been the GM of Bathurst, I think you said for 20 years, which is quite an achievement, are you able to tell us whether over the years there has been any significant political expression of sentiment against council doing those sorts of things, or has there been a constant level of support for council being involved in art and culture?

**DAVID SHERLEY:** To me, it's been a constant level of support. What's just happened recently with the SRV is probably the only time that we've ever had a major issue, and that's more the shock of the level of the SRV. Someone will say, "Where we can we find money?" The first one is always those soft areas. I would say, with us—and I believe you would find that in every regional city, because we're part of the Regional Cities

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New South Wales group, we're all moving in that space—our communities want it. We want it for the lifestyle. We want it to be able to attract workers and also to attract tourists.

**The Hon. STEPHEN LAWRENCE:** Do you think there is widespread understanding in Government of the importance of councils being involved in art and culture in regional areas?

**DAVID SHERLEY:** I don't think there is a lot at the higher level in government. But certainly when you deal with groups such as the Arts directorate through Create NSW, there's a good understanding. Places like Museums and Galleries of NSW, which is operated by the Government—it's an independent advisory board. I speak about that because I have sat on the board of Museums and Galleries of NSW for about 10 years, and I sat on the board of the Australian Museum for nine years. I think there is an awareness; I don't know about when you get higher up. I have to say, I think that politicians in their own electorates understand it, but as an industry across the whole of New South Wales, I don't know whether there's a full understanding of the benefit or the needs.

**The CHAIR:** Thank you again for making time to give evidence to the inquiry today. The Committee secretariat will be in touch with you about responses to questions that were taken on notice and any other supplementary questions.

**DAVID SHERLEY:** Great. Thank you very much for the opportunity. It's really appreciated.

**The Hon. SAM FARRAWAY:** You forgot to talk about the winter festival.

**DAVID SHERLEY:** Well I'm expecting you all to come and break a leg at the winter festival.

**The Hon. SAM FARRAWAY:** Embracing winter in Bathurst.

**(The witnesses withdrew.)**

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**Ms MELANIE SLIMMING**, Director of Infrastructure and Engineering, Narromine Shire Council, affirmed and examined

**Mr GARY WOODMAN**, General Manager, Warren Shire Council, sworn and examined

**The CHAIR:** Thanks so much for being here. I welcome our next inquiry participants. Would either of you like to start by making an opening statement?

**GARY WOODMAN:** I will do that, Madam Chair. I thank the Committee for the opportunity to appear before you. I'm the general manager of Warren Shire Council, a typical rural council in the Orana region of New South Wales. The shire has an area of 10,860 square kilometres and a population of about 3,000. It is bounded by the shires of Bogan, Brewarrina, Coonamble, Gilgandra, Lachlan, Narromine and Walgett. Within the shire is the town of Warren, the administration centre, with a population of 2,000; and two lovely little villages, Collie, with a population of 38, and Nevertire, with a population of 103. Because we're small enough, we can know exactly how many people are in our households. The council currently has a budget of \$45 million, which includes depreciation, and an asset base of approximately \$330 million.

We have 80 full-time equivalent staff and provide a completely diverse range of services to the community. We are very day-labour orientated with our 80 full-time equivalent staff, with most of our maintenance and construction work undertaken by an internal workforce. We are a roads council, with 691 kilometres of sealed roads and 698 kilometres of unsealed roads. We're also the RMCC contractor for the State Oxley Highway going through Warren Shire, and we operate four water supplies, two sewerage schemes, an airport, a hard rock quarry and the typical general-purpose council activities such as parks and facilities, sporting fields, a swimming pool, a showground and racecourse, a sporting and cultural centre, a medical centre, lots of public toilets, a waste depot, library services and we're the Service NSW agency for the area. That is a vast array of services—everything you can think of.

The pressure on council to continue to provide those services is extraordinary. We rely heavily on grants and contributions—\$32 million of that \$45 million budget. In 2023-24 the capital renewal expenses amounted to \$26.5 million. However, the council focuses on maintenance and rehabilitation refurbishment works and not huge, big rebuilds or highly improved assets. We simply can't afford those highly improved assets because our general rates and annual charges of a \$45 million budget are only \$6.8 million. We have been very lucky that for the last five years we have had over \$40 million worth of extra grants from both the Commonwealth Government and the New South Wales Government. What's happened over that time of increased grants is we have been able to set up an infrastructure project management office and an increased professional level in our engineering services department. That's allowing us to have good-quality procurement provision and high-quality engineering, safety and environmental outcomes for our projects.

Unfortunately, 2023-24 has seen our grant income drop drastically, and that's a very major concern to both the council and the community. This could jeopardise having an infrastructure project manager's office and the ability to have quality engineering supervision in an engineering department. We are hoping that 2024-25 will see a huge increase back to the types of grants that we're used to, because we rely on all those funding programs to maintain and improve our assets.

Over the years, Warren Shire Council has seldom been in the position to be able to add to our grants. We just don't have the money to be able to even do works in kind. The funding bodies need to take into account the inability of typical rural councils to heavily contribute to projects. For large projects to be asking for 50 per cent contribution does not allow us to even contemplate trying for those grants. The level of work that we have to do for those grants is extraordinary. To have projects shovel already, appropriately designed and with the community consulted is sometimes just not possible. I would hope that a solution would be that those funding bodies such as the New South Wales Government provide certain levels of funding that aren't tied and are flexible, to allow rural councils like Warren shire to be able to do the necessary investigations, design, community consultation and planning ahead to make the projects even better.

Madam Chair, rate pegging has severely restricted Warren Shire Council's ability to collect rates. Since 1975 we believe that the difference between the typical inflationary CPI increases and rate pegging has meant at least 40 per cent difference between the rates we collect now and what we probably should be collecting. That's \$2 million in 2023-24. As I say, we are a roads council. The rate pegging has never taken into account the typical CPI increases of road maintenance, construction and inputs—the bitumen, steel and concrete. I would suggest that over the years it has probably averaged 6 per cent to 8 per cent instead of small CPI increases by average across Australia. Rate pegging, of course, does not take into account the increase in costs of insurances, electricity and the New South Wales Government costs such as the emergency services levy.

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The final thing is cost shifting. We worked out that it's almost \$1.15 million for Warren Shire Council to meet the costs of planning and environmental services, ranger services, the rates exemptions, the emergency services contributions, pensioner rebates, project and program funding gaps and the direct provision of State Government services that aren't at cost. Transport for NSW leased buildings to them at very cheap rates. There is the management of Crown lands. Those are typical examples. That's \$1.15 million per annum that the ratepayers of Warren shire are subsidising other tiers of government. Being in the western part of New South Wales, we have a Warren Family Health Centre. Warren shire has to provide a health centre to house the Royal Flying Doctor Service, subsidising GPs in their accommodation. Why should the community of Warren shire have to subsidise health services in our area? It's an unfair cost burden on council that we believe is a responsibility of other levels of government. Madam Chair, I'll leave it there. Hopefully, that gives you a few questions for ourselves.

**Dr AMANDA COHN:** Thank you for coming to give evidence today; it's much appreciated. My question is for you, Mr Woodman. I was really interested in your written submission and your opening statement you talked about the direct provision of health services by local government. There are certainly some people, in response to the financial challenges that the sector is facing, who will argue that councils are just for roads, rates and rubbish. They should get back to core business, and they should get out of providing other types of services. For the record, I don't agree with those people. What would happen in Warren shire if council stopped providing those medical services in your community? Who else would do it?

**GARY WOODMAN:** Thirty years ago you could say that there would be three GPs running their own services out of their own facilities. That just cannot happen anymore because, to attract general practitioners, they need umbrellas of organisations to actually help them. In the end, we could either have none of the health services or continue to do what we need to do—provide a \$3 million health facility for a very small amount of rental and provide lovely townhouse facilities for \$150 a week less than what they should be charged for. Warren Shire Council would never get out of the game because it would know that health services would disappear or it would have an even more stretched Warren multipurpose health service. Warren shire believes in the five Rs—roads, rates, rubbish, river and reading. We like libraries too. And, of course, the Macquarie River running through the middle of us is pretty important.

**The Hon. SAM FARRAWAY:** Thank you both for attending today. I'll declare that I've been to Warren plenty of times. I love the place. In my dealings in going to Warren, roads are a big thing, and flooding and natural disaster events have obviously caused extra strain out there. But I want to talk about equitable funding. The former Coalition Government—and the now New South Wales Government continued this somewhat—distributed road funding based on the size of the road network, one, including unsealed roads, and two, trying to remove the whole beauty contest of applying for grants or road maintenance. We have heard today that that formula is supported. Mr Woodman, do you believe government should be moving away from a pure BCR case for road funding and road maintenance, and is it time to maybe even review the road block grants as one mechanism to get council more money to look after their local roads, which would not only reduce the strain on budget but also allow for more effective streamlining of planning of maintenance for roads into the future?

**GARY WOODMAN:** Madam Chair, we received \$2.415 million plus \$454,000 for potholes. That was spent very quickly, within time. I can tell you exactly how many potholes we repaired and, with that, untied, relating to how many kilometres of road. That allowed the council, particularly the \$2.415 million—and I will call it Regional and Local Roads Repair Program. And the same thing has happened with the next version provided by the next—it has added \$3.8 million over the next four years. That allowed the council to make its own decisions of where it was going to put that money within the grant conditions. Warren Shire Council does it both on a technical basis and a knowledge basis of knowing which roads are our high priorities—as close as it ever can do with benefit-cost ratio, anyway. We know which roads are our high traffic, which roads are in poor condition, which roads are bus routes, which roads have a high percentage of heavy vehicles, all adding to the same type of—but then decisions are being made at a local level. Warren shire thought it was rather different, and something worthwhile considering, to be given the money just based on number of kilometres.

**The Hon. SAM FARRAWAY:** To that point about looking for the most equitable distribution of government grants, we've heard throughout the whole inquiry that grants can be very volatile in whether you're going to get the grant, the quantum of grants that you can apply for more broadly. Do you feel that perhaps that road funding model—or former programs like Stronger Country Communities funding, which was done per LGA—is a more equitable way to try to distribute government grants? You know what the total quantum is; it is a matter of how you direct the quantum within a local government area.

**GARY WOODMAN:** Within reason. The real sad thing about it is, where are the Fixing Country Roads grants now? Fixing Country Bridges, Fixing Local Roads, all the Restart money for roads, water, sewer and facilities—they've all disappeared. We're most concerned, because what's going to happen right now is that our funding gaps will just go back to normal. Our condition will go backwards. Stronger Country Communities, there

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hasn't been a word said for now 12 months. We're just about to finish all of our SCCF funding—beautiful facilities at Carter Oval, beautiful facilities at our swimming pool. We've got lots more to refurbish and fix up, but there have been no announcements whatsoever for the last 12 months and we're most concerned. It has to be an in-between. It has to be things based on what's typical and those extra things, occasionally, to fix up some of your major infrastructure assets. In the end, occasionally some years there may be needs for even higher grants. Some years, they could be lower because of the drop in need.

**The Hon. SAM FARRAWAY:** We've just had a State budget handed down, so maybe not everyone has digested all of that. In the previous 12 months has Warren Shire Council been successful in obtaining any State Government grants for infrastructure? Have you applied and been unsuccessful or have there been no opportunities to apply?

**GARY WOODMAN:** I may as well say no opportunities whatsoever. On every one—Fixing Country Roads, Fixing Country Bridges, Fixing Local Roads, Restart, Stronger Country Communities Fund, Crown land regional stimulus, Safe and Secure Water improvement—nil, nil, nil, nil, nil, nil. It's gone from \$40 million over five years to nil. That's a real concern to the community of Warren shire. Everything is set up—both our own internal resources and our contractors—to be doing the works that we've been doing for the last five years.

**The Hon. SAM FARRAWAY:** With that said, the pipeline that you've alluded to is coming to an end of what grants you've had over the last few years, in terms of delivering. Your budget could look very, very different very quickly in possibly the next two financial years?

**GARY WOODMAN:** We think so, because we are expecting a reasonable amount of flood restoration funding. But that is only to bring our road assets, mostly, up to the state that they used to be in before the fires and floods that we've had. We think that could even happen in less than two years because we are doing a lot of work to finish all our projects off leading up to the next couple of months.

**The Hon. SAM FARRAWAY:** Local government, as they say, is the closest form of government to the people. Warren Shire Council will have to manage expectation in your community. If in your budget, \$32 million of \$45 million comes from grants or other supports from State or Federal government, and that is significantly reduced and the pipeline is completed, you are going to have some great infrastructure but, in terms of where to next and the long-term plan for the Warren shire, you are going to have to adjust or temper the community expectation, aren't you, about future infrastructure?

**GARY WOODMAN:** We certainly will be in trouble because the quality of service and the level of service can only go backwards.

**The CHAIR:** I wanted to pick up on the grant funding and the level of the pie, if you like, for both of your councils. How much does rates income, in terms of the percentage overall, take up? How much is that?

**GARY WOODMAN:** At Warren, it's \$6.8 million of the \$45 million budget.

**The CHAIR:** And for Narromine?

**MELANIE SLIMMING:** I would have to take the exact number on notice, but I imagine it would be similar to Warren.

**The CHAIR:** Similarly low, okay. You mentioned that, of the grants money, \$32 million out of that \$45 million was grant funding for Warren. What percentage of that is Federal Assistance Grants versus State?

**GARY WOODMAN:** Just under \$4 million is Federal Assistance Grant and \$1.7 million is Regional Road Block Grant—typical funding like that.

**The CHAIR:** How have you seen that change over time? Obviously, looking at the last five years, you have had that increase in additional grant funding and other things, but have there been any other changes over time that you have seen with the proportion of your income from either of those? For example, you mentioned the impact of rate pegging.

**GARY WOODMAN:** We have had, fortunately, a pretty large increase in grant income from both State and Federal, even in the first couple of years and in the last five years. Eventually, the FAGs started to get back to something normal or something reasonable. Quite obviously, there has been a correct direction of actually pushing more FAGs to the typical rural councils like Warren and Narromine, instead of huge amounts of grants going to very large \$300 million to \$600 million city councils. The roads in the last two or three years have been extremely helpful, in the sense that it has started to cover the backlog and started to cover the costs of depreciation of roads, both local roads and regional roads.

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We are pleased that the Commonwealth Government has made the decision to increase Roads to Recovery. Every cent of our Roads to Recovery goes into trying to maintain our assets, whether it's rehabilitation or bitumen reseals on our roads. We are trying to keep the assets to some reasonable state and not waste money. As I have said, we try our hardest to do as much in-house work as possible. We have extended flexible working hour agreements with our staff. We are easily doing 12-hour days, five days a week, with 55- to 60-hour weeks, meaning our expensive equipment is being utilised as much as possible. Whether it's road trains or graders or rollers, it's pretty important to make sure that that expensive equipment is used as much as possible—and use it more during the week, it becomes even more efficient. We don't waste our grant money.

**The CHAIR:** Obviously you have seen that increase over time, but you are now reliant to an extent on that grant funding for the ongoing maintenance of these assets, without that same level of funding, to an extent.

**GARY WOODMAN:** I am most concerned about it because over those five or six years of increased—the parks got an improvement, the buildings got improvement and there were more toilet facilities built. Of course, an increase in three toilet facilities means \$50,000 more of cleaning per year. A lot of councils like Warren Shire, because they are rate pegged, what investment income can we get to actually try to help cover those sorts of things? Instead of 0.1 per cent interest rate, we are pretty pleased about getting 4.5 per cent or 5 per cent. It is just one more dollar to help us maintain and operate our facilities.

**The CHAIR:** Earlier in your evidence you mentioned the number of different and diverse services that you are providing in the community or that you have invested in. I think one of those was a quarry. Are there any that actually make money for the council, and have you looked further at exploring other revenue opportunities?

**GARY WOODMAN:** No. Our hard rock quarry has probably been operated, we think, for 70 years. What it does do is help us save money on having it in the perfect position to provide sealing aggregates and material for certain parts of the shire. It has been profitable over the years, but really what it is there, is because of distance. It is saving us money. There are not many services provided by any rural council that were ever going to make a profit. A good example is the showground racecourse, the gap between—we have a magnificent showground racecourse known as the "Randwick of the West". It is Randwick where it should be, in the west. There are 10 equestrian clubs that come out of that facility. The gap between how much it costs and our income is \$300,000.

The swimming pool has a gap of \$300,000. We can't charge anything for our parks and facilities—the gap is \$850,000. This is what rates and Federal Assistance Grants are for. Seldom can we ever do anything to be able to earn income. Warren Family Health Centre is a \$3 million facility. We get between \$35,000 and \$40,000 worth of income from the Royal Flying Doctor Service for a \$3 million facility. There is no profit in that. It doesn't cover depreciation, Madam Chair.

**The CHAIR:** Have you seen an increase over time in that divergence between how much something costs to run and—how much the gap is, I suppose, or how much of a loss? Has that increased over time? Has that changed?

**GARY WOODMAN:** It has increased. Fortunately, fees and charges, most of the time, aren't limited to a rate peg, but you can't go and increase your fees and charges for the showground racecourse to make it where people just won't hire the facility or won't use the facility. Typically, those types of fees and charges have only ever gone up by the CPI. Our water and sewer schemes are in better condition because they're not rate pegged. If CPI is 7 per cent and it needs 7 per cent and it's deemed affordable within our community, it goes up 7 per cent.

**The CHAIR:** Have either of your councils ever undertaken the SRV process?

**MELANIE SLIMMING:** Not recently.

**GARY WOODMAN:** I've had the fortune to at Cobar but not at Warren. It was a 25 per cent rate increase in a one-year period. You can, in the end, convince your community that it's a positive thing, but it is a lot of work to do.

**The CHAIR:** Do you have any suggestions for the Committee in terms of that process and ways to improve it or streamline it, or otherwise?

**GARY WOODMAN:** Madam Chair, I think it needs to be up to the individual communities to make their own decisions instead of someone saying, "Okay, your CPI is 3.1. We'll have a rate pegging of 2.5 per cent." If a council is able to convince its community of an appropriate increase, it should be done at the local level.

**The CHAIR:** Did you have any further thoughts to add on that?

**MELANIE SLIMMING:** Just about rate pegging or in general?

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**The CHAIR:** And just in general.

**MELANIE SLIMMING:** I don't necessarily have any comments on rate pegging. At Narromine council we have definitely taken a hit, but we're in a position that this time it's okay. And we don't want to pass on the increased cost to our community at this point, so that's why we didn't go for an SRV. So I can't comment on that process. The one takeaway that I wanted to make a point of, Madam Chair, was you were talking before that we've been used to increased funding, so now councils have become used to that increase and so now we potentially have to get used to less. I wanted to make the point that, yes, you're right, in the last few years we have been quite fortunate with funding and we have received more, but I would make the point that that increased funding really only just met the actual cost of the infrastructure repairs. Prior to that we were not meeting the depreciation charges—or, basically, the rate of repairs—that we needed to meet. Whilst the increase was great and councils maybe have become used to it, it's not fair to assume that when we drop back we have to get used to it, because the level it was at previously was not enough to maintain assets.

**The CHAIR:** Interesting. Did you have anything else that you wanted to add or impart upon us as a Committee in terms of the evidence today?

**MELANIE SLIMMING:** I have a comment, Gary, if that's okay. Thank you very much for having us today. For me, I think the inquiry is a great idea and I think it's important that State and Federal governments understand the scope of work that local governments do. We deliver a lot of assets and services to the communities, particularly in rural environments, where the council is often the place to go to when something is wrong. I've never worked in a town environment, but I grew up in Adelaide so I'm very familiar. You know what? When I worked in Adelaide, I never thought about the council. If something went wrong, you'd call the cops or you'd call someone; you wouldn't call the council. I do on-call now at council every once in a while and do you know the calls I get? "There are horses on the road." "My next-door neighbour's dog is barking at night." "This is happening." "That's happening." We get called for so much stuff and the community expects so much from us. And, in the most part, we do a pretty good job of delivering those services.

I think it's really important that you guys are here listening to us because, to be able to deliver that service for the community, we need the money to be able to do it. I just want to say it's been good lately. The Roads to Recovery money that's come in is great. Narromine is still benefiting from a bunch of flood money that's coming in, which has allowed us to really make improvements. I would make the comment that like-for-like is not always best; sometimes like-for-better is good. We have been really lucky lately but there needs to be thought, because we don't want to end that pipeline. We do want to keep that going. So thanks for having us.

**GARY WOODMAN:** Madam Chair, between both of us we've seen five flood disaster declarations since March 2021. We would love to have some money—our own money—to have betterment to go with the flood damage, but there's absolutely nothing in the coffers. There's actually no more blood in the stone in a typical rural council. Any drop in grants will mean a drop in quality and levels of service and increases in levels of risk management and insurance worries.

**The CHAIR:** Thank you, Ms Slimming. You reminded me of a remark in your submission about the importance of maintaining critical infrastructure for the prosperity of your regional communities. If there are any questions on notice or supplementary questions, the secretariat will be in touch with you about the details of those in due course. Thank you both again for making time to be here today in person to give evidence. It is much appreciated.

**(The witnesses withdrew.)**

**(Luncheon adjournment)**

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**Ms LEONIE BROWN**, General Manager, Bourke Shire Council, before the Committee via videoconference, affirmed and examined

**Councillor BARRY HOLLMAN**, Mayor, Bourke Shire Council, before the Committee via videoconference, affirmed and examined

**Mr PAUL GALLAGHER**, General Manager, Coonamble Shire Council, sworn and examined

**Mrs KERRIE MURPHY**, Director Infrastructure, Coonamble Shire Council, sworn and examined

**The CHAIR:** I welcome the next lot of witnesses. Thank you so much for making time to give evidence today.

**BARRY HOLLMAN:** Madam Chair, we're getting terrible feedback on that line.

**The CHAIR:** We'll see what we can do about it here in the room. My apologies.

**BARRY HOLLMAN:** You are actually quite clear now.

**The CHAIR:** Very good. We'll now move to short opening statements. Would either of you like to start? We might start with those in the room.

**PAUL GALLAGHER:** I'm here representing Coonamble Shire Council on behalf of my elected members and our community. We appreciate the opportunity for you to have a hearing with us today around the terms of reference. In particular, we want to emphasise that Coonamble shire is just short of 10,000 square kilometres and we have just short of 4,000 population, covering sealed roads and unsealed roads of 365 kilometres. Just short of 1,200 kilometres is unsealed road. Like most local government areas in western regions, we look after pools, water and sewage treatment plants. We appreciate the opportunity to raise issues about rate pegging and the ability to fund our infrastructure.

If I may, in the opening statement, I have some points that I'd like to clarify. Interesting points that relate to Coonamble are that we, like other local governments, are rate pegged at 3.7 per cent. That generates an additional \$241,000 of income to council. Our award wage for our staff this year was \$345,000, so the rate pegging doesn't even come close to covering our wage increase. Our general fund this year is just over \$31.5 million, of which our rates equate to 16 per cent of that amount. Our general rate income for the shire is \$5.3 million, and our depreciation is approximately \$3.6 million. Our grants that we average is about 44 per cent of the operational budget, and the shortfall is made up of our fees and charges. Over the past five years, the council has received \$65 million in grant funding. If I may, I'll hand over to my colleague to talk about a couple of other figures that are relevant to the hearing.

**KERRIE MURPHY:** We've done some figures on the percentage inflation versus the rate peg versus our wage increases for the last couple of years: 2021-22 resulted in a shortfall of just under \$50,000; 2022-23 resulted in a surplus of \$3,574; 2023-24 resulted in a surplus of \$28,212; and we're forecasting the 2024-25 year at a shortfall of \$104,000. That's an indication of the impact that rate pegging is having in relation to wage increases and inflation alone, without taking out the factors of the increase of costs for maintaining our assets and services.

**PAUL GALLAGHER:** If I may, Madam Chair, the other issue we'd like to raise as part of this process for consideration is natural disaster funding, which has a major impact. Our council currently is owed \$5.5 million from the State Government. The director and myself met with the Minister several weeks ago, and we got a very good hearing from Minister Aitchison. They're aware that that's now impacting on our working funds. We have had to cease flood damage now to ensure that we are still a viable council with funds to continue with.

**The CHAIR:** To our witnesses online, would you like to make a short opening statement?

**LEONIE BROWN:** I would like to thank the Committee for the opportunity to provide evidence today regarding the Bourke Shire Council's submission. There is a lot of feedback.

**BARRY HOLLMAN:** We're getting feedback again, Madam Chair. It's very bad.

**LEONIE BROWN:** Bourke Shire Council is located 780 kilometres north-west of Sydney and 380 kilometres north-west of Dubbo. Bourke shire comprises the township of Bourke and six outlying villages, and is considered a gateway into Far West New South Wales and into south-west Queensland. The shire has an area of 41,680 square kilometres. To put that in perspective, the area of the shire is two-thirds the size of Tasmania. The western boundary is 200 kilometres from Bourke, out at Wanaaring, and the northern boundary stretches to Queensland.

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Bourke and the surrounding area is rich in Indigenous culture and history, and is the traditional country of the Ngemba people. The population of the LGA is estimated to be 2,340 with 30 per cent, or 708, identifying as Aboriginal. Bourke has seen a decline in population in the last 20 years, predominantly due to changes in water allocation to irrigated cotton, horticulture and drought. The population of Bourke in 1996 was 4,000 people, with the population in 2024 estimated to be 2,340, a 42 per cent decline. Bourke Shire Council is a major employer in the community employing 94 staff, which equates to 87 full-time equivalent staff.

In 2024 council estimates to have an operating expenditure budget of \$35 million and a capital works budget of \$15 million. The expenditure aims to provide both services to our community and critical infrastructure to our large local government area. Council's asset valuation in 2023 for infrastructure, property and plant and equipment was valued at \$352 million. With 22 years of experience in local government, and 16 of those as a finance manager, I have witnessed firsthand how it is becoming increasingly difficult over the years for council to balance its budgets and continue to provide the services to our community. Council's rates account for approximately \$1.98 million, or 5.6 per cent, of our operating expenditure and are used to fund council's general operations.

In addition, whilst ever the government continues to purchase rural land for national parks, the number of assessments will continue to diminish and other ratepayers are left to absorb a significant part of the rate base. In 2022-23 in council's audited statements of performance measures, the rates and annual charges outstanding percentage was 10.69 per cent, down from 14.74 per cent previous year, after holding a successful 713 sale for unpaid rates and writing off \$700,000. This reflects a low socioeconomic community, with increases to fees, charges and rates beyond the statutory level being unsustainable, and results in our rates and charges outstanding percentage increasing as so many of our community are simply unable to pay.

Remote and rural councils do not have the opportunity to raise revenue like our city cousins. Some city councils may raise as much revenue from parking fees as they do from rates. Rural and remote councils do not have that opportunity. Spiralling costs in materials and the cost of living also impact on council. Bourke council is significantly impacted by cost shifting from other levels of government, including rural fire service provisions, library services and Crown land management. All these impact on our ability to deliver services to our community. One size does not fit all when it comes to local government. Rural and remote councils are highly dependent on external funding to remain sustainable.

**The CHAIR:** Did you also have an opening statement, Councillor Hollman?

**BARRY HOLLMAN:** Madam Chair, I'd just like to say that line is very, very bad. I don't know how my GM got through that. It's very, very bad.

**The CHAIR:** We've checked at this end and everything seems to be fine so I'm not sure whether there is an issue with volume or the like. Our apologies in advance. We are trying to work through and address the issues.

**BARRY HOLLMAN:** Thank you, Madam Chair.

**The Hon. SAM FARRAWAY:** Good to see you, Leonie and Barry. I want to ask about road funding. Obviously for all regional councils, roads are a big thing and that's no different in the Bourke shire, especially with a large road network. I want to get your view on how we make road funding more stable. I'm trying to get your views around whether government be moving away from a hard-and-fast BCR process for distributing funds to councils to support maintenance on their road networks. One, do you support, or do you think Government should move away from, a hard and fast BCR process? Secondly, do you support what the former Coalition Government implemented in distributing road funding based on size of road network for both sealed and unsealed roads?

**LEONIE BROWN:** Yes, I have to say that, for rural and remote councils, it's very hard to meet the requirements under the BCR. Yes, I think it's good to move away from that and allow the opportunity for small rural or remote councils that do have a significant road network. Council's road network for us is 2,775 kilometres. Our regional roads are 572 kilometres and 269 of those are sealed with 303 unsealed, and rural local roads is 847 kilometres and only 66 of those are unsealed. Funding that was provided through the Fixing Country Roads and Fixing Local Roads was very much appreciated for our council and assisted to upgrade roads that had been—we would not possibly undertake that work, particularly our local roads. Local roads funding comes from our rate base, or we fund that through our FAG. We don't get any funding from the State Government except for the previous Government that had rural local roads, which was very much appreciated and has allowed us to undertake significant works. I think it is really important that the Government continues to look at funding rural and remote councils with some roads funding.

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**The Hon. SAM FARRAWAY:** Moving away from roads and thinking about community infrastructure, what do you think is a more equitable way to remove the volatility of grants that are being contested between local government areas? For instance, if you were applying for funding for a skate park or something for the kids in Bourke but obviously your neighbouring councils were also applying for the same pot of money—we've seen programs that distribute funding based on LGA, and every LGA gets the same amount of funding for some of that infrastructure. From memory, programs like Stronger Country Communities funding in the past did that. Do you feel that those sorts of funding models that distribute the same amount of money from the pot for every LGA is far more equitable than trying to have a BCR and then almost a beauty contest between councils? Do you think that that creates more volatility for small rural councils to be able to be successful in obtaining grants?

**LEONIE BROWN:** The Stronger Country Communities Fund program worked very well, and from the four strands of that Bourke Shire Council was able to achieve a lot of upgrades of infrastructure that we would not have been able to do previously. I have to agree that when we're competing, we have limited resources out here. We have limited resources with the ability to be able to write up grant applications and to be successful, and it is a significant cost if we do go out and recruit somebody that has the ability to undertake that grant writing process. When Stronger Country Communities came out and it was provided on LGA, it certainly assisted with upgrading infrastructure that we would never have got there with if we were making individual grant applications and competing against the whole of the State.

**The Hon. SAM FARRAWAY:** In your experience—and I'll throw this open to Coonamble as well afterwards—do you feel that government, whoever's in power in Macquarie Street, the criteria and structure of the grant programs is as important for small rural councils as it is than anything else because the reality is you don't control the overall quantum of the pot of money. But what would work in small rural councils' favour is a better, more equitable distribution of that funding, wouldn't it, so everyone gets essentially their fair share rather than a beauty contest? Is that a fair assumption, or a fair observation to make for a rural council like Bourke and probably Coonamble?

**LEONIE BROWN:** I have to agree. I don't know if I agree with beauty contest part of it, but what has previously worked and the success around not just Bourke but all of our rural and remote councils is we've all been able to undertake works that we would never previously have undertaken. It has also created employment. Particularly here in Bourke, we created Indigenous employment programs. The majority of that work has been undertaken by people who were unemployed, and are now on a scheme where we have been able to achieve some fantastic outcomes within the community. So I think it benefited a number of options here, as I'm sure it has benefited a number of other councils, especially for rural and remote councils that don't have that opportunity to make those applications for those grants once we've all got to fight for it.

**PAUL GALLAGHER:** I pretty well agree with my colleague at Bourke. By way of background, I'm an engineer so I've had the issue on roads for 30-plus years of my career. I've always worked in smaller councils; I like the fact that you're closer to your community. The issue is we've always competed against our bigger brothers. In this case, Dubbo is our regional centre and you've got Tamworth and those areas that are attracting larger funds than we would normally do.

When I was in the Hunter Valley, I worked in the former Merriwa shire council. It was on a proportional basis there. We were lucky to get a token \$50,000 towards roadworks, whereas the likes of Lake Macquarie and the larger councils were getting the fair share of it. Over the years, I have seen, where it has tried to be shared a lot further—and your comment about some of those programs is true and correct. We were very successful—over \$1 million in some of those programs—to the betterment of our community. We've got upgraded change sheds for our youth to play sport and all that.

But it comes down to the roads—the length of roads we have and the expectation from our community. As I said earlier in my opening statement, our rates are a very small proportion of our income. We are very reliant on the Federal Assistance Grants, which predominately go towards our roads. We're reliant on other grants, and we are very appreciative of the grants that have been provided over the last few years through the natural disasters and various things. The issue we have with some of that area—and to touch base, it's great to receive a grant. By the time we get the deed, it's three months. There's a time delivery program on a lot of those grants of, say, 18 months to two years. So we've got three months before we get a signed deed before we start. Then you've got to go through the procurement and go through the process, so there are delays in actually being able to deliver.

Like my colleague at Bourke, grant writing is the key to that. I'm fortunate that we do have a very good colleague on my team that can write submissions, but there is a lot of work that goes into that process to actually get a good grant approved through that process. Your comments there about more and equitable—we're remote communities. Our community, our youth have to travel long distances to actually be able to go and play sport and

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participate. The ability to upgrade our facilities allows them to play in their own town but also brings our surrounding towns together as well.

**Dr AMANDA COHN:** Thank you both so much for making the time to give evidence today. My first question was to Coonamble, but I'm happy for Bourke to jump in as well. I was interested to read about some of the grants you've gotten recently for things like the regional art trail. There was a grant from the Regional Youth Investment Program for crisis accommodation units. These sound like things that are outside of that very traditional remit of roads, rates and rubbish, which the Committee has really heard that, in 2024, doesn't accurately reflect what councils are providing. Can you tell us a bit about the community need or community support that you saw for those kinds of facilities and, if local government wasn't taking the leadership role to champion these projects or to apply for that grant funding, what else would happen in your community?

**PAUL GALLAGHER:** We do appreciate that it was a fairly significant grant we got. It was something like \$1 million for the youth empowerment program. It is going extremely well. The first 16 youth have gone through that empowerment program and are building on that, and we're about to go to the next stage. What it's doing is taking opportunities for the youth and showing them that it's not all dark and gloomy going forward. Our program is about getting back in and changing the culture or the thinking of the children and providing opportunities. At our council, we are also running a "wake up and shake up" program that we got some funding to do. Our first program was to take 15 community members who were unemployed or wouldn't have the opportunity and take them through to get the skills they need to get work. Out of that first 15, 13 are now gainfully employed, so we're not only targeting the youth but also in between.

Our community diversion is—I call it the shark bite. Our community is young between nought and 20, and then we have a big gap where people between 20 and 50 have either left the district or chased housing and that side of the issue, and then we have the ageing population. We've lost that skill gap that people would normally be involved with—volunteers and stuff like that. That's the gap we're looking at filling. Some of the other issues we have are, obviously, housing. It's a State issue across the board and, to that, national. We're looking outside the parameters and trying to work out what we need to do to bring housing and create those opportunities. Sorry, I lost the first bit of that question.

**Dr AMANDA COHN:** That's all right. There was a last bit about the question. If local government in your region wasn't taking the leadership role to apply for those grants to facilitate those programs, would they happen? Is there any other provider who would actually do that?

**PAUL GALLAGHER:** They would not happen, no. One of the things we've done is gone back to our community and brought our community back in. As one community, we're now talking to all the different organisations. What we did find in the process of building this connection was that every organisation was doing a little bit but no-one was doing the big picture or pulling together, or they were competing against each other. We've now brought our community together so that we're working as one with a common goal of providing those services. But if council didn't take the lead, it wouldn't happen.

**Dr AMANDA COHN:** I also wanted to ask about disaster recovery and resilience. I think it's another area where communities probably assume that it's the State Government doing that work and funding that work. I understand both of your areas have been significantly flood impacted. Could you talk a bit about the work that has meant for council and how that was resourced?

**KERRIE MURPHY:** I commenced in Coonamble shire in April last year, after the occurrence of multiple natural disasters. At that point, council had engaged a consultant to go through and assist with the assessing because it's a big project. What's happened is that the assessments have been done in accordance with the guidelines from the DRFA. We've had upper limits approved after evidence has been provided, and things like that, to the point where I think we're looking at about \$14 million worth of flood damage from those four natural disasters in the four years—not three, which I had in my submission. My apologies.

What has happened is that we've then got that upper limit approval. We've gone and engaged external contractors, because of the time frames applied for that expenditure, to get that work done. What we found was that, in putting in the claims, there were a lot of additional evidence-based claims. Even though the evidence had been provided in the first case, in accordance with the guidelines—and I appreciate that—we found we were having to jump through more constant hurdles in order to make the claims to be able to get that expenditure reimbursed. In Coonamble we're at the point where, over last financial year and this year, we basically spent \$5½ million of that upper limit that was approved to start with, between emergency works and remediation works. We had multiple claims sitting there, and it got to the point where we weren't getting any of those reimbursements. We've had to stop because, at the end of the day, our bottom line was impacted.

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We were literally running on almost zero cashflow because of the time frame of waiting for the reimbursement, which is what the catalyst was for meeting with Minister Aitchison in June. To her credit, she gave us a fantastic hearing. We did receive a part payment last week, but there is still a lot outstanding. The other issue in regards to that is not only are the roads still not fixed because we've had to stop doing that work, but it's also eating into that time frame that we have to be able to undertake that work. There's a lot of issues around it. I appreciate the opportunities to be able to have that funding available, but there's a lot of frustrations around how that is actually working in the real world.

**Dr AMANDA COHN:** I'm pleased to hear you got such a good result out of the new Minister. I suppose for every small council to have to meet directly with the Minister—you shouldn't have to have gone through that process.

**PAUL GALLAGHER:** If I may, there are caveats that I mentioned to Mr Faraway earlier. We've got time parameters on the limit of the funding. Now, if you can appreciate you've got a flood event and your roads are inaccessible, and our residents are ringing up saying, "We need to get to town. We've got to go to school and do different things." There is an expectation that we're going to fix these roads straightaway. One particular road had been inaccessible for over 14 months. It was just flooded and it was near impossible to get to. It was assessed, improved and then there was the expectation we would repair it, but you couldn't get to it. The other issue is, obviously, our materials. We run a commercial quarry and we have our gravel pits, but again, getting access to those is hard.

We've recently had a lot of feedback from our residents about the flood damage and the expectation of who's paying. We've taken them through that process and explained that it is federally funded and provided through the State to us and so on. We now have other agencies involved that are slowing up the process of payment, which is very frustrating from our point of view. That's what we raised with the Minister. At the end of the day it's our residents that start complaining and whingeing about the condition of the roads. One thing my colleague didn't mention is that we've actually worked a little bit smarter. We understand the word "betterment". Because of the funding, instead of doing two kilometres of road and building the crown and fixing the drainage, over the period of time the budgets have diminished to the point where it's a total grade.

I was horrified when I arrived at Coonamble to find out they were priding themselves on grading a road seven kilometres in a day. That's just ridiculous. It's a skim over the top—it's not doing anything and not achieving anything. We've adopted the philosophy now that we're using the flood damage—and it's isolated areas; it's not an entire length of the road. We've actually used some of the grant funding, though roads recovery and other funds and formats—plus the road maintenance grading—to actually fix the entire length of the road. We can only do a small number of those roads because it eats into the budget.

**Dr AMANDA COHN:** While we're talking about flooding in Bourke, in your written submission you talked about the shire having to take on some of the roles traditionally undertaken by the SES because of the low number of volunteers. Could you explain what some of that work was?

**LEONIE BROWN:** In the 2022 flood we had significant flooding here in Bourke. It takes a long time for the water to actually get to Bourke. It's slow and long, and as it is rising it cuts off all different roads to Bourke—Brewarrina, Sydney and the Cobar road—and then it starts to impact on infrastructure. We have a fantastic SES team here in Bourke, but they're all getting older and they just don't have the capacity to be able to undertake the work that is required of the SES. We had council staff undertake sandbagging and undertaking works to prevent properties from becoming inundated. Unfortunately, we did lose one property, but if council staff did not become involved we would have lost many more properties. An example of that is the cost associated with that work that was undertaken is \$118,000. The State Government has agreed to reimburse us \$18,000.

Because we're undertaking those works in our normal daily activities, they would not reimburse the cost for those works. I would've had the teams out working on our roads. It wasn't raining at that time. The rain had been a long time previous—six weeks prior—but it takes six weeks for the water to get here. I could have had our teams doing other works and it coming out of another budget, but I have to find that money, or council has to find the money, to fund that project now because the State Government is not going to pay under the [audio malfunction]. It's certainly a cost to council, and we had to find it. It's just another form of cost-shifting.

I'd just like to talk about council not just being roads, rates and rubbish, with your first question, if you wouldn't mind. Out in small, remote councils, we are the community. Everyone comes to council if there's a problem. An example is we work very closely with the police in regards to law and order. We certainly do. No doubt you've probably seen us in the media on occasions where we do have our issues in regards to law and order, but we work very closely with our police and have an absolutely fabulous relationship, but it all takes time.

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For health, to make sure that we have doctors in our community, we provide housing for those doctors and also a facility for the doctors to operate out of. Education—Bourke council owns two buildings that the Bourke and District Children's Services operate out of. They have a preschool operating out of there and a childcare facility. The youth centre, or youth services—we have a fantastic PCYC here. The council owns the PCYC building. We are responsible for a lot of things that maybe city councils aren't responsible for but we are the community, as I've said. The community expect that council provide those services so that we do have a liveable space.

Again with our roads, we had substantial road damage during the rain events in the last three or four years—since 2021, so it's probably three years. Those events—we've put a contractor on to assist council to complete the assessments and also to assist with having the works done. Council prides itself here on—we have a fantastic fleet. We have maintained that fleet for a long period of time. We like to undertake those works. Predominantly, we don't contract a big firm in to undertake those works. We're doing a similar thing to Coonamble and are strategically looking at our roads and trying to upgrade strategic areas that allow better access for people that live out in the outer areas to be able to access us as a regional centre.

**Dr AMANDA COHN:** Those are very helpful examples. Coonamble, in your written submission—but I'm sure Bourke will want to comment on this as well—you talked about the level of work that's actually required for grant submissions. You also commented on the need, often, for projects to get to the point of being shovel ready before you can apply for the grant and the amount of resourcing that you need to provide to a project that you don't know at that stage whether it will actually get funded or not. I wonder if you have any examples or quantification of that. What are the solutions?

**KERRIE MURPHY:** In short, I don't have an example but I can talk in a general sense about that. To the point of your question about having projects shovel ready, with a lot of the grants the requirement is that they are ready to go. In a perfect world you've got two years to undertake the project, so that's plenty of time because you've got a shovel-ready project. Talking about grants in general, the majority of the grants are for new infrastructure, so they're talking about your new skate parks, new buildings, may or may not be sealing a road and things like that. In order to have the work done for those grants, you've got to go and basically have the scope of works ready to go. You've got to have those scopes of works estimated, which all takes time, and designs, potentially, if they're for buildings, or any other things. They all cost money as well.

It's about having that revenue in the first place to be able to fund those preparations for the grant, and then you shelve the project, you apply for the grant and then you may or may not get it. The project may be ready to go and you may or may not be able to justify putting it in your budget. It might just be one of those projects that is nice to have if we can get external funds for it, but given the limited funds we have we can't actually justify spending our own revenue for that. Over time, obviously, costs escalate and then you're ready to re-estimate the jobs and things like that. As far as preparation of that, that also comes back down to the professional people that you have employed as well.

Separate to the issue that we are talking about, it's really difficult to recruit qualified professional people in the west. I'm pretty sure our colleagues at Bourke would agree. It's difficult to be able to get engineers in any sense—project engineers. You really have to think outside the square to be able to attract them—to want to come to your town and choose you over the private sector or a bigger council that can afford to pay well above the market rate for you to go there. It all factors in. As my colleague mentioned earlier, we are very fortunate that we have a really good grants officer who currently works for us—who isn't an engineer. Basically he leans on infrastructure, which is great, because we get the best of both worlds there. But, again, it takes everybody away from everything else they're doing to be able to do those grant applications. We don't know when the grants are coming up either. There are no time frames.

Going back to your previous question or Mr Farraway's question about the grant funding, there is no ability to be able to plan in the future for that funding. It is very ad hoc. You may be fortunate enough to have a project ready to go or you may not. If you don't, unfortunately, you throw something together, you may be fortunate enough to get the grant and then you have to do the whole works and jerks—the design and everything else—in that two-year period, for instance. It makes it very difficult.

**Dr AMANDA COHN:** In terms of solutions, is it that grant programs should allow you to include the cost of the preparation work you needed to do for the grant in the grant scheme, or is it a move to more untied funding with councils—just inviting the local member to cut the ribbon anyway?

**KERRIE MURPHY:** I agree. I think it's a combination of both, I'll be honest with you. If I may, I think there probably needs to be more thought given to the maintenance and servicing of existing assets. My colleague here is the chair of the asset management component of IPWEA, so we are very focused on our asset management of our assets. We find that there is not a lot of focus on that with grant funding. It's a lot of the bright and shiny

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things for the ribbon cutting, but not so much for the maintenance and the servicing of the assets that we already have and can't look after. A good example of that was that pothole funding that was granted a few years ago, because it ticked the boxes and helped council to get on top of that. But, again, that wasn't an overnight problem; that had been developing and simmering under the surface for quite some time, until it got to where it was.

**PAUL GALLAGHER:** If I may, in the submission we were talking about asset management. As Kerrie alluded to, I'm the chair of the IPWEA asset management panel and I'm also the New South Wales representative on the national asset management strategy. If you look at the Audit Office report on asset management, it's not only our regional area—actually we do it quite well in our regional area on our asset management, and we understand our assets because we have to. But when you look at the long-term financial planning and where an asset management plan should be feeding into, there are a lot of councils not doing that very well, and that's because they don't have the qualified staff. I'm very fortunate. I have two managers working for me. They're qualified and they have worked for me in the past—and my background. We are doing okay, but other councils are struggling. It's 1 per cent of the duties of a person in there. It's that asset management and looking at the long term. It's nice—we will accept any grant funding for our community and get these facilities, but the nexus is then we have to start looking at the long-term financials and replacement and repair, which is the issue that we don't fund or look to in the future.

**LEONIE BROWN:** Dr Cohn, in regard to your question on grant funding and the ability to attract that funding, it is very difficult for us as a small council. I'll give you an example. Recently, we developed an active transport plan, which was funded previously, and developed a very detailed scope of where we would continue to upgrade infrastructure rather than building it new. We are very focused on trying to upgrade infrastructure rather than trying to build it new because we have a significant amount of assets and huge depreciation. We made an application, because we were shovel ready with this active transport plan, to the recent opportunity for grant funding. Just recently, we've been unsuccessful in the three applications that we made. It all takes time. I know that we're not going to get everything, but when you put in the effort, it's very disappointing when you don't receive. But what we've decided here in Bourke is that, for our major projects that we want to upgrade, we're doing business cases on them all. We develop business cases so we are shovel ready. It's not such a simple process, but we are there and we can change and update the reports as required when funding is available.

**The CHAIR:** I might start with this question to Coonamble based on your submission. Bourke, please add if you want to, for this contribution. In your submission you talk about asset management planning and you also talk about community engagement and the need to strengthen mechanisms for community consultation and engagement in the budgeting and infrastructure planning processes. What would that stronger community engagement process in the budgeting look like?

**KERRIE MURPHY:** As far as the community engagement goes, to date—and I'll acknowledge that some councils don't do it well at all. Budgets and things like that are behind closed doors. I think the communities want to know more about what councils do, and I think that starts with the budget. They need to understand the basis of how councils determine their budget in the first instance and why we spend what we're spending going forward. This year, for the first time, Coonamble held consultation workshops with the communities. We have Coonamble and two villages, Gulargambone and Quambone. We held separate workshops for them. In a similar vein, as far as asset management is concerned, there needs to be more consultation with that. A similar kind of thing would happen—basically, putting the asset management plans out for exhibition and letting them look at the asset management plan so they can get it.

I'll be honest: A lot of people won't be interested. They won't even care, but it's about the efforts that council makes to engage with the community. You can lead a horse to water but you can't make it drink. You need to be able to demonstrate that they're the community's assets. We're doing what we can to be able to maintain them and keep them in a condition so that they're going to continue to work. It also sets the scene for when those assets reach the end of their useful life and they need replacement. Potentially, we need a special rate variation because of the rate pegging or things like that, where a council might need to take a loan out to be able to renew these assets, because some of these are quite significant costs. That's where the engagement comes from. It's easier to sell that if the community knows the background to why you want to do what you're doing.

**PAUL GALLAGHER:** If I may, the other one is we're about to go into elections in September. Potentially, there will be a totally new council with a totally different perspective on what they want to deliver for the community. The advantage of having the asset management plans in place is we can demonstrate what we're planning for the future. If they want to change it, we can amend it, but we know the financial hit on the council bottom line if that's the case. An example we've been dealing with is that there is an expectation of greater sporting fields. We've gone back to the council and to the community and said it would be nice to have sporting fields, but they're going to cost X amount of dollars to develop and we've got the long-term financial.

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So we've actually looked at our own area that we are managing now and have managed to put some extra additional sporting fields within the same complex at a lot lower cost, and we are already maintaining that area. They're the things we need to talk to our community greater. It is interesting that we can call community consultation, and you might get one person, or zero, or you might get 50 people. If you make it a controversial issue, it's guaranteed you will get a rent-a-crowd that will come in. But it's delivering that message out. We, like many other councils, are using our Facebook, media and emails. We've been averaging two media releases out each week just on the good news of what we've been doing, to actually get that message out there. We're getting very good feedback because people are actually hearing that. The radio and the TV are picking that up. The local newspaper is picking that up.

As Kerrie alluded to, you can bring a horse to water but you can't make it drink. It is difficult because of the tyranny of distance in our area. We've got a large rural area, and Bourke is not much different. People aren't going to come in and drive 100 kilometres to listen to a 15-minute presentation. The thing we do well is, on a major sporting event or a community event, we will put up a display and talk about that. My predecessors have done that well in the past. It becomes very interesting, from the community, when it becomes very topical. Other than that, generally, they seem to be reasonably happy with what we do.

**BARRY HOLLMAN:** Could I say something on that? Bourke council undertakes yearly meetings with six villages and in Bourke. These meetings determine the level of service and infrastructure upgrades requested by the community. They are always considered, but not always can they be adhered to. I'll just give you a good example of why funding is so important to council. We went to Byrock the last few years, and they have dirty water down there. They wanted a filtration plant put in so they could have clear water. We said, "That's okay, but you have to pay for it through your rates." And they said, "We're fine with that. How much would the rates be?" The rate is now probably \$1,500 to \$2,000 yearly. We would have to increase that to something like \$15,000 or \$20,000 per family down there to do that. They just said, "There's no way we can do that."

The point that I'm trying to make is that it's all about why we should get funding from government departments. If we don't have grants funding, we just cannot survive. It's just a simple as that. We have a rating base [inaudible] over \$1.98 million, which is about 5 per cent of our operating costs. Our operating costs are between \$35 million and \$40 million. The equation works out that without Financial Assistance Grants and grant funding from government departments, small communities—and there's lots of them—just struggle to make ends meet. It's just so important that government funding comes to these small communities and lets them survive.

**The CHAIR:** Did you have anything further to add on that one, Leonie?

**LEONIE BROWN:** I guess, in regards to your question about community consultation, I think integrated planning and reporting is one of the best things that the Government has implemented, and it has really made councils understand what is required. As the mayor has alluded to, we hold yearly meetings. Since 2013 we have gone out to about six villages and to town and, in the beginning, we were getting many people at our meetings. As we go out now, we don't necessarily get that many because we've satisfied the community. I think they feel heard. We take out a lot of the information about our roads and the costs and give them a bit of a PowerPoint to provide the detail of what's actually going on at council. I agree with Kerrie: They probably don't necessarily understand it, but it's so important that we do consult. Integrated planning and reporting has been a very important phase of local government.

**The CHAIR:** I want to ask about disaster funding, which I know my colleagues touched on earlier. We've heard across the course of the inquiry that councils are delivering more and more infrastructure in the wake of natural disasters such as floods and fires, particularly relative to their normal course of activities. What sorts of delays are you experiencing in getting reimbursement from the State Government? You mentioned delays; what sort of delays are those?

**KERRIE MURPHY:** I will give you some perspective. It's quite interesting, because there doesn't seem to be any rhyme or reason. Full disclosure: There has been correspondence to and from Transport for NSW, which is obviously the administering body, with clarifications and things like that. But we submitted a claim for AGRN 898 in March this year and it was actually paid last week, post our meeting with Minister Aitchison. Conversely, we lodged three claims in October last year for AGRN 1034 for emergency works and we still haven't been paid for that. They account for, I am going to say, \$1½ million just of emergency works, which under the guidelines are to make the roads accessible for the community. That's still being queried by Transport for NSW.

There was another claim, for AGRN 987, lodged in January and another one, for AGRN 960, lodged in March. When we've put these claims in, it's taken us substantial periods of time to actually put the claims together with our consultant because of the evidence that we then have to provide with that. That's just an example of what we're looking at, which is accounting to the money that we've spent and haven't been reimbursed with. As I said,

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the emergency works were works that had to be done to these roads in order for our community to be able to move on them. If we hadn't done them, it would be a lot different situation as well.

**The CHAIR:** Do you know why the delays are occurring?

**KERRIE MURPHY:** As far as I'm aware, it's because they are clarifying our claims and what is and isn't eligible. I guess, especially for the emergency works, that's the frustration for us, in that emergency works are works that are required—that you would do whether you got funding or not. That's what we've gone and done, and now we're making the claim on that. It's difficult.

**PAUL GALLAGHER:** I might just add that some of the other works have been approved to an upper limit. In other words, we've got approval to go through that process. We're mindful that we don't go above that. If we go below that, it's fine; it's a win-win for everybody. We're getting queries now on delays in processing that when we've already received the initial approval to go forward and start repairing the road and bring it back. We're very mindful of the word "betterment"—and that's what I alluded to earlier—where we're actually putting our own maintenance money and grant funding to go back and bring the crown back into the road and do the table drains so that the next flood that comes through hopefully won't have as much impact. That's been funded through council, as I said, either supported through grant or our normal maintenance money.

**KERRIE MURPHY:** Just further, I wanted to clarify that there's a vast majority of that work that we've done under 1034 that was re-damaged from previous natural disasters. We've spent money, we fixed the roads and then, 12 months later, we've had a natural disaster that's washed it away. We sort of just keep spending money in the same places over and over, which is everybody's argument for what they term as "betterment".

**PAUL GALLAGHER:** We've just gone through the revaluation process for our roads, which is for the end of financial year. We've actually engaged a consultant to come through. They've literally videotaped and condition-rated our roads. We need that evidence to go forward in a claim. They look back and the first thing they say is, "Demonstrate to us, with photos, what the road looked like", and we can't do that because a lot of the time we don't have that information. So now, going forward, we're prepared for the next event. We can say, "We brought this road back up to this condition. Here's the video, here's the photo. This is what was here." But that's additional work. We've only done that this financial year because we've got the infrastructure revaluation as part of the end of year financial process.

**KERRIE MURPHY:** Another point, especially to Leonie's terms as well, is that, with rural and regional councils, the guidelines expect that for pre-damage evidence there is a photo every 50 metres of the road and it can't be more than four years old. There is all of this, which puts further impost on the smaller councils with less resources to have to go and have this evidence. When you can't necessarily supply this evidence, you can't demonstrate that what you know is true and so that also forms the delays as well. There is a lot in it and it is difficult.

**The CHAIR:** Thank you, that's really helpful to know. Bourke, did you have anything to add to that from your perspective?

**LEONIE BROWN:** I think Coonamble certainly have responded to that. We are probably along the same lines. It's all the same issues.

**The CHAIR:** My question now is what can we do about the delays and what can we do to assist the process?

**PAUL GALLAGHER:** I'd like to turn back time to when I was a young engineer. Those days are well and truly gone. I'll be blunt then. That was when I was out in a regional council and we received something like \$20 million to fix our roads. It was an open cheque book. Those days are gone. And accountability, we understand all that. But we have gone from one extreme to another extreme. At the end of the day, my priority is to get my roads open and back to a condition where my residents can get to town and children can come to school. The short answer is, in my opinion, over the last several recoveries—sorry, the last thing. We mentioned earlier the three Rs: roads, rates and rubbish. I did a presentation to some conferences with the extra R, which was the recovery component. We've kind of complicated that too much, in my opinion. There is another tier of governance that has been put into there that seems to interfere.

Prior to coming to Coonamble, I worked with a council and we got \$4 million of flood damage. At the time, the staff there didn't know even how to put a claim in. The mayor spoke to me and said, "What do we do?" I said, "We'll just go through this process." We got that funding. Transport, to their credit, when I rang them up and said, "I need some training on how this happens and the process", sent staff up and trained the team so that they understood what was eligible and what was ineligible. They actually went out on the job site and said, "Righto, this is eligible. Yes, you can put a claim in for that. That's not eligible." I'm not sure of our process at

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Coonamble because it was prior to Kerrie and myself arriving. But there just seems to be a level of governance in there that seems to be slowing things down. I understand about accountability and transparency and the fact is that it's Federal money coming through. But, in my opinion, there's something there that's blocking it and making it slower.

**KERRIE MURPHY:** If I could add, and not to be too crude, I think there are too many chiefs and not enough Indians. I think we've got a lot of government agencies involved. We've got money from the Federal Government, we've got Transport for NSW, we've got the NSW Reconstruction Authority and we've got NEMA. Everybody seems to be having a say in how all of this is working. If I have one suggestion, it would be to go back to basics and actually look at what the purpose of the disaster recovery funding is and look at how that can best serve the communities and how it can be best administered. If all of those government agencies are required, that's fine. But it all needs to be streamlined and it all needs to be spelt out to the council so that they know what to expect. There is a lot of misinformation and, as I said, I think there are just too many fingers in the pie that are really slowing it down.

**PAUL GALLAGHER:** From a council perspective, there is a lot of work to put that flood damage claim together.

**The CHAIR:** Yes, it sounds like it.

**PAUL GALLAGHER:** Prior to my arrival, our council was using a consultant. As a guide, that consultant was paid in excess of around \$600,000 over a period of time to put that together. That could have funded several engineers or staff or permanent employees, but that wasn't eligible at the time. That's one of the issues we were facing. We've since moved back into council staff doing it, because at least we've got a better handle on it. What we were finding when it was the consultants coming in, we were doing all the legwork anyway and then handing them the information. We have actually straightened that out, but that money could have funded some cadet engineers from university who were looking for work experience to go out and assist in that under the guidance of a chief engineer.

**The CHAIR:** Do the witnesses from Bourke have anything to add to that?

**LEONIE BROWN:** No, I don't think I've got anything to add. We are doing it a little bit differently to what Coonamble is doing. Certainly, we are using a consultant that I think seems to be working well for us because we find it so hard to get resources to come out and do those works. We have changed around the way we do it. Prior to that, we were doing all our own works and I think that we were missing out on claims because of that. The distance of our roads and the requirement for capturing those shots every 50 metres—it's a job here that's impossible for the staff that we have. There's probably a little bit of a difference between us but, in answer to your question to how we fix it—you know, it's probably that level of different agencies within the organisations that distribute the funding. Along with Paul, I think that previously—I have been here a long time and I have done a lot of flood claims—it was much more simple. It was rigorous to deal with Transport for NSW and to lodge our claims and to get the funding through.

**The CHAIR:** I have one more question that is specific to the Bourke council submission. In your submission, you do not charge section 64 or section 94 developer contributions. Why is that?

**LEONIE BROWN:** We've got very limited applications for development and it's just a rural remote council. The applications that we would have would not necessarily build our parks and footpaths. I think you'll find that there are probably many rural councils that don't charge section 94s.

**The CHAIR:** Is that the case for Coonamble?

**PAUL GALLAGHER:** Pretty much the same, yes. We want to encourage development. To get a developer to come to our area is difficult enough, and then to charge them fees and charges—yes, we are much the same.

**The CHAIR:** Interesting. Thank you so much for the time you have given today to give evidence to the inquiry. It is wonderful to hear both your perspectives. If there are any questions on notice or supplementary questions, the Committee secretariat will be in touch with you with the details for that.

**(The witnesses withdrew.)**

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**Mr DANIAL SPEER**, Manager, Works, Forbes Shire Council, sworn and examined

**Mr STEFAN MURRU**, Director, Corporate Services, Forbes Shire Council, sworn and examined

**Mr IAN GREENHAM**, Director of Technical Services, Orange City Council, sworn and examined

**The CHAIR:** Welcome. Thanks so much for taking the time today to give evidence to the inquiry.

**IAN GREENHAM:** I pass on my apologies from my CEO and mayor, who were otherwise engaged when they were invited to attend this. Thank you for coming out to the region.

**The CHAIR:** Would any of you like to start by making a short opening statement?

**STEFAN MURRU:** Thank you, Madam Chair, and members of the standing committee for providing us the chance today to address this Committee on what is a subject of crucial importance to us in rural New South Wales. You've now received well over 100 submissions from councils and other stakeholders on the issue of the ability of local government to fund infrastructure and services. Since 2008 we've noted at least six inquiries of various forms into this particular question. Each time we seem to get the same issues, the same recommendations and the same discussion points: rate pegging does not work, there is no one-size-fits-all solution for councils, rural councils are highly grant-dependent and do not have opportunities for own-source revenue, and cost shifting is breaking the back of smaller rural councils.

Each year the *JLT Public Sector Risk Report* lists financial sustainability as the number one risk for local government, and each year the number of councils struggling financially increases. But nothing seems to change, unfortunately. According to the Local Government NSW submission to one of the above six inquiries, there have been 178 special rates variations over the 10 years, as at 2022. I'm from Forbes Shire Council. Forbes Shire Council, as with other rural councils, maintains an extensive land area—not as big as Bourke and Coonamble, but significant nonetheless. We also have 1,850 kilometres of roads and a population of only 10,000 people. Council is by far the most visible level of government for residents of the shire, and we have to step in and plug gaps when other levels of government can't. Rural towns are not Sydney. We don't have the population density to fund the levels of services that would be expected in Sydney, nor do we have the population density to be able to deliver services at cost recovery.

Quite the opposite—our pool costs \$500,000 a year, we spend \$200,000 a year to provide subsidised medical services to our community and RFS contributions were \$550,000 last year. We also lack other sources of income. We can't charge for car parking and we don't have buildings we can rent out, like the big city councils do. Forbes Shire Council has reported net operating losses before capital grants in most of the last nine years. That's the norm, not the exception. As director of corporate services, we've been balancing money this week—balancing bills, hoping for payments from the State Government to come in—so that we're not reporting negative available cash at year end. We're currently owed \$6 million worth of funding from other levels of government, which isn't too bad considering where we were a month or two ago. We don't mean to sound harsh in what we're saying. The system is broken. We understand this is a new government, we understand this is a new inquiry and we understand that other levels of government are struggling financially.

There are a few easy fixes, however. First and foremost would be to fix rate pegging, and there are solutions to that: allow our representative democracy to work; allow us to charge the revenue and provide the level of services we as a council want and agreed to, per our IP&R process, which is a great process that really does help set the direction for local government going forward; redirect government grants to councils that do not have either the rate base or the population density to earn adequate own-source revenue—Bourke, Coonamble and Forbes would be really good examples—and, lastly, end cost shifting. In closing, the Government would be much better served to have effective, functioning rural communities that can help take housing and infrastructure pressure off the Sydney Basin than an empty interior west of the divide, and fix rate pegging and help rural councils remain viable and not only meet the needs of our community but also help us provide liveable communities that can attract people from Sydney. Thank you and sorry for taking up so much time.

**IAN GREENHAM:** By way of introduction, I'm a civil engineer and a management fellow of Engineers Australia. I've worked in every State in Australia except for Tasmania, so I've got some broad experience around how different things work in different areas. I've been the director of engineering services, or the director of technical services, at Orange City Council for over 6½ years. Specifically around funding infrastructure—as that was the terms of reference for today—water, sewer and waste, as you're all aware, are deemed to be critical services and are funded separate to the general rate cap through fees and charges, supported by a 30-year financial plan.

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We've made provision for renewals in our fees and charges, but additional support is needed where climate change and water security comes in and, I'd add to that, where there might be changes to legislation around what the Australian drinking water guidelines might be. If Australia was to follow the US example and change the acceptable level of PFAS by reducing it 140 times to what the US standard is now, then I'd say most water utilities—and most regional councils are water utilities as well—would need some assistance in that position. I also acknowledge that both sides of government have helped us on the water security front. Both the previous and current governments are helping us there.

On roads, there is certainly a backlog of renewal work. Following successive natural disasters, councils around us were declared, yet we received flash flooding and damage out of those events. We were finally declared under declaration 1034 on 14 September 2022, which was also the Eugowra floods. Overall, pavements remained saturated for a period of time after that, and council was supported with pothole patching funds by both sides of government following that event to help address the events of the spring of 2022. Roads are funded through grants, development contributions—in our case—and the general fund. They're limited and variable from year to year.

The New South Wales Local Roads Congress, amongst other things, has recommended that roads be treated as an essential service and funded through fees and charges, like water, sewer and waste levies. There will still be an equity and access component, which both councils previous to us had intimated, with both tiers of government to help fund. These funding streams should be known in advance and indexed in line with the construction cost index, or the producer price indexes. State forests that operate a commercial enterprise should be subject to local government rates, in recognition of the overmass, 65-tonne-plus vehicles that they operate on the local road network during logging. They're now also looking to put wind farms in State forests. Where there is a commercial activity by the State, they shouldn't be free of rates or exempt from paying rates. They should pay their fair share.

The developer contribution cap of \$20,000 per subdivision lot with no indexation was appropriate when it was brought in—and most councils recognise that when we've been talking to the Department of Planning—but it has not kept up with inflation. It has been capped at that ever since it was brought in back in the 2000s, prior to 2010, to such an extent that grants are now generally directed at supporting enabling infrastructure for development works, in our case. That means that those grants haven't been used to help address the infrastructure backlog that we've got. A stepped increase, in line with the construction cost index, needs to be implemented, and then a mechanism for similar annual indexing to ensure that developers are funding their fair share for infrastructure works.

Rate pegging has not kept up with wages growth, which is council's single largest cost centre. For Orange, it's sitting at 46 per cent of the cash budget, excluding depreciation. I did do a double-check on the last 12 years of information I could find and, while the rate peg over the last 12 years has grown by 42 per cent, the award increases are sitting also at 42 per cent. What that doesn't recognise is, under the modern award, we have a salary structure that has entry levels and three steps after that—a spread of 10 per cent—so every year our wages growth goes higher than the actual award increase because we need to implement the salary system on top of that as well. I'd imagine the Office of Local Government, when they respond to questions around wages growth, would say that the rate pegging has kept up with it but it hasn't, in effect, because there is that salary structure. That's very important for our staff as well.

Unlike my colleague, I do believe in rate pegging because I've been involved in local government on and off since 1992. I've been involved with councils that have chosen not to pass a rate peg on and the generational equity issues that has on future generations of the community that we're serving is significant. You never get that back so you end up going through this cycle where, if it was left up the councillors—no-one really wants to pass on increased costs so it's not a popular decision. If it's purely left up to the councillors, it generally doesn't get passed on so I believe there should be some government oversight. I believe there is a place in there but I think the rate pegging should at least track real wages growth within the industry.

The emergency services levy in Queensland—I've still got property in Queensland—is a straight-through arrangement so there is no charge on local government for the emergency services other than through the rates. It's collected as a levy just like waste and water and sewer is. Currently, I believe, there's a proposal to scrap the emergency services levy out of the insurances and pass that on as a fee on the properties. That would be a separate levy but then there'd still be a component, like the 11.7 per cent that councils pay under the bushfire Act. Ideally, all of those components should be bundled up and kept as a separate levy and passed straight through. There should also be some recognition and some administration charges on the way through for council collecting that because we're essentially doing the insurance sector's job if we—I'm sure they'd love to just hand it straight on to local government. That's one element of cost shifting we see and not all people realise that.

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There is a human cost to this hand-to-mouth existence for local government. There's a clear frustration among staff, particularly finance, where, in Orange, we've had four CFOs with council over the last seven years. It's great to see State Government set up flying squads to support critical infrastructure like water and sewer operations and planning DA approvals, but when the State Government recruits those people from local government, you're simply adding to the problem as well. It's a very small pool. When I started in the 1990s there was significant investment in training programs within State Government agencies. A lot of the local government engineers had come through the cadetship programs of either the Department of Main Roads or the Department of Public Works. We're all the beneficiary of those. Now it seems that council is investing in those programs, but those State Government departments aren't. As those young professionals come through our training programs, they're being taken through from State Government departments, and we're seeing that a lot. That's my point.

**Dr AMANDA COHN:** Thanks so much for coming today and for your energy on a Friday afternoon. My first question is a fairly general question, which is are councils currently adequately able to collect revenue from developers to fund infrastructure for new subdivisions?

**IAN GREENHAM:** I'll take that first, and I'll say no. When the cap was first put in where there's a requirement for council to put up within those development plans what soft and hard infrastructure we're going to fund out of those developer contributions and when the \$20,000 cap was put in, none of our subdivisions reached the cap. However, now all of our subdivisions are over the cap, which means that we're constantly looking for other streams of revenue to help fund that. That becomes an issue because, just on roads, for example, our infrastructure backlog on roads is \$16 million. I've heard it referred to if the regions had \$2 billion for their roads, we'd fix the problem. I'd imagine most councils have infrastructure backlogs on their roads within that \$16 million range.

**STEFAN MURRU:** Orange's response is probably better than ours. Orange is obviously a regional city and they have a lot more development. We do have quite a bit of development at Forbes. The water and sewer headworks charges are probably close. Other stuff, I'd probably defer to Orange's response without having the numbers in front of me.

**IAN GREENHAM:** Water and sewer charges aren't capped, so that's why they're certainly adequate. The other infrastructure, though, under the department of planning, is capped at \$20,000 per lot.

**Dr AMANDA COHN:** Mr Greenham, you talked about the rate peg in your opening statement, which was, I think, an interesting argument that we hadn't heard yet, made in favour of keeping the rate peg. Other councils have argued that councils obviously have the autonomy to set the water and sewer charges and we haven't seen, largely, councils either giving their communities massive bill shock or failing to fund their water and sewer infrastructure. My first question is to Forbes, who do support getting rid of the rate peg. What framework do you see protecting your community both from bill shock or from, I suppose, what Mr Greenham's worried about, which is a council who politically might decide to freeze rates and leave the council in dire financial circumstances?

**STEFAN MURRU:** The opposite, yes. I'll first comment on what you said there just about water and sewer. You're 100 per cent correct. We have a water fund, we have a sewer fund, we have a waste fund and we have a general fund at Forbes Shire Council. Our water and sewer fund and waste fund are all profitable. We have no issues of financial sustainability for any of these funds. Over the last few years, our water, sewer and waste charges have increased by a slight amount more than the rate peg. All of them are profitable. We have not had community backlash on any of these increases. In terms of the general fund, the general fund is where we struggle, and obviously we struggle because of rate pegging.

As to what methods would help fix the problem of rate pegging going forward, there's quite a few that have been addressed in previous documents. One was you could use the rate peg as a guide, so that means other councils—the community can compare what council is doing in terms of rate increases to a guide. Say, for example, IPART releases a rate peg of 3 per cent. Forbes Shire Council, following the process of representative democracy, local democracy, communicates with its community, "We would prefer to raise rates by 5 per cent, 2 per cent over the rate peg. The reasons we are doing this are for the reasons stated in our IP&R documents. We wish to allocate more funding to support of doctors, to improving our parks et cetera." The community then gets a say, so we have democracy in every level of government.

The New South Wales Government can earn the money they need to provide the services they need, but we can't. If we do have a situation where we have a council that increases their rates significantly over the rate peg, if the community is not happy, they'll be voted out in the next council elections. Council elections come around every four years. You can rely on the system of representative democracy, I feel, to keep those huge increases at bay.

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Having said that, what is happening is that you have 165 special rates variations in 10 years, which means you have a 30 per cent or 40 per cent increase in rates, which is just wrong. There is a better way. One of them is to either have it as a guide and remove rate pegging completely, which could cause other problems, or to have a rate peg of, say, 3 per cent, and allow a margin of up to, say, 5 per cent above the rate peg for councils that have their IP&R documents in place and are doing the right thing. This has been suggested in some of the previous reviews into local government. I'm happy to answer any questions on that.

**IAN GREENHAM:** I probably have a slightly different view on some of that. The water sewer and waste funds for Orange City Council are healthy, but not profitable. They're supported by a 30-year financial plan, and they include components in there for renewal of both the pit and pipe infrastructure but also the treatment works and the renewal of our landfill. Because of those significant costs into the future, we do have significant reserves in those items. They are not profit centres for council. This is one of the issues we have with disaster funding as well through NEMA. NEMA believes that those centres are profit centres and therefore don't fund the replacement of flood-damaged infrastructure. There was an announcement that Lismore got their sewage treatment plant funded. That was a ministerial announcement. It wasn't in line with the NEMA guidelines, but I believe it was supported by both levels of government, so the funding flowed through.

There are other cases here within the Central West where there was a significant pipeline for Parkes that was completely washed out. It's now in the multimillion dollars, and there is no funding under the disaster relief recovery arrangements because of this narrow view around what a profit centre is. Because we have a population of about 43,000 people in Orange, we have about 17,000 connections to our water and sewer network. As I said before, we're able to fund our renewals. As an example, we're just completing a contract on our inlet works on the sewage treatment plant. It's an \$8 million project. We haven't sought external government funding for that work.

**Dr AMANDA COHN:** I have a couple of specific questions for Orange. One of them was about the agreement that you have with the Cadia mine for the treated effluent water. I understand there was an agreement struck 20-odd years ago under a water licensing system that's no longer in place, so that the Cadia mine is actually receiving your treated effluent for free. Is that correct?

**IAN GREENHAM:** There are certain elements of that agreement that are confidential and I'm not at liberty to answer. The section 60 ministerial approval for that infrastructure is still in place. We supply the treated effluent to Cadia mine as part of their operations. Cadia mine do pay certainly at least the pumping costs and specific costs for that water, but I'm not at liberty to divulge what's actually in that agreement.

**Dr AMANDA COHN:** I had some follow-up questions about this but, if it's confidential, I might leave it for this inquiry. The other question I want to ask is about the Orange Rainbow Festival, which I had the absolute joy of attending this year. It's a really beautiful example of a benefit that was provided to a regional community well outside of the traditional remit of local government. I understand that Orange has made a recent decision to extend that into next year. What kind of community feedback did you get about that? In a paradigm where local government struggles with its financial sustainability—and that's why we're all here—what community feedback did you get about the Rainbow Festival?

**IAN GREENHAM:** The Rainbow Festival was funded solely by a State Government grant, so thank you. I think it was in the order of \$124,000, but don't quote me on that; it might be \$120,000. There were mixed feelings within the community. There were certainly some individuals that were against supporting such a festival, but there was overwhelming support for the festival. Definitely a majority of councillors—I think it was almost unanimous, bar one councillor—supported the Rainbow Festival at the time when it ran through. There were a number of events held. There was some concern over one of those events, post the event, that we've addressed since with those operators. This year, council have actually put in seed funding for the event themselves. That has been voted into the budget, so it will continue. We're getting a number of businesses that have expressed an interest in supporting the event into the future as well.

**The Hon. STEPHEN LAWRENCE:** I missed the point you were making, Mr Greenham, in your opening statement about PFAS and the acceptable level of it in water. I was just wondering if you could explain that a bit further?

**IAN GREENHAM:** PFAS, at the moment—the US Government has always had tighter restrictions. All of our drinking water guidelines are assessed by the National Health and Medical Research Council, so they're put in place. They make evidence-based decisions. I'm not a health professional as such, but I believe that, certainly when the US changed their guidelines some years ago, Australia chose not to follow suit. When they made this last change, there was some media attention to it. I'm not aware of the medical research that supports the US position at present, but I do believe the National Health and Medical Research Council will certainly make an evidence-based decision on the position that Australia takes. Australia's drinking water guidelines are very similar to the European drinking water guidelines. I believe they also make evidence-based decisions.

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**The Hon. STEPHEN LAWRENCE:** Was your point that if we followed the American standard, where less PFAS is considered permissible in water, that would have financial implications for councils?

**IAN GREENHAM:** Not so much Orange, but some of the other councils, possibly. We have a BAC filter—a biological activated carbon filter—as well as ozone treatment. A number of councils simply chlorinate and fluoridate. We chlorinate and fluoridate as well, and we also have a filtration plant on the back end, mainly to control taste and odour. We have the BAC filtration as well as ozone treatment. Depending on the level that is taken, we may also have to extend into UV disinfection. Chlorine doesn't necessarily treat PFAS.

**The Hon. SAM FARRAWAY:** Good to see you all again. I'll jump straight in to try to ask some questions that both councils should be able to answer, and that is around equitable funding. We've heard throughout the inquiry that councils find grant processes volatile, which is understandable. We all know that, in the regions, it's hard to get a BCR to stack up on everything, especially smaller community infrastructure. My question is around equity for councils like Forbes Shire Council and Orange City Council. Do you believe that the Government should be not putting a hard-and-fast BCR on road funding, and in particular small infrastructure funding, that would never stack up but has a huge community benefit that is unmeasured until it is built?

**STEFAN MURRU:** I'm sure that my response will be different from Orange City Council, but, yes, we believe that that should be the case. In a shire like Forbes Shire Council, we have a population of 10,000. The projects that we put up to other levels of government are never going to stack up when compared to a project that's going to affect a council like Orange City Council with a population of 43,000.

**The Hon. SAM FARRAWAY:** Is that purely because of scale?

**STEFAN MURRU:** Mostly because of the economies of scale et cetera. In terms of grant fundings that work, we've really got to take our hats off to the Federal Government this time. I know this is a State Government inquiry, but what they've done with the Roads to Recovery is absolutely great—pushing money down that path where it's up to councils to make the decision, in many respects, how that money is spent. Obviously, the Federal Government sets the conditions—it has to be for a local road et cetera. That is a type of grant system that I feel works very, very well for smaller rural councils like ours. The fact that it is non-tied as well means we can spend the money where we feel it's needed. It's not a competitive grant process where we have to go out and we have to pay consultants, sometimes, to fill in these huge grants that, from a BCR perspective, we know will never stack up.

We then get the grant and we have to try and cut the cost of the grant back as much as possible so we are competitive. We try and put stuff in for future maintenance requirements. Then we put in that grant, and it takes a while for all the planning to happen, by which time the cost of infrastructure and the cost of providing services has increased. We've had a few major grants recently where we've gone over budget on those grants, and council has had to use its general funds and its available cash to plug the difference. A lot of that is just the cost of contractors which, for smaller rural councils like ours, have just gone through the roof over the last few years. That's been difficult. To answer your question, yes, the BCR can cause us some grief at times. A system similar to the Roads to Recovery system would be much better for a council like ours.

**The Hon. SAM FARRAWAY:** We'll stick to roads as that's a bit of a theme, and I'll come back to community infrastructure. Orange may disagree with what I'm proposing, but we'll go here anyway.

**IAN GREENHAM:** Not necessarily.

**The Hon. SAM FARRAWAY:** In terms of the State, the former Coalition Government saw the new pothole funding and then the regional roads program. We moved funding—and to their credit, the new New South Wales Government kept that program going for the time being, or in the first 12 months at least—around the size of the road network. Obviously I accept that Orange has got probably one of the smallest road networks, but councils like Forbes and Parkes, for instance, have much larger unsealed road networks. You've mentioned the Federal Government with Roads to Recovery, but from a State perspective, do you believe the State Government should be looking to replicate how that money is distributed from the pot from Sydney, in terms of, "Here's the total size of the roads network. Here is, proportionally, the cash. You need to justify how you spend it. Go and fix your roads"?

**STEFAN MURRU:** My response to that would be yes. If you're a council in Sydney, you have access to a lot more funds to fix that very small road network that you have. If you're a council out here—we have a huge road network, as I mentioned before, of 1,850 kilometres of roads. Sure, there's Roads to Recovery. Sure, we have the roads allocation for the FAGs grants. But you've driven around our road network. Dan can probably speak to this more than me, but we do not have adequate funds to maintain our road network. A system like you're suggesting, based on kilometre length as opposed to BCR, would help to improve the safety of our regional roads.

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Most crashes happen on regional and local roads in rural areas. That system would work extremely well, I would feel. I will pass to Mr Speer on that, as he can probably add a bit more as well.

**DANIAL SPEER:** From my perspective as the one who is actually filling in the grant applications, doing something like a BCR and trying to demonstrate that, you're almost fudging the numbers anyway to try to get some sort of decent number that's going to be competitive. Whereas if you've got a system where the grant application is quite simple, it saves a lot of time and at the end of the day you get the same outcome. Definitely a BCR doesn't work for us.

**The Hon. SAM FARRAWAY:** In actual fact, the outcome might be quicker. If you can get the funding quicker and the deed quicker, you can get cracking internally with your own crews or contractors quicker.

**DANIAL SPEER:** Definitely the potholes model, for example, was a very simple process. We had crews on the ground fixing potholes in no time. It was a great program. That's been continuing, that sort of process, in a couple of new grants, and it's been great.

**The Hon. SAM FARRAWAY:** I'm trying to give the Labor members some free advice. Mr Greenham, from an engineer's point of view—but obviously Orange city has a much smaller road network, so it may not be as advantageous to have it based on size of road network. But, more broadly, what are your thoughts on that sort of funding and how it's distributed?

**IAN GREENHAM:** You might be surprised to hear that I'm in fierce agreement with my colleagues. Orange does have a significant road network in that we have 575 kilometres worth of roads, which might only be one-third of Forbes, for example, and we have maybe four times the population, but we still have an infrastructure backlog. I think if you're funding something where there is a significant infrastructure backlog right across the State, then the BCR needs to get out the window and we all need to share it on an inequitable basis.

**The Hon. SAM FARRAWAY:** Very well said. Betterment from an engineering background around road infrastructure in particular—and obviously Forbes may have had a little bit more exposure to this with flooding. But from an engineering and extensive local government background, it shouldn't matter about politics. Betterment is the way of the future in how we rebuild roads, is it not?

**IAN GREENHAM:** Absolutely. I think particularly where it's addressing a flooding issue, for example. So if you've got an area where the infrastructure is not adequate to hold—for example, the Richmond bridge is flood-proof. It doesn't mean that you can travel over it when there's a flood on, but it will still be there when the flood comes back down.

**The Hon. SAM FARRAWAY:** As long as it's not a timber bridge.

**IAN GREENHAM:** Yes, for example. That's what we want all our infrastructure to be. We don't want it to be flood-free as such, but we do want it to be flood-proof. If there's a betterment-type approach to making sure that that infrastructure is fit for purpose and can withstand a flood event, knowing that we're going to have flood events into the future, then, yes, that should be part of the funding.

**The Hon. SAM FARRAWAY:** Would you agree with my observation, which is that it's actually practical measures around betterment in road infrastructure? It's not the gold plating that bureaucrats in Canberra say it is, to be frank. It is culverts, it is drainage, it is a little bit of road raising; it is very practical stuff that can withstand more freight, more movements but increased weather events. I'll put that one out there in terms of would you agree with that observation that it's those type of measures that is betterment, not building a four-lane highway in the middle of Forbes.

**DANIAL SPEER:** Yes, absolutely spot on. I've been through floods at Forbes in 2010, 2012, 2016, 2021 and 2022 in the same locations, the same damage, from the same materials that's been reinstated back each and every single time. What we're proposing for a lot of our locations is, yes, we need more culverts—exactly—we need more robust pavements. If that is an issue of replacing a granular pavement with an asphalt pavement, for example—and exactly what we've just talked about—once the water recedes, the pavement is then still in a driveable condition, we haven't got massive holes in the middle of the road and the public can use the road as soon as the water recedes. At the moment, we're reinstating roads back to the original condition from 2010, which is just not the way to do it.

**STEFAN MURRU:** You mentioned BCR then. This is a case where the BCR would work. Dan's talking about one area—21 mile on the Lachlan Valley Way, which you probably know. With every single flood we have used your money—State Government money—to repair that spot. If we had put in an asphalt pavement, that would have been a one-off expenditure and you'd be getting bang for your buck, to be quite honest.

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**The Hon. SAM FARRAWAY:** I want to go back to the equity question and funding distribution from State Government around grants. There were funding programs that both Forbes and Orange were entitled to and received good funding over four phases through the Stronger Country Communities Fund. It wasn't purely for councils but councils in regional areas were primarily the local Crown land administrator or owned the land or the buildings so they were the ones who put the applications in. Distributing funding through a program like that per LGA with set amounts for each LGA—do you feel that was a far more equitable way without a BCR and then allowing community and council to apply?

So you knew how much in that round, but it was a matter of making the money stretch as far as possible, versus a full statewide contest with a BCR.

**IAN GREENHAM:** Yes, I agree—the allocation per council area and then the involvement of community groups or sporting groups that would lobby council for certain projects, and the council's social services team would also put in applications for things. I was listening to the previous group and there was a statement made that they do a lot of things that the city councils don't do. Just to be clear, Orange City Council, our largest area is actually in the social services group. We have 186 staff in that social services group. We run three childcare centres, we run two OOSH or out of school hours care arrangements, we have a number of shared disability homes that we manage and we also have shared aged homes as well that we manage, as well as a youth hub and we own the PCYC, like a lot of councils do, but we don't necessarily operate the PCYC ourselves. Yes, there is a large contingent of staff in that community services section. Total council staff is just over 800, so nearly one-quarter of the staff are in community services.

**STEFAN MURRU:** In 2018, before things like Stronger Country Communities and LRCI started, we had a capital spend of around \$8 million per annum; this year we will be up to \$34 million. That kind of local government grants targeting helps us to do the application process. We're not sitting there spending money on consultants or allocating huge amounts of staff resources to fill in competitive grants that we are very unlikely to get. We're unlikely to get a shoo-in because, obviously, if it is a competitive process it's more likely to go to Sydney. Stronger Country Communities and that LRCI model, from an equity perspective, has been great. The other good side about that particular model is it does allow our councillors and our community to have a say on what they want.

For example, when you have a targeted grant for a targeted—a bridge is probably a different kettle of fish because, for the renewals, there really needs to be a lot more money pumped into renewals like pavement renewals and bridge renewals et cetera. But when it's for community infrastructure, if it is an allocation by council area, it gives a much greater say, we feel, to our community and our councillors on how that money is spent, as opposed to saying, "No, we will do this. Our community probably doesn't want this as much as project B, but we know this has a much higher chance of being successful." So it is a much fairer and probably more democratic way of distributing the funding.

**The Hon. SAM FARRAWAY:** My final question—this is for Orange because I don't think Forbes were eligible for it—is on the Resources for Regions funding, which was obviously implemented as a way of returning a form of the royalty for mining activity in a local government area back to the community where the activity is happening. That would now come at a direct hit, wouldn't it, to Orange city's P&L because that funding program has been dissolved and not replaced. What sort of projects did that funding program fund in Orange, for instance, over the course of the last couple of rounds?

**IAN GREENHAM:** The Southern Feeder Road, which is our southern loop, would not have been constructed. We have a major development north of the Northern Distributor Road—the main north-south spine of that is along Hill Street and William Maker Drive, as you are aware. That project wouldn't have been funded. There are a lot of facilities out at the airport that would not have been funded but for the Resources for Regions grant. The upgrade of Clergate Road, while it drew funding from a number of sources, one of the main sources is Resources for Regions. Clergate Road is a road that feeds into our new industrial area, so it's tied directly to employment growth. The Southern Feeder Road feeds into a new subdivision area, so it's tied into that housing solution. Without that, we would not have been successful. Not all of those allocations were on a merit-based application. The last three years of that program were on an equitable split amongst the mining-affected councils.

**The Hon. SAM FARRAWAY:** So, essentially, there was a baseline amount that you knew that you were going to get in that round and then, depending on the commodity and the output, it would then change.

**IAN GREENHAM:** Tick over—you could get a little bit more.

**The Hon. SAM FARRAWAY:** But you knew what the minimum baseline amount was. So you could budget for that, couldn't you?

**IAN GREENHAM:** We could budget for it, and so we could set in place shovel-ready projects.

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**The Hon. SAM FARRAWAY:** That part was not contested, so you knew that that part was coming in. Then, once you knew what the final variance is, depending on the commodity output—

**IAN GREENHAM:** Yes, and that allowed us to design in front and have shovel-ready projects on the shelf, ready to go, because we knew the funding was coming through or at least an element of that funding would be coming through. Without it, we wouldn't have upgraded half the roads that we've done since I've been there.

**The Hon. SAM FARRAWAY:** What sort of financial impact is that on Orange?

**IAN GREENHAM:** It's in the order of \$2 million a year—\$2½ million a year.

**The Hon. SAM FARRAWAY:** So it's significant.

**IAN GREENHAM:** Yes, significant.

**The Hon. SAM FARRAWAY:** Your CFO certainly, once that program was dissolved, would have to readjust budgeting by at least \$2 million or \$2½ million, because you knew that that was not coming anymore.

**IAN GREENHAM:** Yes, it just extends it. Anything that's on our program to be done just slides further back. We generally have a 10-year financial plan in our long-term financial plan, and then we have a four-year budgeting cycle. So anything on that four-year budgeting cycle that is funding-dependent simply slips through. So it's extended into another year and maybe not ever funded. Some of these projects—

**The Hon. SAM FARRAWAY:** It just goes on the priorities list and when you've got the cash, it will happen. But I suppose it goes to that point, Mr Greenham, about equity for regional communities, whether it's disaster funding for significant weather or flooding events or whether it's for mining-impacted communities, whether it be Cobar, Broken Hill, Orange, Cabonne or Blayney. I think it's fair to say that it is not just Orange. This is a significant hit to councils, and there's going to have to be a fair bit of recalibration to their budgets without a program like that, where they knew where the baseline funding was coming from in each round.

**IAN GREENHAM:** Absolutely, yes.

**The CHAIR:** For Orange, how much of the town's revenue comes from having the Cadia mine?

**IAN GREENHAM:** I'd have to take that one on notice. Cadia would be able to provide some information, but there is a significant number of people who are employed out at the mine. Are you talking town revenue as in—

**The Hon. SAM FARRAWAY:** Rates.

**The CHAIR:** Both—rates, mining rates.

**The Hon. SAM FARRAWAY:** I think it mostly sits in Blayney, doesn't it?

**IAN GREENHAM:** No rates.

**The CHAIR:** In terms of the workforce, that would generate a component.

**IAN GREENHAM:** It's a significant component. Without that industry, we wouldn't be doing as well as we are.

**The CHAIR:** You mentioned the social component of your workforce, which is almost one-quarter. How much of that would you think is as a result of that mine?

**IAN GREENHAM:** I think the demand would have been there without the mine. I think the mine has helped fund some of those programs. Most of that social services group is heavily reliant on other tiers of government to help support. Council does obviously top up to meet the needs of each individual area. Without the mines, we wouldn't have the population growth that we've got. We wouldn't have the young families that are cashed up and wanting to have out-of-school-hours care or childcare arrangements or those sorts of things. The mine is a large industry player within the community. So is government restructure and that decentralisation process that happened in the '90s. As Dubbo is, we're a very big beneficiary of having a department based out in Orange.

**The CHAIR:** That's all we have time for, unfortunately. I would like to thank you again for making the time to give evidence to the inquiry, particularly in person, because you've both travelled to be here. If there are any questions on notice or supplementary questions, our Committee secretariat will be in touch with you in terms of the details of those. That concludes our inquiry hearing for today.

**(The witnesses withdrew.)**

**The Committee adjourned at 15:00.**