

**REPORT ON PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

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

**CORRECTED**

**At Jubilee Room, Parliament House, Sydney, on Friday 5 July 2024**

**The Committee met at 9:15.**

**PRESENT VIA VIDEOCONFERENCE**

The Hon. Emily Suvaal (Chair)  
The Hon. Sam Farraway (Deputy Chair)  
The Hon. Stephen Lawrence  
The Hon. Peter Primrose

**PRESENT**

Dr Amanda Cohn  
The Hon. Scott Farlow



**The CHAIR:** Welcome to the seventh hearing of the State Development Committee inquiry into the ability of local government to fund infrastructure and services. I acknowledge the Wonnarua people of the Wonnarua nation, the traditional custodians of the lands on which I am chairing this meeting today. I also acknowledge the Gadigal people of the Eora nation, the traditional custodians of the lands on which New South Wales Parliament sits. 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.

**Mr GARY PARSONS**, Acting Chief Executive Officer, North Sydney Council, before the Committee via videoconference, affirmed and examined

**The CHAIR:** I welcome our first witness. Thank you for making the time to give evidence today, Mr Parsons. Would you like to start by making a short opening statement?

**GARY PARSONS:** Good morning, all. I'm Gary Parsons, the Acting CEO representing North Sydney Council today. Apologies from our mayor, Zoë Baker, who is attending the local government conference in Canberra, and also from our CEO, Therese Cole, who is actually on annual leave at the moment. North Sydney Council welcomes the opportunity and this inquiry into the ability of local government to fund infrastructure and services. North Sydney was a party to the submission that has been made by the North Sydney Regional Organisation of Councils submitted to the inquiry dated 10 May 2024.

As with many other councils, North Sydney Council relies on rates that are significantly supplemented by other forms of revenue, such as user fees and commercial operations. We have now seen a reduction in these. We have also seen an increase in costs that don't match current rate pegs and other mechanisms. Also, those revenues have dropped due to working conditions and impacts of State infrastructure projects, particularly in our area. North Sydney Council would like to see the abolition or replacement of the rate peg. We would like to see the restoration of the Federal local government grants to 1 per cent of Commonwealth taxation revenue. We would like to see the provision of operational funding within capital grants. We'd also like consideration of a mechanism for rates on non-rateable institutions, and we'd also like to see an adjustment of the rates framework to address build-to-rent developments.

**The CHAIR:** Thank you, Mr Parsons. We will move to questions. I will start and then throw to my other colleagues, some of whom are joining us from Parliament House today. Could you tell us about the North Sydney Olympic Pool rebuild?

**GARY PARSONS:** Sure. The pool is currently in construction, scheduled to complete in early 2025. The current construction cost is of the order of \$88 million. It has been the subject of a number of contract variations and design amendments.

**The CHAIR:** In terms of how much it was originally budgeted for, my understanding is it was originally \$64 million. Is that correct?

**GARY PARSONS:** I'll have to take that on notice. It was before my time with council. I believe that's correct, but I would just need to confirm that.

**The CHAIR:** In terms of the cost blow-out, were there governance issues or others that contributed to that outcome?

**GARY PARSONS:** We are seeing a lot of the increases in costs have been due to latent conditions on site, particularly that were unable to be foreseen or discovered prior to the opening up of the site with the development that was there in the pool. Once the existing pool was demolished, a lot of latent conditions became evident. But, also, the age of the structure has been a result of those. Those latent conditions have then resulted in changes or amendments in design to accommodate those latent conditions. But that's what we're seeing that a significant number of those costs increases have been. We've also seen the escalation in costs right across the construction industry at the moment. The project was also subject to COVID and the unprecedented rain events that hit the New South Wales east coast.

**The CHAIR:** Was that something that the community had wanted or asked for—a new swimming pool of that order of magnitude?

**GARY PARSONS:** Again, I'll need to take that question on notice. I understand there was community consultation that was done in relation to the redevelopment and also the proposed plans.

**The CHAIR:** Sure. In terms of projects like that, noting the extent and the costs, how can the State help councils manage projects like the North Sydney pool better?

**GARY PARSONS:** I'd welcome the State's assistance in delivering those projects. I have been in local government for almost 30 years and been involved in some large infrastructure projects that local government has delivered. I believe that local government's expertise is in smaller construction, maintenance, renewal-type projects. I don't believe that, generally speaking, local governments have the resources and capability to deliver those larger infrastructure projects, because it's not something that local government does every day. So we'd welcome the assistance of Public Works and bodies like that in assisting councils, stepping them through those larger projects, because it's not what councils do on a daily basis.

**The CHAIR:** You mentioned in your opening statement build to rent, and we have heard about this a little bit earlier on in the inquiry from another council. I'd invite you to make further comment on that and suggestions that you might have for us to include in recommendations for this report.

**GARY PARSONS:** Sure. Build to rent is not a new type of development proposal but is a development proposal that probably wasn't contemplated in the current rates structure. In a build-to-rent situation, you have a single owner and one rate, whereas in a strata-type situation you have multiple owners and multiple rates. So you are seeing, impact-wise, the same number of people come in but significantly less rates being generated from those. As I said, I don't think the current rate structure does currently contemplate build to rent.

**The CHAIR:** So are you suggesting, then, amendments to the rating structure? And is that something councils have the capacity to do, or is it something that the State Government would need to?

**GARY PARSONS:** My understanding is that is something the State Government would need to do, on behalf of councils, to allow councils to levy the rates.

**Dr AMANDA COHN:** Thanks so much, Mr Parsons, for making the time to give evidence to us today. My first question was following up on your opening statement. You mentioned non-rateable institutions within your LGA. I am hoping you can speak to some of the current rate exemptions or what recommendations we should be making to address rate exemptions.

**GARY PARSONS:** Yes, we have a significant number of educational institutions in our LGA. You might say North Sydney has a disproportionate amount of educational institutions in our LGA, with significant land holdings, and some of those are growing land holdings. They utilise our infrastructure and particularly our open space. We welcome their use of our open space, but we are obviously unable to recoup any of the costs of the maintenance and upkeep of that open space, which then leaves our community to pick that up. So we would welcome some kind of mechanism, whether it's rates or whatever, to allow us to potentially recoup some of that to assist us with maintaining that infrastructure.

**Dr AMANDA COHN:** I also wanted to ask about the special rate variation process. I apologise; I do not know if you were with North Sydney Council at that time, but I understand you went through a special rate variation process in 2019. We have heard throughout this inquiry that that process is quite onerous for councils. It would be interesting if you could offer a perspective as well.

**GARY PARSONS:** Sure. No, I wasn't with North Sydney Council. I've only been with North Sydney Council for just on a year. However, I've been through the special rate variation with a number of other councils. What I would say is that we have found that the special rate variation process has improved and has got easier to use, but it still is an onerous process in that you may or may not get it. There is a lot of information that needs to be provided, and councils are generally using that to address backlogs and costs that have already been sunk, if you like.

**The Hon. SCOTT FARLOW:** Thank you very much for joining us today, Mr Parsons. We have been doing a whole range of regional hearings recently, and there are often complaints from regional councils about the amount of their rate base in terms of their income. What is North Sydney Council's rate base as a component of your income?

**GARY PARSONS:** I would have to take that question on notice.

**The Hon. SCOTT FARLOW:** If you could, that would be appreciated, just in terms of a comparison.

**GARY PARSONS:** Yes.

**The Hon. SCOTT FARLOW:** I am also interested in the build-to-rent question that the Chair has already put to you. How significant an issue is build-to-rent for North Sydney Council? Do you have increasing applications coming through for build-to-rent properties within the LGA?

**GARY PARSONS:** Yes, certainly we've got one at the moment, and we believe there will be a couple of others that will appear over the next year or so. So, yes, it does seem to be increasing. Obviously, it's an attractive sort of vehicle for developers.

**The Hon. SCOTT FARLOW:** Is that within the North Sydney CBD or the Crows Nest area or all throughout the LGA?

**GARY PARSONS:** One in particular is in the North Sydney CBD, yes.

**The Hon. SCOTT FARLOW:** Some questions have been put to you already about special rate variations and that process. I think we have heard from some councils already that it should be seen somewhat as business as usual when it comes to special rate variations. I am just interested in North Sydney's perspective.

I guess we have seen some councils that have classified themselves as low-rating councils. Where would North Sydney put itself when the rate peg was applied and where North Sydney fell at that time? Would you consider yourself to be a low-, high- or mid-rating council on that basis?

**GARY PARSONS:** I'd suggest we would be a low-rating council in that process.

**The CHAIR:** In terms of council's revenue and resources, which you were commenting about earlier, outside of the North Sydney pool issue—we'll set that aside for one moment—does council have the resources it needs to fund the activities the community expects of it?

**GARY PARSONS:** Like other councils, we adjust our services to the revenue that we have. We are about to go into a process to have a discussion with the community about our levels of service. But, yes, we're generally adjusting our levels of service to fit within the budget we've got. But what we are seeing is particularly our backlog of our infrastructure is starting to increase as we move our funds around to meet other service needs.

**The CHAIR:** That increasing backlog of infrastructure and the pending conversation with the community about the level of services, are they as a result of issues like the swimming pool or would they have happened regardless?

**GARY PARSONS:** I think it would have happened regardless. There are probably a number of other factors. We have a reduction in our other revenues. North Sydney Council relied on, or supplemented its rates income through, things like commercial property, on-street parking and things like that. We are seeing that they have dropped away and they've dropped away due to changing working arrangements and things like that. We've also lost some on-street parking due to State Government infrastructure projects—the large infrastructure projects that are in our area at the moment. And, again, as you said, there are cost increases, particularly across construction service industries in the cost of materials and labour. So all those contribute and, notwithstanding, yes, there are some impacts from the North Sydney pool as well.

**The CHAIR:** Is that reduction in services something that could be avoided with, say, a special rate variation or is that something that will be put to the community to determine?

**GARY PARSONS:** Yes, that'll be put to the community to determine. That'll be their decision, I would suggest.

**The Hon. SCOTT FARLOW:** Mr Parsons, there is a specific issue in terms of North Sydney. It's a little bit complicated in the St Leonards-Crows Nest area because there is the interaction between yourselves, Willoughby and Lane Cove councils in that area. That area had a SIC around it previously and you, of course, would have had a large infrastructure pipeline around that. Now it's a tier one TOD accelerated precinct, so we'll wait to see what the Government will do in terms of that infrastructure—funding and the like. But as you've seen, the Housing and Productivity Contribution has come into place now, with a \$12,000 application for houses and \$10,000 for apartments within Greater Sydney. Some of that money is supposed to be directed to regional structure and there is the phasing in and out, so to speak, of the six that were in place. What clarity do you have in terms of infrastructure for that St Leonards-Crows Nest area where the draft SIC was formerly in place and how some of that will be potentially funded or contributed to by the State Government?

**GARY PARSONS:** I can't talk directly to the SIC. I am probably not as familiar with that as I need to be to answer your question. Council does have a number of infrastructure projects or proposals in that area—Hume Street Park and the Holtermann Street car park, which are infrastructure projects that look to increase open space and amenity for that increased development within that area. They are currently looking for funding for those projects.

**The Hon. SCOTT FARLOW:** And that will rely on State or Federal government funding in order to be able to deliver those projects, will it?

**GARY PARSONS:** Correct. Yes, I would suggest so. The magnitude of the funding required for those projects would require that. The council would also look to make some contributions through development contributions and things like that. But, yes, I would suggest it would require Federal or State government funding to assist to get those projects across the line.

**The Hon. SCOTT FARLOW:** With the introduction of the Housing and Productivity Contribution, a local government pool of money, so to speak, was also flagged—\$100 million from the Government as part of that. Have you seen any notification or do you have any understanding of how that money can be accessed or competed for by councils?

**GARY PARSONS:** No, I have not, but I'm not saying that hasn't happened. That information hasn't come through.

**The Hon. SCOTT FARLOW:** If you could take that on notice for anything further from North Sydney Council, that'd be great.

**GARY PARSONS:** Sure, thank you.

**The CHAIR:** Mr Parsons, I might just continue on now with a couple of questions about financial oversight of councils and the role of the Audit Office, which we've had as a topic of conversation. Feel free to take on notice any questions that you may not be able to answer. Do you think councillors have adequate information and expertise to oversight projects like the North Sydney pool?

**GARY PARSONS:** Yes, I'd probably need to take that on notice. I guess it depends on your individual councillors and their expertise. They obviously have a broad range of expertise, some probably in the construction, governance and finance fields and others that bring other expertise. So it's a difficult question to answer.

**The CHAIR:** Yes, apologies. Are you aware if North Sydney Council does any work with councillors to help them understand those sorts of projects in that way?

**GARY PARSONS:** Yes, I can talk to, particularly, North Sydney pool. Certainly, in the time that I've been here, councillors are provided with regular briefings. There's also a regular report to each council meeting—sorry, a monthly report to council meetings—in relation to that particular project. As I say, I've only been here for 12 months, but our proposal is to brief councillors on all our capital works projects regularly. So it gives them the opportunity to ask those questions in a briefing environment rather than a formal council report, which is sometimes more difficult to ask questions on. Your other question was about councillors' expertise and, as I say, that's a difficult question to answer. But we are certainly looking at ramping up our information that's provided to councillors so that it gives them an opportunity to ask any questions that they need to ask of us.

**The CHAIR:** That's wonderful. Are those briefings open to the public, or are they closed briefings that you provide?

**GARY PARSONS:** They are closed briefings. But we also provide, as requested, briefings to our precinct committees as well. North Sydney Council has a number of those.

**The CHAIR:** From your perspective, how could we make councils run more smoothly—it's a very broad one?

**GARY PARSONS:** It is a very broad question. I think the work that you're doing in this field, looking at the revenue and how councils can improve their financial sustainability, is something that would assist, and looking at the resourcing of councils. Obviously, I've talked about North Sydney Council today, but I've worked across quite a number of councils. The situation is no different, really, whichever council you go to. I think, certainly, the work you're doing in this area will assist—looking at resourcing and looking at how councils can improve their resourcing. Also, we need to make sure that we can be measured in the delivery of those services and show that that increase in resources has resulted in maintaining the levels of service or actually improving the levels of service.

**The CHAIR:** Thank you, Mr Parsons, for making the time to give evidence to the inquiry today. If there were any questions taken on notice, the Committee secretariat will be in touch with you about answers to those. You will have 21 days to respond. Thank you for stepping in for your colleagues. You have done well.

**GARY PARSONS:** No problem at all. I really appreciate the standing Committee's work they are doing in this area. Thank you.

**(The witness withdrew.)**

**Mr MICHAEL EDGAR**, General Manager, The Hills Shire Council, sworn and examined

**Mrs CHANDI SABA**, Group Manager, Finance and Corporate Strategy, The Hills Shire Council, sworn and examined

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

**MICHAEL EDGAR:** I might start by making an opening statement, if I may. Thank you for the opportunity for appearing today. I think this is very important work. As we've just introduced ourselves, Chandi Saba has been, effectively, our CFO since technical insolvency in the late '80s right the way to where we are today. We are both very passionate about not only our council but the sector as a whole. Together we each represent nearly 40 years of service in local government. We have obviously put our submission together, and I take it that the inquiry has had a chance to read that.

I will just touch briefly on a couple of points there that I think are particularly important for us. One is a rounding issue of the rate pegging and the rate pegging methodology. We understand there is real tension around the community and what it is prepared to pay and perhaps what it wants, on the other hand, in services. We think the rate peg, in many ways, has made the sector fairly competitive because it does require us to be very innovative about how we might provide services and, effectively, cut our cloth. Certainly, it gives some comfort to council that, with a determination around a rate peg, there's no real thought then that you wouldn't take the rate peg.

Where the rate peg has probably had its impact, though—it's been going for an awfully long time. It didn't really always reflect our true change in costs, nor does it reflect the true change in service expectations of the community. More recent work by Government and IPART to change the methodology has improved that. Time will tell as to how effective that will be. Certainly, it hasn't made up for lost ground in the past. How it does so in the future remains to be seen. I think there is a need for a process of trueing up—if I can use that word—after the event to make sure the forecasts you base your assumptions on actually were realistic. What the rate capping does is that if it doesn't keep pace with your services, it does then contribute to either cutting or reducing levels of service, or it does start to see a backlog of infrastructure where you're not maintaining it to the standard that you would like.

I think there has been a lot said about the special rate variation process. When I think that there are only seven metro councils in the last 10 years or so that haven't had a special rate variation—setting aside the additional one that happened a few years ago—that's probably an indicator that the rate peg has not been sufficient. And it is a very expensive and tiresome process to go through. Granted contributions have, therefore, become very important for councils. They're a double-edged sword: On one hand, you want to grab as many Federal and State tax funds that you possibly can for your community—so there's that tension—versus what they are funding and how you might fund them into the future, and the impact of those funds and what it funds on your depreciation, and then how you fit that with the rate cap.

I think the most common misconception I hear more broadly around rating is that property values are going through the roof, so your rates must, too. I think most people don't understand the concept of the notional rate. If I put it in very simple terms, if your rate's \$100 million this year, and the rate peg next year is 10 per cent, no matter what happens with property values, your rate is \$110 million for next year. Property values could have gone up—20, 30, 40 per cent, even—and the rate peg is still \$110 million. That's a common misconception. What changes in property values do is skew the proportion of rate that each individual property owner pays within your local government area, depending on how linear those changes in property values are. In some suburbs, it might stay the same—or, in fact, go down. In property value versus others that go up quite significantly, they will pay more as a proportion than the other folk, if that makes sense. The other one is that development gives you more rates. It does, but it's not linear. It's still a function of a rate model and how you deal with supplementary rates each and every year. The other thing to make the point about growth, though, is you usually are bringing in more demand on services and you usually are bringing in more assets. Therefore, your expenditure's increasing with that population growth as well.

Finally, if I may, Madam Chair, we've got a really good test case in just how much risk developer contribution system exposes a council but, more relevantly, exposes the community. In our Box Hill precinct, which was part of the north west growth centre—a government-planned precinct—there are policy calls that have resulted now in about \$122 million deficit in that plan. If I was to put that in the terms of a special rate levy for that particular precinct—say, over a seven-year period—it would mean their rates would rise by about 180 per cent. That's not sustainable for those folk, in my view. That hole will mean one of two things: We either have to seek grants over time to try to use grant funding to pay for it or, indeed, you delay or not deliver some

infrastructure that the plan, being certified, already tells you that those folk were going to need into the future. I might leave it there, if you like. I would be delighted to answer as many questions as I can.

**The CHAIR:** Thank you. We will now move to questions, starting with questions from my colleagues that are in the room.

**Dr AMANDA COHN:** I'm interested in following up on the Box Hill and Box Hill North precincts. Particularly, there was a mention in your written submission about developer contributions. In your opening statement you mentioned that the rate rise needed to cover infrastructure would be unacceptable to the community, and that the options are either grants or to delay services. Is another option that we should be looking at changing the way we levy contributions from developers?

**MICHAEL EDGAR:** There's inherent exposure and risk in it. It is very fundamental. If I wind back the clock to when the precinct was planned, you're making assumptions at a very high level on some benchmarks around what levels of services are need. That would be in terms of open-space recreation facilities, but it's also road and intersection improvements that deal with the increased volume of traffic that comes. At that stage, you're not basing your plan on reliable or complete designs. They are nothing more than conceptual. If I put that into context, you're making some very high-level assumptions about what that's going to cost well into the future, when you consider that is a 30-year plan.

The process that hurt us there, to give you a bit of an indication of what I'd look to reform, one is when government planned the precinct it set the levels of service, but it didn't align with the other Government policy of the essential works list. What we were expected to collect in the contribution wasn't in the essential works list. The planning Minister has the power to vary that, but I've not seen it. There was a misalignment. That took four years to finally settle and reach an alignment around where everyone could certify a plan. The second thing that happened at the same time, and for very good reasons—the capping of developer contributions certainly helped keep the economy and keep the construction industry and houses coming, but it enabled some developments to be approved many years ago—let's say a 30 or a 35 or a 40,000 cap, because it changed over time. They're not all built today. If they're built today, we're getting a \$30,000 contribution, or up to 40, depending on when it was approved, where the contribution rate really should be—if you understood the principle that all we're trying to do is get the cost divided by the people who are coming, and that's the rate—about 90,000. Already, we're seeing a \$60,000 gap.

I've got some numbers here, if it helps contextualise it. Out of 16,000 possible dwelling sites in that precinct, just over 11,000 have been approved with a cap. They're approved, but 2,800 of them, round figures, haven't been built yet and may not be built for many years. Some of them are at 30,000, some of them are at 40,000. There's no indexation on that cap. That was fine because, at the time, the Government was funding the gap between what was essential works and the capped rate but they didn't here. The program closed before that difference between the capped rate and the actual rate was done. The program closed. We did get the benefit of some AIF funding, which was very, very much appreciated. That just shows you some of the vagaries with that plan.

The other thing that's inherently risky is that IPART and their evaluation of a plan rightly puts a lot of downward pressure on the cost estimates—proven over time to be wrong. I think in nine years the cost of the list in a certified plan has over-doubled in only nine years, and most of that land. The people that have arrived and have paid their 30 or 35 or 40 or \$50,000 contribution, there's no mechanism, other than the rates, to re-tax. The people who arrive will pay the newly certified rate. There's an inherent deficit in that plan that will have to be made.

The other thing I would say is that the council has been pretty diligent, in that it's amended the plan multiple times over that nine-year period to try and keep pace. You can never do it fast enough. The last amendment still hasn't been certified, and that started in early 2022, so it is almost three years to get an update of the plan certified. There's a real opportunity to change. If all you're really doing is updating the figures in the plan to reflect better data about actuals, it should be fast. It can't take three years, especially in an environment where construction costs have blown out by well in excess of CPI in Sydney, and land prices certainly have escalated well above any benchmark that you would've predicted at the time.

**Dr AMANDA COHN:** I think you mentioned that 30,000 figure, in terms of what you actually need, being more like 90,000.

**MICHAEL EDGAR:** Correct.

**Dr AMANDA COHN:** My follow-up question was going to be this: Is indexation enough or do we need to be looking at a completely different way of making that calculation? I imagine, off the top of my head, that indexation would not have gotten us from 30,000 to 90,000.

**MICHAEL EDGAR:** Indexation is always inherently risky. Sometimes there are pluses and minuses, but it's very hard to ever come up with an index, particularly for land price. It is very hard to predict in Sydney, I would say, because it's volatile. The construction cost index is probably a little bit more predictable, but no-one would've predicted the last couple of years, to be honest. The key there for us is that we've got to recognise that there are inherent risks in those, so it's always best to have indexes that are a little bit conservative—build in a little bit so that you can keep pace.

The other thing is we structured our plans around what the construction industry uses to fund its developments: a net present value method. In broad, basic terms it means that at the start of it, whatever the cost is and whatever the number of people coming, divided by each should equal zero at the end of it. In the update of the plan, that model is not being accepted in the latest amendments to the plan. What that would mean is instead of it being 90,000, it's being discounted—and it's with the Minister for recommendation—down to about 70. And every day that decision is delayed—every day I put a consent out for a dwelling—we're not even at the 70. We're at 50. So we're building on top of that inherent hole in the plan.

**Dr AMANDA COHN:** Thank you. That's very helpful. You also mentioned in your earlier answer the essential works list. It sounded like at a local level that had previously been resolved, but we've now had feedback from other witnesses about the essential works list. Do we need to be recommending further changes to it?

**MICHAEL EDGAR:** Absolutely. But, again, I would like to point out that whatever that essential works list is does add cost and it does mean a higher contribution rate. The essential works list, for example, doesn't fund the capital costs for things like libraries, indoor rec centres, indoor community centres and the like. So we've got new suburbs that don't have those facilities in there unless the council has found another way to fund it. We have, to a degree, Box Hill. We're in the throes of the construction of a community centre, for meeting rooms and to hire out. That's been funded partly through the sale of an asset by council and in part from a very welcome grant that we were able to put towards that process, and that delivers a community centre that otherwise wouldn't be.

We were fairly judicious a few years back. Almost 10 years ago we bought a parcel of land north of Box Hill that included a building on it that could quite possibly be re-engineered to an indoor rec centre and other recreation facilities, and the WestInvest Fund has funded the construction of an indoor rec facility on that site. We've used those mechanisms to plug those gaps. In a way, that's a very sustainable way for us to do it because that's not adding a project through the WestInvest grant funding or other grants that we didn't envisage or we didn't think the rate base could depreciate and keep in service over time. So, yes, the essential works list should be looked at, but it's got to be acknowledged that any growth in that will grow the contribution.

**Dr AMANDA COHN:** Absolutely, but I'm just reflecting on your new suburbs. I think what we've heard through this inquiry is that those things like community centres or recreation facilities are probably considered essential by those new communities.

**MICHAEL EDGAR:** They are. Sorry, Madam Chair, with one indulgence—you can collect contributions for the land component.

**Dr AMANDA COHN:** Madam Chair, if I may, I have one more unrelated question. In your written submission you talked about the impact of climate change on your LGA and particularly things like infrastructure damage from floods and fires. Are you in a position at the moment to adequately adapt to climate change, or what should we be looking at to better support councils to adapt to climate change?

**MICHAEL EDGAR:** The key will be grants because, effectively, your rate will put back what you've got. It doesn't really give you much room when you're renewing for betterment. Some of these assets are in locations that need betterment, so they need substantial reengineering or, for example, a lifting of a bridge and a new bridge. That is generally beyond our rate capacity to do that. Generally, grants that come along aren't for betterment; it's almost like replacing like-for-like.

I think the other thing that we'll see with climate change—if I can use the example of the periods of drought we went through as a shire versus the periods of rain in more recent times. The asset deterioration in the wetter years is much faster than it is in the drier years. That's going to change our assumptions around the total life cycle, so it might bring the intervention periods of when you might do work or renew that asset earlier than you otherwise would expect. That is going to test your rate assumptions, because that's done through the rate and we plan that over a period of time. If that period of time shortens, that's going to put pressure on the rates. That's probably an early indicator of the sorts of financial impacts, I think, a changing climate will have on our assets. The emergency relief funding has been very helpful for us on some of those assets. The money that was directed to roads by Government over the last year or two has been nothing short of outstanding. We've spent that wisely.

For example, our pothole claims in the recent wet weather are a fraction of what they were before in equivalent periods of rain because of how well that grant funding was spent and what it did to the network.

My only thought around grants is that other than what they are able to fund should be looked at. I'm all for good governance, but it's taking a long time. We're only starting to get grants that were for emergency works to repair from, say, 2022. We're only seeing the grant money turn up now, so there's an awful lag. That just tells me that the bureaucracy that's dealing with the grants has probably been stretched over the eastern seaboard and there's a certain amount of due diligence, but it takes a long time. We're in a position where we could deal with that, but many other councils across the State wouldn't be.

**The Hon. SCOTT FARLOW:** Thank you, Mr Edgar, for being here with us today. Not to labour the point in terms of Box Hill, but one of the areas you identified in your submission with respect to Box Hill was the changing of the goalposts, so to speak, in terms of the density requirements in that area and some of the changes in how that then impacted on council with a shortfall. The Hills now have a 35 per cent growth target in terms of your dwellings over the next five years. How are you seeing that playing into your future allocations when it comes to the infrastructure in the Hills, as well?

**MICHAEL EDGAR:** It will be essential. That growth rate is bigger than we've experienced, and I thought we've been busy for the last 10 years. It's going to be an incredible lift in a five-year period. If I could make one observation without being critical, the last 10 years has been probably the busiest of my career, consistently, in terms of housing production. It realised around just over 10,000 dwellings in the last five-year period alone. In all fairness to all agencies, whether they be State or even ourselves, that is a rate that we have not kept up with ourselves, let alone government with schools and road improvements that they're responsible for.

If we're lifting that from instead of 10,000 houses in the last five years to 23½ thousand in the next five, that is a phenomenal amount of people arriving in a very, very short period of time. I know how long it takes to plan schools, plan roads and those upgrades. It is going to be a very, very interesting period ahead. I would say that a lot of the growth we know about is planned, so we've got a fairly good idea, but the growth that's coming through the low- and mid-rise SEPP and the TODs on top of that growth has not been planned, so that will add to it. Not to say that it can't be done; it just has not been planned.

That will test existing infrastructure provision and will test our ability to keep pace with that population growth. If you put that into context, ours is, I think, 23½ thousand dwellings in the next five years. I think our neighbour Blacktown is about 20,000. So there's—let's say round figures—40,000 houses. Times it, in round figures, by about 2½ people a house and even about 2½ cars per house, you will start to see the sort of impact population will have on State and local assets in between Blacktown and us in the next five years—if, indeed, that rate of development occurs.

**The Hon. SCOTT FARLOW:** In that instance, you have people who cross the road, effectively, to use services as well.

**MICHAEL EDGAR:** Yes.

**The Hon. SCOTT FARLOW:** There are people that go from the Hills to Blacktown to use services, and interchangeably as well. In terms of the council's ability to be able to deliver that infrastructure, you have told us a story so far in terms of Box Hill as a special growth region where you have effectively been chasing your tail. What does the Government need to do to make sure that that's not the case over the next five years?

**MICHAEL EDGAR:** I think it needs to get very organised around its funding priorities that it does know about and start to plan for the ones that that population growth is going to require into the future. Things like widening of Windsor Road would definitely need to be on the agenda. Intersection improvements would definitely need to be on the agenda. But so, too, will the schools that have already been identified but are yet to be planned and delivered. That's got to be fast-tracked somehow. For us, we could benefit from a better appreciation by government of just the risks that we carry in these local infrastructure upgrades.

I will give some examples around some road improvements. The time it takes to get an approval is incredibly long, just to put a set of signals or widen a road. When we come to do that, we are expected to deal with each utility asset owner individually, effectively renew and move their individual—whether it be a telephone line or a fibre-optic cable or a sewer main or a water main or a power cable, all that cost is actually brought back to the developer contribution. There is very little contribution from any of those utility providers in recognising that their asset has just been renewed, not just in the locality but often from node to node. I think that is an area that could be reformed.

Just because we're left with the risk of upgrading the road—for example, making it wider—nobody seems to be focused, from those agencies that look after the utilities, on "What's our role in helping that outcome? How

do we move our infrastructure out of the way for the council at our cost rather than at the council's cost and at the council's risk?" Inherent in that is we can only use providers by the utilities that they authorise, which are fairly narrow—and I get that, because it's probably very specialised and they need to be absolutely sure of the competency of those contractors. But it's very narrow. It gets to a point where you might get an approval from one agency that lasts six months. By the time you get the next one—

**The Hon. SCOTT FARLOW:** It's already lapsed.

**MICHAEL EDGAR:** —this has got to be renewed. It just goes around in circles. I think if someone could coordinate that from a government perspective—recognising some of them are Commonwealth assets, I guess, or a Commonwealth responsibility—that would be an incredible help.

**The CHAIR:** Either in your opening remarks or in an answer to Dr Cohn earlier, Mr Edgar, you mentioned the time it took to turn around a revision to a plan for Box Hill—in the order of years—and how that had exacerbated the issue that was there. What could we do to simplify that process, if anything, and overcome that in the future?

**MICHAEL EDGAR:** The short answer is that there has to be a bit of conservativeness built into the plans at the early stage, to begin with. But, secondly, when it comes to updating the plans—because as you travel through the years after the plan is adopted, you start to get your detailed designs. You start to understand the land acquisition that you need to ultimately purchase, to fit some of these facilities in. As they become more known and more accurate, there needs to be a very fast way of simply updating the numbers in the plan. We shouldn't have to be going back to first principles of testing nexus, testing apportionment and whether they're essential works. If all we're doing is bringing in actuals or bringing in new data, that really should be a very fast process. And at the moment, it's not.

An amended plan is almost tantamount to starting from scratch. If we didn't start from scratch, we probably would have had multiple amendments annually, rather than taking almost three years to do one. Essentially, all we've done in that amendment is update actuals. We've not added more things into the plan. In some areas, we've had to add more land for road widening, because once the design comes in, the original land take that we envisaged in the plan was insufficient. It needed to be a bit more. Usually, that's as a result of the approving authority wanting to build in more capacity than they originally thought, which is reasonable. But, again, it's a fairly simple, I think, tick-off from me. It's not as if you're dreaming up new services that you hadn't thought of before. You're just implementing the plan that's in there and seeking to update it with actuals. I think that would be a very welcome amendment to the way contributions plans are updated.

**The CHAIR:** Just for clarity, you're talking about the infrastructure contributions plan. Is that correct?

**MICHAEL EDGAR:** That's correct, yes.

**The Hon. SCOTT FARLOW:** My question was with respect to the assertion you made at the beginning about how increased ratepayers don't necessarily lead to better funding for the council, so to speak, because of the cost of each independent ratepayer. Do you do any analysis in terms of the cost to council of each additional dwelling or the like and what you need in terms of rate recovery?

**MICHAEL EDGAR:** Only at a very high level. If you start with the assumption around the wagon wheel of your pie, we've got levels of service such that it might mean that X per cent is roads, Y per cent is parks, libraries et cetera. If those levels of service remain the same, we've got some assumptions around what that means into the future. We do, very carefully, seek to provide a surplus each year, simply because we know that the assets we will be acquiring, particularly through contributions plans, grants and other things, will need to be paid for through the future rate, and they will need to be renewed. Those accumulated surpluses for us are very important, because we know what's happening in the future.

If we don't do that today, and if we just spent them, we know there will not be the money to renew some of these assets into the future. An example of one we did that was completely out of council funds was the knockdown and rebuild of our aquatic centre. It came in at, in the end, just under \$55 million. It's a remarkable project and one I'm particularly proud of. That was done because of the prudent financial management that the council's instilled in itself since technical insolvency in the late '80s, and every council that comes in understands that story, understands the financial settings and has kept it true to their heart. We've kept that progress, putting us in the position we are today.

**The CHAIR:** Thank you so much for making the time to give evidence to the inquiry today. The secretariat will get in touch with you about any questions taken on notice and any further supplementary questions.

**MICHAEL EDGAR:** Thank you. You're welcome.

**(The witnesses withdrew.)**

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

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

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

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

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

Port Macquarie Hastings Council is a council that manages almost \$3 billion of assets and infrastructure, and many local governments manage large-scale assets. As such, we play a vital role in the delivery of infrastructure and services to our community. Therefore, we should operate under a robust business model, making data-driven decisions that benefit the community now and for future generations. We are the custodians for our community and are the closest tier of government on the ground. Port Macquarie Hastings, like many other local governments, has gone through bushfires, floods—in our case, \$90 million worth of flood damage in 2021—and, of course, a pandemic. We have stood side by side with our community to deliver our operational plan as well as working towards remediation from these events.

Whilst we often benefit from Federal and State government funding for the provision of infrastructure and services, which we are very grateful for, sometimes, as quickly as we receive it, it's taken away. We experienced this recently with the funding for the planning of Oxley Highway<sup>1</sup>. That is a vital and strategic junction which was stripped away following a change of government and review of priority infrastructure spending. Another example is bearing the cost of both an airport and the ferry service to deliver vital connections to our community. While we operate the airport as a commercial venture, we have been advocating for our ferry services to be taken over by Transport for NSW in alignment with other jurisdictions across the State. We were baffled earlier this year when we were informed that they would not fund the Settlement Point and Hibbard ferry services but then announced they were overtaking the management of the Lower Portland ferry from the Hills and the Hawkesbury shire councils.

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

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

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<sup>1</sup> [Email from Port Macquarie Hastings Council, clarifying evidence given at the 5 July 2024 hearing](#)

should be made by a council that negatively impacts on its key performance ratios. This should be monitored and reported upon.

In closing, Port Macquarie Hastings Council is a large regional council that manages the coastline and the hinterland. It manages water, waste, sewer, an airport, roads and major infrastructure. We're a complex business which needs to be run as a business. The cost of doing business is high, under the ground and above the ground. Government predominantly funds the shiny new infrastructure, and often the community shouts for this too. But maintenance is a huge part of what we do across our vast portfolio and this must be resourced or it will catch up with many councils, if it has not already, with catastrophic consequences. We want to work in partnership with the State and Federal governments as an equal partner. We want to work to shape good business decisions for the betterment of our community and society which are sustainable and will benefit generations to come. This will not be possible without reform, modernisation and stabilisation. Thank you for indulging me as I give that opening statement.

**The CHAIR:** In your submission you state that we should consider whether the rate peg determined by IPART should be automatically applied to council rate bases rather than being the subject of council resolution. Could you expand on this for us, please?

**CLARE ALLEN:** Yes. I actually think that councils have evolved and now we're dealing with a complex business and a complex model, and that means that we have to do that long-term financial planning. Sometimes when you put the decision of "put in a rate peg there" to councils, which is a process—I'm not blaming councillors; it is a process—they're allowed to put 0.00 per cent or, in our case, 4.6 per cent. They have a choice. As they make that choice, they make that choice under a lens in terms of the community, potentially the cost-of-living crisis. But the business itself would not make that choice.

**The CHAIR:** It's my understanding that a decision not to increase rates was taken by your council. Obviously, that's a decision for the council, so I won't put you in the position of asking why that was done. But is there an affordability question in the community that has led to this outcome?

**CLARE ALLEN:** There's a cost-of-living crisis, obviously, across the board. In our community, we don't have significantly high rates. In the top 10, we're probably way down the bottom in terms of our rate peg, in terms of our rate charges, so it's not significant in my viewpoint. I understand that the council looked at this in terms of creating efficiency measures. However, when we look at the income we receive from rates, it's 42 per cent; it's 34 per cent in terms of grants. So we've had mass increases in terms of inflationary costs. The award actually put a 4.5 per cent increase across the staffing, so we have to keep up with that. I mentioned in terms of State and Commonwealth increases. Over the last five years, Commonwealth is 8 per cent, 5.2 per cent for State and 4 per cent for local government. If we're taking 0.0 per cent, at some point that's got to catch up. As a council, I'll be candid: We've mitigated that this year. Council knows that we will do that, and we've mitigated it, but you could not continue that in the long term.

**The CHAIR:** Will you have to cut services in the long term to fund that rate freeze?

**CLARE ALLEN:** We have created a list in terms of the services that will be impacted. We have looked at putting, if you like, a freeze on new hires of staff, and we've also looked at some of our operating and overhead costs. We're not looking at new hires in terms of that, and we're also going through and having a look at some of the other maintenance projects that we've got. But most of it, this year, we will cover from the general fund.

**The CHAIR:** Are councillors involved in making the decision about which services to cut?

**CLARE ALLEN:** I guess when you actually make a decision to not accept the rate peg then you have to mitigate that risk. A council needs to look at its mitigation measures, and we certainly proposed a number of mitigation measures. I'm going to hand over to Director Hentschke, but I'm pretty sure he's going to say that council doesn't have many options. It has to look at its variable costs, and so it doesn't have the options to go into its capital or its grants or other funding. It can only look at variable costs, and variable costs, unfortunately, are roads, maintenance and those sorts of costs. That's where we're caught in terms of the variable costs. But I'll hand over to Director Hentschke if you'd like to add further to that, because these are very important questions that we thought you may ask.

**KEITH HENTSCHE:** Yes, I would absolutely add to that that the decisions of this year are really just for 12 months, so there will be challenges for the incoming council in terms of the long-term impact of foregone revenue from a 0.0 per cent rate peg. We've been able to predict to maintain services substantially at current levels through using general fund reserves, but we're getting to a position that they're fully utilised. So that would be part of the problem. When we look at our expense base, we obviously have a lot of fixed costs. Really, when we're looking to mitigate, we have to look at the variable expenses. So 78 per cent of our variable expense base is really in the maintenance space, so we cannot leave that untouched.

We actually need investment to find further efficiencies and productivity savings, so, really, technology uplift is a major piece for us. In the future, we may be able to do the same for less through finding those efficiencies. Our council has a history over the last 10 years—as I'm sure most councils do—of many cost-saving initiatives being implemented. You do get to a point where there's very little you can actually do on that cost front. On the other front, we are looking at alternate revenue streams as part of our forward strategy as well. That's a big strategic direction for us. There have been many reviews in that space over the years, with the potential limitations in doing that. But that's another avenue we're exploring as well.

**Dr AMANDA COHN:** Thanks to our witnesses for making the time to give evidence for us today. I was hoping to follow up that decision by the elected councillors about your council not to take up the approved rate peg. What is the long-term financial impact for the council of that decision?

**CLARE ALLEN:** I might hand over to Director Hentschke.

**KEITH HENTSCHE:** The one-year impact was, if you like, \$2.7 million in foregone rate revenue, which, over a 10-year period, equates to about \$33 million. Our strategy here is, if we're foregoing \$2.7 million roughly annually, escalated, we need to find that level of reduction and expenses to offset that. Part of the reasoning for that is the council has adopted a risk appetite statement which has zero tolerance on decisions that impact long-term financial sustainability measures. That's obviously guided by the OLG's operating performance ratio. That's our guiding principle in that respect.

**Dr AMANDA COHN:** It's my understanding that there are requirements for councils, in terms of adopting your budget, that these things are put out for community consultation or there are opportunities for the community to provide feedback. What feedback did you get from the local community about that decision not to adopt the rate peg?

**CLARE ALLEN:** We basically had over 76 per cent of those people that responded who said that they did not want to have a 0.00 per cent if it was going to impact on services.

**Dr AMANDA COHN:** I think I have more questions for your elected councillors another day. I want to move on to the issue of cost shifting, which we have had extensive discussion about over the course of this inquiry. Your peak body, Local Government NSW, has done work to quantify it. I'm interested in local examples and which examples of cost shifting are of highest concern to you at Port Macquarie.

**CLARE ALLEN:** Keith?

**KEITH HENTSCHE:** Yes, I can take that one. It's a few years since we did a detailed cost analysis of the impact at Port Macquarie Hastings Council. I've been at council just under two years so I am referring to that piece of work. The estimated impact for Port Macquarie Hastings Council was in the vicinity of \$14 million per annum. The largest contribution to that, in terms of the components of cost shifting you would normally hear about, would be around the waste levy of about \$5.5 million. Another large component for us is maintaining Crown reserves. That's about \$2.4 million. That's an interesting one. Pensioner rebates is about \$1.5 million. Operation of libraries fits into this category. That's just under a million. The operation of the ferry service is just under a million as well. And then, if you look at the Rural Fire Service and SES kind of impact, that's probably just over \$1 million per annum. They're the larger components for us, just as examples.

**The Hon. SCOTT FARLOW:** We have heard from many councils throughout this inquiry about where they put themselves in terms of low-rating, mid-rating or high-rating councils. Understanding that this is an instance where the rate peg increase hasn't been taken up, what would Port Macquarie Hastings typically be considered to be? Would it be a low-, mid- or high-rating council?

**KEITH HENTSCHE:** I can answer that one. I have got the information right in front of me. As part of our advice to councillors on the whole rate peg issue, we did produce quite a comprehensive report which included benchmarking against the group fives. We are a member of the group fives. We're, in effect, the third lowest or second lowest of the group five on those measures, just as a guide.

**The Hon. SCOTT FARLOW:** What percentage of your income comes from rate revenue?

**CLARE ALLEN:** That's 42 per cent.

**The Hon. SAM FARRAWAY:** I want to talk to you, firstly, about the Oxley Highway but also about equity and how State governments—obviously, it's a State Government inquiry—and agencies shouldn't be looking at equity about how they distribute funding. We've heard throughout the inquiry about the volatility in and around grants. If we look specifically at something like road funding, we saw, under the former Coalition Government, a change in the way funding was distributed for councils for roads. This was in addition to Road Block Grants, and it was more so around the size of road network, including unsealed roads. Port Macquarie

Hastings may not have as much unsealed road as others but, in terms of that structure of distributing government funds from a pot of money, do you think that is something government should be looking at across the board in their funding models?

**CLARE ALLEN:** Absolutely. I'll come back to Oxley Highway, because obviously it's a contentious issue to us. We had several—I don't know, maybe 20—conversations with Transport for NSW, where everybody knew congestion is our biggest, highest priority<sup>2</sup>. That is the roundabout there which gets the most congestion. Yet it was taken off and considered not to have merit in terms of the planning, which was going to hold up other significant projects. We need that voice at the table. We really need all levels of government to have that voice to understand those priorities. I was very surprised to find out that the State Government had not passed that on as a significant priority when it would have to be one of our highest transport priorities within Port Macquarie Hastings. I think that's an opportunity for us for sure, Sam.

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

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

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

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

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

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

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<sup>2</sup> [Email from Port Macquarie Hastings Council, clarifying evidence given at the 5 July 2024 hearing](#)

renewable materials et cetera, as well. I think that's going to be a much bigger, broader conversation. But I completely support betterment.

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

**CLARE ALLEN:** Yes, we haven't really had a solid answer back on that. We did jump up and down when it was removed as a priority and we have been working very closely with them since then. We are applying for additional funding to make sure we can go ahead with that planning. It costs \$5 million to do the planning, but we don't want to wait—we want to do it—because it's holding up significant other projects like Lake Road stages two and three et cetera. Wrights Road obviously is a bottleneck at this point in time<sup>3</sup>.

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

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

**(The witnesses withdrew.)**

**The Committee adjourned at 10:45.**

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<sup>3</sup> [Email from Port Macquarie Hastings Council, clarifying evidence given at the 5 July 2024 hearing](#)