

INQUIRY UNDER SECTION 438U OF THE LOCAL GOVERNMENT ACT

CENTRAL COAST CITY COUNCIL

Public Hearing

Conducted via Zoom videoconference

On Friday, 15 October 2021 at 10am
(Day 10)

Before Ms Roslyn McCulloch, Commissioner

1 THE COMMISSIONER: Good morning, the public hearing into
2 Central Coast Council will now resume. Our first witness
3 today is Mr David Farmer. Mr Farmer, could you come on
4 camera and off mute, please.
5

6 MR FARMER: Sorry. A little bit challenging, all the
7 windows.
8

9 THE COMMISSIONER: Thank you, Mr Farmer, I will just ask
10 Ms Annis-Brown to swear you in as a witness.
11

12 <DAVID FARMER, affirmed: [10.00am]
13

14 <EXAMINATION BY THE COMMISSIONER:
15

16 THE COMMISSIONER: Q. Thank you for coming along today,
17 Mr Farmer. Could you explain to me your professional
18 background and qualifications?

19 A. Sure, I've got a bachelor of commerce in accounting
20 and management and I'm a graduate - a member of the
21 Australian Institute of Company Directors. I've done some
22 short course work at ANU in anti-corruption and in local
23 government leadership.
24

25 I've been the CEO of five councils over the last
26 23 years, starting in a small country council, Mudgee, and
27 then large councils - Cairns city, Wollongong city, Ipswich
28 city and now Central Coast.
29

30 Q. Each of those last three councils had some
31 similarities and some differences with Central Coast?

32 A. Yes, Cairns is an interesting one. I took over five
33 years after it merged in 2000 and it was a similar
34 situation to here, just not as extreme. Poor IT
35 implementation, I think the - somebody said the only system
36 that works when I arrived was the pay, and I was happy
37 because people kept on turning up. But, yes, there was
38 really serious IT implementation issues and they were going
39 backwards financially at a rate of knots.
40

41 Then Wollongong I moved to, and Wollongong was in the
42 middle of a significant corruption scandal. They had been
43 raided by the ICAC six months before and I took the council
44 through the public hearing, the sacking of the council,
45 through administration, then back into an elected council.
46

47 Q. That was a very lengthy period of administration?

1 A. Three and a half years, Commissioner. Then I took
2 over in Ipswich which had had a really serious disruption
3 scandal with a number of former senior staff charged and
4 a couple gaoled. The two previous mayors had been charged,
5 one of whom went to gaol over serious corruption scandals.
6 So I took over there under a period of administration and
7 then also for a period bringing the council back from
8 administration.

9
10 Q. I interrupted you. In relation to Wollongong, you
11 stayed for quite a while after?

12 A. Twelve years, yes. So Wollongong also had financial
13 problems as well, but not cash problems. It had
14 a strategic mismatch between its ability to fund its
15 infrastructure and its income streams and expenditure.
16 It wasn't an urgent problem but it was a very serious
17 problem. We managed to turn that place around and put that
18 into a positive territory and run continuous surpluses
19 during the last few years of my operations there.

20
21 Q. Do you feel that those experiences have put you in
22 good stead to work at Central Coast Council?

23 A. Look, every situation is different, so I would be
24 lying if I would say that those things - you know, I can
25 just pick up what I did there and move them, but obviously
26 many of the lessons are useful. So certainly I've got
27 experience in difficult situations, in rebuilding from dark
28 places.

29
30 Q. Now, you did make a very short submission to the
31 inquiry, and I understand that you can't probably
32 contribute greatly to the terms of reference, but you can
33 probably assist the inquiry in terms of where to from here?

34 A. Mmm.

35
36 Q. I've drawn on - I know they are not always reliable -
37 media reports of things that you have said just to ask you
38 some questions. One of the things you said was that you
39 thought that the council needed a long-term strategy and to
40 stick to that strategy. How long do you think that
41 strategy is going to have to stay in place for?

42 A. Look, from a financial perspective, it's about four or
43 five years. We've really turned the place around. It is
44 interesting, I've just seen the September figures and we've
45 gone from two \$90 million losses and we're running
46 a surplus and we're running better than budget for the last
47 three quarters. That's fragile. There is a lot of

1 externalities and there is a lot of good work by the staff
2 to get us to that point. But you need to stay on track.
3 Financial success and stability takes years to create and
4 can take, you know, six months to destroy by a lack of
5 discipline. So if you can work within the set of tram
6 tracks you can then build reserves and you can do things,
7 but you have to work within the overall strategy.
8

9 Q. So have you adapted the long-term financial plan to
10 take into account that strategy?

11 A. No, what we've done at this stage is we developed
12 a long-term financial plan late last year and we've been
13 sticking to that. We are now about to do our first quarter
14 review and rework that financial plan. That will be
15 fitting within a strategy. One of the critical pieces that
16 sort of is absent is what I used to call available funds,
17 which we would call unrestricted funds. I'm used to
18 working and saying, "We will have available funds or
19 unrestricted between 3.5 and 5.5 per cent of turnover", and
20 that's what we need to run with. It's a little bit more
21 difficult here because we have to run within each of the
22 specific funds where we have to sort of keep our money in
23 separate pockets, so you have to keep your water within the
24 parameters, the sewer, the drainage and the general fund
25 within those packets. But that's one piece, and it appears
26 that was sort of ignored in the past, and that was one of
27 the reasons why the ship hit the iceberg.
28

29 Q. What controls have you put in place to prevent that
30 dipping in to the restricted funds?

31 A. Well, restricted funds - they are all interlinked.
32 If you are running an operating surplus and you have your
33 capital program under some form of control, then your cash
34 flow is an output of that. So you have to have your
35 settings right in terms of what is the level of your
36 capital spend and what's the level of your operating
37 performance, making sure your budgeting is right and making
38 sure you stick to budget, and if budget has to be adjusted,
39 making changes. It's not that hard. It's actually about
40 information, being interested and having information, and
41 will. If you have those two things you can do those
42 things. It's been shown in this organisation that
43 reasonably quickly this organisation's been turned around
44 financially.
45

46 Q. When you talk about information, you need it on
47 a regular basis?

1 A. Yes. Look, you need good information on a timely
2 basis. I've done a little bit of work, now I've been
3 called, to have a look at the past. As I said in my
4 submission, my total focus has to be on the future. You
5 know, I'm taking this place forward for the next period,
6 and I'm not going to gain a great deal from learning from
7 errors of the past because I can't see, certainly while I'm
8 here, that those will be repeated.

9
10 There was a range of information that was provided
11 that people were making decisions on that was not sound,
12 and that assisted people or contributed to people making
13 decisions that led us to where we went to.

14
15 Q. So what was the information that was unsound that you
16 have identified?

17 A. Look, to me, the salient point and where this sort of
18 unfolding disaster occurred was in 2019 when the water and
19 sewer determination came through. The organisation, when
20 you look at it, was sort of slowly going broke, but slowly.
21 So when that's happening, you can put controls in, you
22 don't have to take emergency action and you can put it back
23 on course with attention and focus comparatively easily and
24 painlessly.

25
26 But what happened in March to June 2019 was there was
27 an adverse determination in terms of water and sewer, which
28 reduced our water and sewer income by 20 per cent. About
29 \$39 million per year for three years, so \$120 million comes
30 out of your budget. There wasn't an awareness of what the
31 implications of that were. When I look at some of the
32 documents from that period, one, they understated what they
33 thought the shortfall was, they seemed to think it was
34 about \$17 million; and, two, they understated the financial
35 difficulty that the organisation was in at that time.

36
37 I had a look at the statements last night and when you
38 pulled everything apart, from the 17/18 year to the 18/19
39 year - so that's from the year ended June 2018 to the year
40 ended June 2019 - performance of the general fund went from
41 a \$20 million surplus, after you took book items out, to
42 a \$24 million deficit. So you had a \$44 million negative
43 turnaround in that year. I don't think anybody picked that
44 up. So that was sitting lying underneath the surface when
45 you all of a sudden lost \$40 million in water and sewer
46 income. At that point, that's when you need to panic, and
47 they didn't panic.

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Q. No, they didn't seem to be - there was some adjustment made to the budget, I heard in evidence, but it didn't seem to be of a radical nature and certainly not proportionate to the amount of money that was going to be lost?

A. Yes, yes. That was for two reasons. They didn't understand the underlying financial problem that had happened before the water and sewer issue, and they understated what the impact of the water and sewer issue was. They made an adjustment to the budget but didn't do anything to adjust the operations to reduce the cost. So you can take a \$20 million item out of the budget or put a \$20 million saving in the budget, but if you don't actually have plans to implement that, it's worth nothing. That's, my understanding, what happened the following year as well.

So the inability to panic in that period - panic is a strong word, but to take really, really serious action - allowed the organisation to fall deeply for 12 months and get into a complete crisis. I think if serious action had happened at that point in time, then this complete crisis should have - could have been averted. Yes.

Q. One of the pieces of information that was available, or should have been available, was the investment report. We've heard that in October 2019 that report changed its format so it no longer disclosed the unrestricted cash position. Would that have been an alarm bell for you if you had been receiving these reports?

A. Certainly, but it's interesting, it's a line item that's missing. If you saw it turn negative, then, you know, that would be an extreme alarm bell. What wasn't happening there was any, what I - you know, I always work on trends, so a number is just a number, but where are you heading?

As I said, you know, to me when the general fund makes in the year ended 30 June 2018 \$20 million, and the next year it loses \$24 million, you worry, because you are heading down. What I would have been interested in is how the restricted funds were not tracking, not where they were. Obviously once you get into negative, you panic. But tracking those unrestricted funds over a period of time should have given you an idea that, you know, you were going that way.

1
2 Sorry, the other thing that they did in
3 that June period in 2019 was put an increased capital
4 budget in. What you normally do - because it's hard to put
5 the brakes on the operations of an organisation; you employ
6 a lot of people, you have forward contracts, you have
7 a whole range of things. Your balancing point is your
8 capital budget. What you could have done at that point in
9 time is squeeze your capital budget down significantly and
10 that would have preserved cash.

11
12 In fact, you could have preserved the value of your
13 capital budget because in that budget they introduced new
14 items that were grant funded, and you could have pulled out
15 items that were funded with your own cash and not had to so
16 dramatically affect the impact of the organisation, just
17 reducing your capital budget.

18
19 As I said, it didn't appear - it appeared there was
20 a lack of information and it appeared that certainly there
21 was a lack of will to address those issues.

22
23 Q. Was it a lack of will or a lack of understanding?

24 A. Well --

25
26 Q. Because I think at that stage, when that budget was
27 being formulated, they had been without a CFO for quite
28 a while?

29 A. Yes, look, I've looked at the documents. As I said,
30 I spent a little bit of time looking at what happened at
31 that time, because I think that's a critical time, and
32 there was a whole heap of information that was coming
33 forward that were red flags, but you needed to be
34 interested to look. I don't think you needed to be
35 skilled. You know, I'm a trained accountant but I've never
36 prepared a set of financial statements in my life. I went
37 in the budgeting stream and corporate planning and general
38 management fairly young, but there were a range of things
39 that were happening that if you thought you had an inkling
40 that things were going wrong you could have looked at and
41 you would have known that there was a problem there.

42
43 It's extremely difficult for me to understand that
44 anybody competent who was looking really, really hard at
45 that could not have identified those problems.

46
47 Q. Just going back to your long-term strategy, do you

1 think that there is any risk that that could be derailed if
2 an elected body was returned to govern the council?

3 A. Look, it really depends on the make-up. An elected
4 body is a gift from the community in terms of who they
5 elect.

6
7 I've returned two councils from administration on
8 fairly sound bases and the majority of those councils have
9 wanted to - have almost made commitments to maintain the
10 path of the administrator in terms of governance and
11 financial path going forward, because, you know, the
12 community sentiment was so against what had been allowed to
13 happen before. Over time, that will change, because they
14 become their own people and form their own views and
15 develop their own skills, but for a little while it has
16 happened.

17
18 Having said that, you know, you always have the risk
19 of getting a group of people back who don't have that
20 interest or that will to do it. You know, the role - we
21 will talk a little bit later maybe about the role of
22 elected reps and the skill sets of elected reps, but it is
23 a risk. How great a risk really depends on the people who
24 get elected.

25
26 Q. Just while we are on it, you mentioned the skill set
27 of the elected reps, and you might have heard some or been
28 aware of evidence about that during the inquiry.

29 A. Yes.

30
31 Q. What's your view?

32 A. Look, it's a really interesting situation because an
33 elected council - an elected councillor has two roles.
34 They are a representative of community. I will actually
35 refer to the Act, but they are a representative of the
36 community, they are a politician, but they are also
37 a member of the governing board of the organisation.
38 Those two roles are difficult to marry together.

39
40 In one point you are the advocate for the people you
41 represent, which might only be a ward, and in the other
42 point you have to represent and take decisions in the best
43 interests of the organisation going forward, and in the
44 long term. In the end, you are dealing with assets and you
45 make decisions that will last for hundreds of years in
46 terms of decisions in the planning scheme and decisions on
47 fixed assets. You might only be in power for four years or

1 eight years.

2
3 It is really difficult and in conflict, fundamentally.
4 I'm going to bore you by reading from the Act. It says:

5
6 The role of a councillor is as follows ...

7
8 And I will talk about the representation:

9
10 (d) to represent the collective interests
11 of residents, ratepayers and the local
12 community,
13 (e) to facilitate communication between the
14 local community and the governing body,
15 (f) to uphold and represent accurately the
16 policies and decisions of the governing
17 body ...

18
19 So those are the political roles of the councillor. But it
20 also says:

21
22 (a) to be an active and contributing member
23 of the governing body,
24 (b) to make considered and well informed
25 decisions as a member of the governing
26 body,
27 (c) to participate in the development of
28 the integrated planning and reporting
29 framework ...

30
31 And:

32
33 (g) to make all reasonable efforts to
34 acquire and maintain the skills necessary
35 to perform the role of a councillor.

36
37 Then in part (2) it says:

38
39 A councillor is accountable to the local
40 community for the performance of the
41 council.

42
43 That's pretty telling. Some councillors - and I think, you
44 know, you will make a call on this - may well have seen
45 their role as those first three things that I said and not
46 the second part. And you have to fulfil both roles,
47 otherwise you can have outcomes like this.

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Q. Now, can I take you on to the staff. When you started at the council I think you commented publicly that the moral was quite low. Has that changed at all over your period there?

A. Look, it's very hard when you are working - we've been in lockdown, as has the rest of the state, for four months, so it's very, very hard to get a feeling. We're about to do a staff survey. There's been a lot of difficult situations that this council has had to deal with and the staff of this organisation have had to deal with.

We've had to deal with, you know, I guess the shame and the opprobrium of one of the most significant failures in local governance in the nation, and a very angry community. They have had to deal with dramatic restructuring. You know, I've been involved in local government reform and major savings programs and major financial turnarounds in organisations for a long period of time but normally over a much longer period of time.

So they've had to see, you know, in many cases, 25 per cent of their workmates leave the organisation and not be replaced, and fundamentally the work hasn't reduced, so we've seen massive restructuring in the organisation.

We face the future of the SRV only existing for three years, so the potential that if that doesn't continue, then we're going to have to pull another \$27 million out of the organisation and the outcome for that will be another significant restructure, reduction - significant reduction in services and significant reduction in staff.

And we've got a public inquiry where the sins of the past are going on. So there are a lot of headwinds for the staff at the moment, and I feel for each and every one of them, but I'm pretty confident that if we go forward we can be successful. I guess my role is a dealer in the hope of showing people what has happened, and one of the critical ones and the major failing of the organisation has been financial, and we're now running this year in surplus. Each month this year has been better than budget and we're on track to perform soundly in an extremely set of difficult circumstances. But we've got to rebuild an organisation with 25 per cent less resources to deliver fundamentally the same amount of services and that's very hard. So I would say the morale of the staff is still

1 highly challenged and will only start to turn around as we
2 start to become more successful and can show them
3 improvements and show them that this organisation is
4 capable of being a great organisation going forward.
5

6 Q. You said in one media interview that you wanted to
7 make the council boring. Do you think there is ever
8 a chance of that happening if the elected body returns?

9 A. It depends on the people.
10

11 Q. Well, the elected body that existed before they were
12 suspended?

13 A. Well, look, I saw one meeting which I think was the
14 meeting when the financial crisis blew up. What I saw
15 there was a group of people bickering over the "who caused
16 the problem", rather than saying, "How do we address the
17 problem?" Successful councils work together because they
18 understand they are part of the governing board, and as
19 I said, I have had some very successful councils I've
20 worked with; I've worked with some difficult ones as well.
21 But the really successful councils bicker over the things
22 that they disagree on but they work together on the things
23 that they are charged with, those core responsibilities of,
24 you know, overseeing a successful organisation. Everyone
25 benefits.
26

27 If the organisation is run well, there are more
28 resources to go to whatever agenda you want to push. The
29 organisation is more capable. You are more likely to get
30 reelected. There is a lot of wins in being part of
31 a successful team and also, as I said, why you are there,
32 you are there, in my opinion, to hand over the
33 organisation, the place, in a better place than when you
34 took it over. But, yes, I was alarmed at that meeting.
35

36 Q. You have also said that you observed a strongly
37 divided community when you arrived. Is that still the
38 case? Do you still think there is --

39 A. Don't know about divided, but very angry. And why
40 wouldn't they be? We all have trust and faith in our
41 institutions and we have an expectation that those
42 institutions will perform for us. I say to people, you
43 know, we rate - it's not a choice for people to pay their
44 rates and, therefore, with that comes significant
45 responsibilities. You know, they entrust in us to deliver
46 for them, to act wisely, to act in their interests, in the
47 interests of the whole.

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You know, when people see those things occur, they are justifiably angry and I would be as a member of the community as well. My job is to be able to rebuild that organisation, to be able to show that it is competent and that the community deserves to place its trust in it.

Q. You mentioned problems at a previous council with IT. That has been a recurring theme in the evidence before the inquiry. Where is it now in terms of assimilating into a single system for Central Coast?

A. There are still a few steps to be taken. The most critical is the property and rating system. But it is largely there. There still is a lot of manual workarounds, but we have a major program to finish by the end of this financial year. Yes, look, it's not easy. I think there was a strategic error made early on in terms of the choice of software solution and once we set out on that path, it would have taken really, really good management to avoid some of these problems.

Q. Has that system been changed or you've just adapted that system?

A. Look, we've adapted that system and built - and taken advantage of that system. But we bought a very expensive, highly configurable system as opposed - highly expensive system - as opposed to something you could buy that was largely off the shelf. But if you bought that product, took that off the shelf, you would have to change to meet that system. That requires a lot of will and a lot of capability, but if you look at the local governments that have merged effectively, they have almost all used that system and they have used what they would call the out-of-the-box solution, and they have adapted themselves to that solution. So you don't quibble about what was the Gosford way and what was Wyong way, you say, "We will use the way the system works." That's what's happened successfully in those councils that have merged their IT systems well.

We've got a system that works and is working, but it's taken a lot of effort to get there because the ability to be highly functional has led us down a lot of paths rather than buying something that is, I guess, pre-packaged. It is a bit like an architect-built house versus a project home. One is going to be much more expensive than the other.

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Q. That decision was made before the governing body was elected?

A. Yes.

Q. You've also worked at councils that have been both water authorities and councils. For Central Coast, what particular problems does that pose?

A. Look, I've worked under the New South Wales Local Government Act when I was the CEO or GM of Mudgee, and there is not really an issue, because your water and sewer - every other council in New South Wales who does water and sewer sets their own prices, they advertise them and get submissions from the community. If you have a shortfall or an overrun, you self-balance. You can't use your money from water and sewer in the general fund, so they are sort of closed systems. That's done as essentially a monopoly control.

So the monopoly control model that's in the Local Government Act is if you raise money via a special charge, which is water and sewer income, then you can't spend it on anything else. But our organisation is the only one in New South Wales that is also regulated under the Water Management Act and therefore regulated by IPART. IPART don't care that we've got a set of monopoly controls in place and don't care that it is run by the council. So they make determinations as though we were AGL or Integral Energy or Sydney Water, not understanding our particular peccadillos.

So in the infamous 2019 water determination, one of the reasons why we got a lower payment than possible was there was accumulated surpluses in water and sewer, but the accumulated surplus was in sewer, not in water and not in drainage, and you can't transfer the money between those two. So what happened is they said, "Well, you can burn off that fat", for want of a better word, "in your overall business", without understanding that you could only burn off the fat in the sewer business and, in fact, the shortfall in the water business and the shortfall in the drainage business had to be met by the general fund.

Q. So going forward, is there going to be another IPART determination any time soon?

A. Yes. We've made an application for water and sewer - in water and sewer?

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Q. Yes.

A. Yes. We've made an application in water and sewer to restore our pricing to a similar rate to what occurred in 2018. We were, at that point in time, a little bit more expensive, just a small amount more expensive, than our neighbours to the north and south, Sydney Water and Hunter Water. We're now by far the lowest water pricing in New South Wales, of any authority in New South Wales.

As I said, what happened in 2019 when that IPART determination came out is the general fund was losing \$24 million a year and the water and sewer funds that were making a little bit of money all of a sudden went into deficit. So you had all your businesses making a deficit.

So, yes, that's an application that's going forward. But there is a fundamental long-term problem that needs to be resolved. We're regulated under two Acts and it doesn't make sense. Either need we need to be regulated under the Water Management Act for water and sewer and we can deal with that like a conventional authority like Sydney Water, which is a state -owned corporation, or it needs to be returned to a situation like every other council in New South Wales where we set our own water and sewer prices but we can't spend it on anything else. That creates a fundamental problem. It is a one-way valve. Money can't come from water and sewer into the general fund, but if water and sewer loses money, the general fund has to supplement it. So the ratepayers have to supplement the water and sewer situation. It was never conceived that way. We're just a sort of curiosity. We're a platypus.

Q. How did that arise, that historical anomaly?

A. I'm not sure. There was a Central Coast Water Act in 2007 to create an integrated entity that looked after a portion of the business for Gosford and Wyong, but I really don't know why we are where we are. I just know where we are is unacceptable. We're doing some work and we need to go to government and say, "We need to be one or the other." We are neither fish nor fowl. We need to be a fish or a fowl, not a bit of both.

Q. You have said also that you have, as the general manager, some hard decisions to make. Have you made them all yet?

A. Oh, no, no. There is a range of things. You know,

1 we've made sudden and urgent and crude decisions. There is
2 a whole range of things that you have to do, you know,
3 otherwise you would be finished your job tomorrow.
4

5 I spent some time in a session with the leadership
6 team earlier this week and we started to look at what's
7 next after we have stabilised ourselves financially. There
8 is a vast amount of improvements to occur in the
9 organisation to begin to make it as capable an organisation
10 as it can be, one that its staff are proud of and one that
11 the community can respect and put its trust in.
12

13 Q. Are those decisions going to be ones that are all
14 palatable to the community, or not?

15 A. Most of those decisions won't impact the community.
16

17 Q. I think they are all the questions I had for you,
18 Mr Farmer. Did you want to make any additional comment?

19 A. No, I just - as I said, I think the only other comment
20 was that in 2020 - to me, there were two key inflection
21 points. One was 2019, and I've spoken extensively about
22 that, but in 2020 there was a piece of work that was done
23 by Grant Thornton and that was put before the council,
24 which said, "You are going to go broke and you are going to
25 run out of money", and the majority of the council weren't
26 prepared to make a decision on that. I guess that's
27 indicative of the situation that was the case at that time,
28 that the previous councillors, it appears, were performing
29 those three tasks in their role under the Local Government
30 Act of being a community representative, but didn't have
31 that will - as I said, you need the information and you
32 need the will; but didn't have the will to address the
33 second, which was to be a member of the board of the
34 governing authority.
35

36 Just one thing that I would like to say. Part 2 of
37 the role of a councillor says:

38
39 A councillor is accountable to the local
40 community for the performance of the
41 council.
42

43 And part (g), the last part of their role is:

44
45 To make all reasonable efforts to acquire
46 and maintain the skills necessary to
47 perform the role of a councillor.

1
2 What I've been successful with with the councils that
3 I have had, particularly ones that I have brought back from
4 administration, is taking them on a collective journey.
5

6 So I heard about training and, "We were given
7 a training budget and we could do what we wanted to do."
8 I don't think that works. What I did at Wollongong and
9 what worked really, really well was I put them all through
10 the company directors course. It is very expensive but it
11 is very, very good. They went through it together. They
12 actually did the public course, so it was half council
13 members and half members of the public, business owners,
14 et cetera. And I made sure that they didn't just go to the
15 course, they actually did the assignment and did the exam
16 and got the qualification, and then they came back and all
17 of a sudden they started to talk about risk, they started
18 to talk about strategy. You know, it was really, really
19 powerful.
20

21 The model of just, "Here is your training budget, go
22 off and pick your own" I don't think is appropriate.
23 Setting them up to understand that they are the board of
24 the organisation and they have this responsibility, and
25 getting them collectively together, I think was very, very
26 powerful.
27

28 The next council that came in at Wollongong, those who
29 hadn't done the course, I sent off and I matched them with
30 some of my senior staff so that they worked with those
31 people. So some of my senior staff who hadn't done the
32 company directors course did it along with the newly
33 elected councillors and they found it rewarding as well.
34

35 They have to understand that that's a critical role in
36 being on the council. You are not just there to advocate
37 to get a park in your ward; you are there to make really
38 important decisions that will affect the community for the
39 next hundred years.
40

41 THE COMMISSIONER: Thank you. That was very useful.
42 I will just check if Ms Annis-Brown has any questions for
43 you?
44

45 MS ANNIS-BROWN: No questions, Commissioner.
46

47 THE COMMISSIONER: Thank you. And Mr Simone, do you have

1 any application?
2
3 MR SIMONE: Thank you, Commissioner. I have no
4 application.
5
6 THE COMMISSIONER: Thank you.
7
8 Thank you very much, Mr Farmer. I know you didn't
9 think that you would be useful to the inquiry but you
10 certainly have been. Thank you for your time.
11
12 <THE WITNESS WITHDREW
13
14 THE COMMISSIONER: The next witness will be Mr Noble.
15 He's at 11.20. We will take a break until then.
16 Thank you.
17
18 SHORT ADJOURNMENT
19
20 THE COMMISSIONER: Good morning, we are resuming the
21 public hearings into Central Coast Council. Now, I believe
22 our next witness, Mr Noble, has had a power failure and may
23 be in the waiting room now. Here he is.
24
25 Mr Noble. You have experienced the vagaries of
26 electronic communication too.
27
28 MR NOBLE: Yes.
29
30 THE COMMISSIONER: Do you have the power back on where you
31 are?
32
33 MR NOBLE: No, I don't. So you'll get some weird
34 lighting. I have a window giving me light from this side
35 and no power to the computer, but I've managed to link up
36 with our remote wi-fi. It was panic stations for a few
37 minutes.
38
39 THE COMMISSIONER: I'm sorry about that but I did warn
40 people at the beginning of this inquiry that there would be
41 little hiccups like this and thank you very much for
42 persevering.
43
44 MR NOBLE: My pleasure, yes. We've got a series of
45 rolling thunderstorms coming through for the next several
46 hours.
47

1 THE COMMISSIONER: You are not in New South Wales, are
2 you?
3
4 MR NOBLE: I'm at Bribie Island in Queensland. It is
5 a bit damp at the moment.
6
7 THE COMMISSIONER: I will have Ms Annis-Brown swear you in
8 it as a witness.
9
10 <ROB NOBLE, affirmed: [11.20am]
11
12 <EXAMINATION BY THE COMMISSIONER:
13
14 THE COMMISSIONER: Q. You were the interim general
15 manager of Central Coast Council from when it was formed
16 in May 2016 until August 2017, and before that you were an
17 acting general manager at Wyong Shire Council from
18 September 2015 until May 2016; is that right?
19 A. Yes. Almost totally correct. I left the Central
20 Coast Council on 20 September.
21
22 Q. 20 September, sorry, I stand corrected. Thank you.
23 So you didn't have a very long time at Wyong Shire Council
24 and you had gone in just as an acting general manager?
25 A. Correct, yes. I started there in September of 2015,
26 replacing the departing general manager, and I was really
27 required to be there, once I accepted the appointment, to
28 lead and manage the organisation, provide advice to the
29 councillors, but also to prepare the organisation for
30 a pretty likely merger with Gosford.
31
32 Q. Had Wyong Shire Council at that stage resolved to
33 merge with Gosford or not?
34 A. No, not at that point, nor had Gosford. That came
35 later. I suspect that the offer of grant funding to the
36 organisation may have had something to do with it. So
37 initially there was resistance by both organisations, but
38 ultimately, I think maybe around about the end of the year
39 or early 2016, they decided to go ahead.
40
41 Q. So you weren't brought in with the idea of
42 facilitating the merger; it was more that that happened
43 along the way?
44 A. Yes, that's correct.
45
46 Q. Then you were appointed by the government as the
47 interim general manager of Central Coast Council. Do you

1 think that appointment might have contributed to what
2 I have heard of the north versus south mentality within the
3 staff and the councillors?

4 A. I think it could have. The situation was very
5 complicated, as these things always are. I heard Mr Hart
6 yesterday make the fairly strong suggestion that perhaps in
7 amalgamations in the future, neither of the constituent
8 CEOs or general managers should be appointed to bring the
9 organisation together.

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I like to think that it wasn't a massive influence, because I put all of my energies very, very quickly into establishing relationships with the Gosford staff. We as an executive and the administrator worked incredibly hard to try and minimise the feelings that the Gosford people may have had about the idea that was promulgated in some circumstances of a Wyong takeover.

Q. You hadn't been a long-term Wyong general manager, but there was criticism publicly of the make-up of the executive leadership team at that time being heavily weighted in favour of Wyong.

A. Yes.

Q. Can you explain why those choices were made?

A. Look, I think they were points validly made from some perspectives. So obviously the new CEO came from Wyong, although it was only an interim appointment, it wasn't as though I had a vested interest in the Wyong community or organisation for a long period of time. So when it came to doing the recruitments to fill the structure that we set up in the June of that year, of 2016, certainly there were a number of Wyong people who were appointed. We went through a recruitment process. I must say, I didn't have particular loyalties to people on either end of the spectrum, being an external, interim CEO.

One of the Gosford executives, a female, left fairly quickly after the merger, and one of the female executives from Wyong left pretty quickly after the merger - of their own accord. The deputy general manager, who had been the previous CEO at Gosford, left I think six or eight weeks after the merger. We went through a recruitment process, so there were two female senior executives from Gosford recruited to the new organisation. That was the remaining Gosford executives at that time. And the remaining people were filled from the Wyong area.

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One of those female executives resigned during the August, fairly quickly. So we went through an external recruitment process and the successful party happened to be one of the Wyong managers. So, you know, an external look at that would say, yes, sure, it looks like it's been dominated by Wyong. But I must say, when we went through the populating of the eventual detailed organisational structure, it was to me an incredibly fair process and I don't believe that the Gosford people suffered whatsoever during that process.

Q. During your term, the change in accounting practice occurred with the accounts of the prior councils. Can you tell me who instigated that change in accounting practice?

A. It's a really interesting question. Rik Hart rang me in I think it would have been maybe April or thereabouts of this year to ask me that question, and a few others, and as a former finance professional from 40 years ago, you know, I was trained in accounting and I did an accounting role 40 years ago, before I went into management, I was embarrassed to confess to Rik that I didn't remember anything about the change in the accounting practice.

Now, I have since learned from the testimony of various people that the accounts for Wyong, which I might say were clean, as in got a clean bill of health from the auditors, external auditors, were reported to the council around about November of 2016, and between then and - in a draft form. And between them and when they were finally adopted by the council the next month, PwC had made a recommendation to us that we change the treatment of the restricted versus unrestricted funds - like working capital or available funds, in a commercial kind of a context.

Now, look, seriously, I did not and still don't remember that taking place. And, as I said, I'm a little embarrassed that I didn't remember it, because I did pay particular attention to matters financial because of my background and in any case, as the CEO you need to.

Apparently it was made by PwC. I'm absolutely certain I would have discussed that with my CFO and with the administrator. And because it came from PwC, the recommendation, you know, they've got a wonderful track record, experience, knowledge of the legislation, the Australian Accounting Standards, as well as the

1 requirements of the State Government and the Local
2 Government Act, we must have just trusted them with their
3 advice.

4
5 Thinking about why it might have been made, it could
6 potentially, you know, with hindsight now, have been made
7 in order to make the ratio, the unrestricted cash ratio,
8 come more within the guidelines that were required.
9 I don't really know that but I'm presuming that that was
10 the case.

11
12 Q. Do you think the fact that that had been made helped
13 disguise the unrestricted cash position, just in the
14 consolidated accounts at least, for people who were looking
15 backwards?

16 A. Indeed. Yes, I do. You know, looking back on it and
17 now being reminded what happened, I'm pretty certain that
18 that would have led at least uninformed readers to believe
19 that the unrestricted cash position was way better than it
20 actually was.

21
22 Q. So Mr Naven was the CFO at that point, but he resigned
23 or left the council at a similar time to you?

24 A. He left in August of 2016.

25
26 Q. Can you tell me why he left?

27 A. The terms of his departure are confidential. There is
28 a confidentiality deed. But look, Mr Naven was an
29 extremely competent and professional CFO whose guidance
30 I valued and trusted.

31
32 Q. Had you worked with him before?

33 A. Only at Wyong, you know, so I had worked with him from
34 September 2015 until August of 2016.

35
36 Q. So your recollection of the change in accounting
37 practice is fairly vague, but do you recall any information
38 being given to the incoming general manager or council
39 about that change in accounting practice?

40 A. Absolutely. I was puzzled - I did watch Mr Bell's
41 testimony and I was puzzled by what I thought was an
42 indication that there wasn't a handover or much of
43 a handover. Around about two months before the merger,
44 once the administrator had appointed him as the incoming
45 CEO for an interim period, I invited him to a very large
46 one-day workshop consisting of well over 100 of the
47 Central Coast Council executives, managers and

1 representatives from the program management
2 office - sometimes called the project management office.
3 It was a day that was designed to get people together, to
4 build relationships, to inspire them about the way forward.
5 Mr Bell participated in that, met most of those people on
6 that day.

7
8 Then prior to my departure on 20 September, I invited
9 him to come along for an early induction. So he started on
10 13 September and he had six full days in induction. He had
11 a lot of time with me, he had many, many hours with each of
12 the senior executives and he also spent time going out with
13 me to large gatherings of hundreds and hundreds of staff at
14 works depots and other places throughout the organisation,
15 including both offices.

16
17 In the course of those briefings I did brief Mr Bell
18 in relation to the serious issues, the internal control, or
19 let's say the lack of internal control issues, and the
20 serious undervaluations of fixed assets that existed with
21 Gosford and the problems that we had had in doing all of
22 the forensic accounting to try and come to a point where we
23 could actually create a set of accounts, even though
24 neither Mr Naven nor I, nor the administrator, had any
25 level of confidence in the internal control systems,
26 because there were so many fall-downs in those systems.
27 You know, people could go into those systems, make changes
28 or adjustments without there being any audit trail
29 whatsoever.

30
31 As soon as we discovered that, we clamped down on that
32 and removed all of those positions by Gosford staff but
33 also by the software provider. That system had been
34 installed I think back in about 1994 or thereabouts. So it
35 was very old, it was way out of date and it was really
36 struggling.

37
38 The former Gosford had also been endeavouring to
39 implement a new general ledger system in their accounts and
40 it had been going I think for about nine months and they
41 had not been able to reconcile the new general ledger
42 system back to the old one. On top of that, they hadn't
43 managed to complete a bank reconciliation, one of the most
44 basic methods of managing your cash, for nine months. So
45 I did brief Mr Bell about that. I didn't have any
46 connections, though, with the new council, because
47 I finished and Mr Bell was responsible for doing the

1 induction, which I understand was fairly comprehensive.

2
3 I did meet a lot of the people who became new
4 councillors because, as Mr Reynolds mentioned to you the
5 other day, we did a series of three very comprehensive
6 candidate education seminars across the area. They were
7 very well attended by many, many people. I think the
8 contents of those were pretty comprehensive.

9
10 Clearly, I didn't give any briefing about the change
11 in accounting practice at that particular time. It wasn't
12 front of mind.

13
14 Q. No, okay. You mentioned in your discussion then the
15 project management office.

16 A. Yes.

17
18 Q. Was that something that you saw as critical to the
19 progression of the merger and the way to measure its
20 success?

21 A. Yes, I did. In that induction period with Mr Bell
22 I suggested very strongly to him that he keep it going
23 until at least the following June, because it had a massive
24 workload and if you imagine what it must have been like for
25 all the operational staff right across every area of the
26 new council, they were struggling with changed systems,
27 changed circumstances, new ways of doing things and
28 building new relationships with work colleagues as well,
29 having new supervisors and directors, et cetera. It was
30 rough just getting the day-to-day work done.

31
32 On top of that, there was an incredible amount of
33 change management required by the entire organisation.
34 So the PMO - I think they were brilliant in the way in
35 which they went about engaging with people, supporting them
36 with how to deal with change and then identifying, in
37 collaboration with the directors and the managers and
38 staff, all of the things that needed attention.

39
40 There were I think 19 different work streams or
41 programs and underneath them there were I think 156
42 different individual activities or projects that had to be
43 worked on. So we prioritised all of those and we were
44 looking really at about a five-year amalgamation or merger
45 period. To me, the merger itself wouldn't have been really
46 fully implemented for around a decade, and I reckon it
47 would take that long. My understanding and experience with

1 these matters over 40 years in the profession has been that
2 sometimes you can still have remnants of the former
3 constituent council cultures dragging on for up to 10 years
4 later. People dreaming about, "Oh, it was always great
5 back in the old days; it's not so good now."
6

7 I think it would have been fabulous if the PMO had
8 been allowed to continue until the following year.
9 I understand that the decision to disband it quickly after
10 I left may have been at least in part for financial
11 reasons, because it was costly, but I think it was money
12 well spent and I would suggest, without being there during
13 that post-September '17 period, that the change management
14 regime would have suffered very badly as soon as it got put
15 back into business as usual, because the people doing
16 business as usual were really smashed.
17

18 Q. Mr Bell was concerned also that the PMO was operating
19 separately to the directorates. Was that your experience
20 when you were observing the PMO doing its project?

21 A. It was designed to operate as a separate unit but to
22 collaborate strongly with the directorates. I think it
23 needed to be that way because if it had been, if you like,
24 under the control of the directorates, you know, there was
25 a little bit of, let me say, concern or maybe even
26 resentment within some of the senior executives in the
27 directorates about these other people over there doing
28 things that influenced them. So it was a little bit of
29 a balancing act, you know, but I think we really needed to
30 have that separate change management and project management
31 orientated group to help to sometimes influence people in
32 ways that perhaps they didn't really want to be influenced.
33

34 Q. Now, I'm very remiss, I didn't ask you at the
35 commencement for your professional background and
36 experience, which I understand is extensive. Could you
37 tell me what it is?

38 A. Okay. So I started with doing a bachelor of commerce
39 with honours at the University of Newcastle. I worked for
40 Coopers & Lybrand chartered accountants for a few years and
41 during that time passed the Institute of Chartered
42 Accountants professional year.
43

44 In that time I did quite a lot of local government
45 auditing, actually, which is kind of a bit weird.
46

47 I was for a short time a qualified building and

1 construction industry adjudicator. I was a registered tax
2 agent for a few years. I qualified as a local government
3 clerk, first in New South Wales and then in Queensland.
4

5 Whilst in New South Wales I was the Albert Mainard
6 scholarship holder for local government, which covered all
7 the professions, in 1988. I have dual qualifications as an
8 executive coach. I was a long-term fellow member of
9 Certified Practising Accountants Australia. I completed
10 the Australian Institute of Company Directors course and
11 was a long-term fellow member.
12

13 I was the Queensland president and national president
14 of Local Government Managers Australia, and I'm also a life
15 member and certificate of merit awardee.
16

17 I have 20 years experience as a Local Government CEO.
18 Five of those councils were in New South Wales on interim
19 roles, including the Wyong and the Central Coast ones. The
20 other ones were the city of Newcastle, Eurobodalla Shire on
21 the south coast, and the City of Liverpool.
22

23 I worked as a local government senior executive for
24 a further 12 years before my CEO experience, and before
25 local government I worked with BHP as well as Coopers &
26 Lybrand, I already mentioned, and was a staff member at the
27 University of Newcastle for several years.
28

29 The last 13 years I've been co-director with my wife
30 of a consulting firm. We provide executive coaching,
31 mentoring, personal and team development, cultural change,
32 change management and many other services, primarily to
33 local government staff and councillors.
34

35 So I guess you could say local government is in my
36 blood. I've been involved with it for more than 40 years.
37

38 Q. Thank you. And I'm sorry I didn't do that at the
39 outset. Were you concerned at the - would you have been
40 concerned about the absence of a chief financial officer
41 for the length of period that Central Coast experienced?

42 A. Yes, indeed. I've seen what's happened since I left
43 and it's greatly concerning. Even if the organisation
44 hadn't ended up the way it was, I still would have been
45 greatly concerned. I think you need to have someone with
46 those responsibilities on the executive team, and I did
47 recommend to Mr Bell that he set about replacing the acting

1 CFO, who I appointed when Mr Naven departed, fairly quickly
2 if he could.

3
4 Q. What reason did you want that person replaced for?

5 A. Because she was already incredibly busy with her
6 day-to-day work as a unit manager and you really needed to
7 have a permanent employee - whether it ended up being her
8 or somebody else, you needed a permanent employee, in my
9 book, to move the organisation forward in a time of such
10 drastic and dramatic change.

11
12 Q. So you didn't have a criticism - that was Ms Louie?

13 A. Yes.

14
15 Q. You didn't have a criticism of her performance per se
16 but, rather, that it needed its separate role?

17 A. No, she would be one of the - she was fabulous. She
18 was one of the most diligent officers in the organisation
19 and hard working officers in the organisation, with great
20 competencies and capabilities.

21
22 Q. Mr Noble, those are the questions that I had for you.
23 Did you want to make any comment to the inquiry that might
24 be relevant to the terms of reference or the decisions that
25 I have to make?

26 A. Yes. I've done quite a few notes, Commissioner.

27
28 Q. That's okay, go right ahead.

29 A. As I mentioned in an email earlier this week, I'm more
30 than happy to send them through to you, but I wonder if
31 I might be permitted to make a few contextual comments and
32 suggestions.

33
34 Q. Certainly.

35 A. Okay. So when I started at the Wyong council, the
36 mayor and the former general manager told me that there was
37 a considerable degree of competition between the two former
38 councils and they both felt, without giving me any data,
39 that Gosford had been cooking the books to make their
40 statements of account look in a stronger state than they
41 perhaps were, pending a possible amalgamation.

42
43 I didn't see any evidence of that at the time other
44 than apparently there had been non-attendance by senior
45 people from Gosford at a couple of meetings where they were
46 regularly required to meet - I presume it would be water
47 and sewerage and drainage, or maybe waste management. As

1 you know, there were joint arrangements for both.

2
3 But subsequent discoveries after we started doing the
4 Gosford statements of account for the period up to May 2016
5 revealed that there were some massive irregularities, and
6 I'm sure you are aware of those by now, but we did have to
7 write off just under \$1.4 billion of Gosford assets that
8 had been overstated in their accounts; there were roads
9 assets, there was land under roads, I think it was about
10 \$70 million. The roads assets I think were overstated by
11 around about \$700 million, or thereabouts, and there was
12 around about \$600 million of manhole covers that had been
13 double counted. So that was fairly frightening to discover
14 that. So that's just a little bit of background on the
15 deal.

16
17 At Wyong we also had the long-running issue of
18 a proposed half a billion dollar Chinese theme park that
19 was very, very controversial and was being strongly
20 supported by the former Wyong mayor and we had to deal with
21 some of the subsequent issues in relation to that post
22 amalgamation.

23
24 There was a Wyong council decision before I started,
25 not to recognise the likely effects of climate change on
26 sea level. So it was as though the organisation was
27 operating with blinkers on, which had serious, to me,
28 ramifications for development and building approvals, for
29 planning approvals, for flooding and many other potential
30 future catastrophes. That decision was at odds with most
31 of the councils on the eastern seaboard. So it did seem,
32 though, as though the merger would be inevitable, the
33 messaging we were getting from state and other places.

34
35 Early on we did establish a program management office
36 headed up by one of the Gosford senior executives, who did
37 a wonderful job, and by the time the merger started we were
38 pretty well advanced in terms of being able to operate
39 a basic level of services from day one, which wasn't the
40 case in many of the merged councils. So I was pretty
41 pleased with what the group led us to to get us going.

42
43 I've been asked many times about what I thought the
44 estimated costs of the merger would be.

45
46 Q. Yes.

47 A. Like how long is a piece of string? So we had, what,

1 20 million or, I don't know, 25 million maybe of government
2 funding eventually, perhaps. But I was asked many times by
3 staff and councillors at Gosford and also staff and the
4 administrator, and my answer was generally, "Look, two
5 things". First of all, both of the former councils had
6 realised they needed to massively upgrade their IT systems,
7 so that was going to be a cost in any case. So it wasn't
8 necessarily only an amalgamation cost, although part of it
9 would have been because of the amalgamation. On top of
10 that, I said, "I think we're going to be up for maybe
11 120 million to 150 million or thereabouts." That was a bit
12 of an educated guess.

13
14 We soon, once we got together, realised that every
15 single system, process, policy and practice between the two
16 councils was different, in some cases vastly different,
17 and many of those things had not been updated for some
18 time. So that was a little bit challenging to say the
19 least.

20
21 Each council had a large infrastructure backlog. As
22 you know, going into the merger, Wyong was in the
23 second-last year of a SRV, and just before the merger,
24 I think it was almost on the death knell before the merger,
25 the Wyong council resolved not to take the last year of the
26 SRV, which was puzzling from a logic point of view, but
27 from a political point of view it might have been a pretty
28 clever move in terms of potential re-election.

29
30 So once we started the new council, I recommended to
31 the administrator that we ignore that decision and still
32 take the money, because the infrastructure backlog was
33 still massive, and that's what he did.

34
35 Before the merger, Gosford had discussed - oh, the
36 power just came back on in my place.

37
38 Q. I heard it.

39 A. Does it suddenly look a bit lighter?

40

41 Q. It does.

42 A. Before the merger, the Gosford council discussed
43 having an SRV but didn't actually go ahead with that.
44 I think it would have been a good move if they had. And
45 Gosford also minimised its infrastructure or its capex
46 expenditure before the merger.

47

1 positions at both councils as well. I must say, it was
2 surprisingly incredibly difficult for our staff, the people
3 and culture and finance staff, to accurately calculate what
4 the FTE of the new organisation was. It's one of those
5 things that is always pretty clear in organisations like
6 that, and it was done - it was just so difficult. There
7 were different system problems and different assumptions
8 and an incomplete restructure that had been going on for
9 about two years at the former Gosford that helped to get us
10 into that difficult situation.

11
12 There were massive differences in pay scales and
13 conditions of employment between the staff. I would say
14 there were generally more favourable employment conditions
15 at the former Gosford and less performance management and
16 review, and not too many position descriptions to review
17 performance against.

18
19 The Gosford managers were permanent employees, so
20 subject to protections. The Wyong managers were on
21 contracts and not subject to protections.

22
23 I was surprised to discover a cash reward system in
24 place within their I think perhaps enterprise agreement for
25 the Gosford staff. I handed out cash rewards totalling
26 about \$166,000 in the first year because I had to and
27 because it was a very nice thing to do, but a similar
28 system wasn't in place for people who might have been
29 performing to the same level at Wyong. So there was a
30 little bit of us versus them stuff that came out as
31 a result of those sorts of things.

32
33 The Gosford council were - I would say the staff had
34 more anxiety and it was more of a fear-driven culture than
35 the Wyong council and, as a result of that, they were
36 heavily unionised. I recall that at the time of the
37 amalgamation, the Gosford council had about 31 matters in
38 front of the state Industrial Relations Commission, and
39 Wyong had zero. So there was a degree of turbulence and
40 there was a massive amount of union-led activity down
41 there, which was great for the union, it got them a lot of
42 members in the southern end of the new council, but it was
43 fairly combative with the new administration when we tried
44 to engage and make positive changes to move things forward.

45
46 It was very difficult and highly expensive to
47 harmonise the salary and wages systems and conditions

1 across the two councils. I think that's later been
2 reported that it might have cost around about
3 20-something million dollars.
4

5 The staff freeze - in terms of the actual freeze on
6 numbers, if there was such a thing, that wasn't really
7 a problem, because we had lots of vacancies, so we hadn't
8 filled - I think there were upwards, moving towards 2,150
9 or getting up towards 2,200 nominal positions. The actual
10 staff members on board were much lower than that.
11

12 I figured during the merger period that
13 ultimately - let's say a few years down the track - the new
14 council could probably operate with around about 200 less
15 staff than they had on board, but of course I wasn't there
16 to follow that up.
17

18 The complexities for especially our people and culture
19 staff who had to do business as usual, they also had to
20 collaborate with the directorates to do position
21 descriptions within 2,000 roles within the structure, call
22 applications for each and every one of those, take into
23 account the pre-existing employment conditions for staff at
24 both ends, deal with those legacy issues and still manage
25 to keep people safe from a WHS point of view.
26

27 Q. Can I just stop you there, Mr Noble. Mr Bell
28 described a bit of a round robin situation where a position
29 would be advertised, it would have to be advertised
30 internally, that would be filled by somebody internally
31 which would create another hole and it would keep going
32 around. Did you experience that?

33 A. Exactly. That was absolutely what happened. So when
34 someone applied from one area to maybe a slightly different
35 role than they had there was a vacancy, and the vacancy
36 usually - not always but usually - needed to be filled.
37

38 I think the idea of protecting staff positions for
39 three years was absolutely wonderful and the administrator
40 and I and the executive were able to provide a degree of
41 reassurance to people that their roles were safe, but at
42 the same time, it stopped us being able to make changes
43 that would have resulted in more immediate savings in the
44 organisation.
45

46 Another issue that looms large in this whole equation
47 is that of developer contributions. The developer

1 contribution systems as you know are incredibly complicated
2 and they often come up as a result of a particular
3 development approval, so you have lots and lots and lots of
4 different buckets - in every council, not just Gosford and
5 Wyong. I'm yet to see a really smart system, in my
6 experience, for beautifully managing development
7 contributions and still being able to maximise the use of
8 them. Because if, you know, let's say you've got \$100,000
9 put into a particular bucket to be used in a particular
10 locality in the future, that's fine, but more often than
11 not you will need to find some matching funding in order to
12 create a new asset. Once you do that, you have taken away
13 from the rest of the council's budget with its limited
14 levels of rating. So on top of that you have to have money
15 to maintain it and money to be provided for depreciation
16 expense in the budget.

17
18 It's fabulous to have developer contributions but it's
19 not necessarily easy to be able to fund the assets that
20 they will eventually make. So the administrator set in
21 train a review process to improve the way in which we
22 treated developer contributions moving forward. That
23 wasn't finalised by any stretch by the time we finished the
24 administration period.

25
26 Q. Can I just stop you there. Were you aware of any
27 conflict about the treatment of developer contributions
28 within Wyong council?

29 A. The system was not easily understood, but I wasn't
30 aware of any conflicts with the use of the developer
31 contributions. I think it was just very complicated and it
32 was difficult, for the above mentioned reasons, to be able
33 to use those moneys.

34
35 There were pools of money sitting in different buckets
36 at both Wyong and Gosford that went back probably for
37 decades, because they hadn't been able to use them. They
38 hadn't been able to afford to use them in many cases.

39
40 We've talked about the estimated costs of the merger.
41 We did do some limited reporting on a regular basis to the
42 State Government - I can't recall if it was straight to OLG
43 or to the periodic meetings we had every one or two months
44 with all of the other administrators and general managers,
45 as well as with the State Government representatives, but
46 we reported on progress with our costings and usage of the
47 grant funds and any savings. The initial savings were

1 quite limited.

2
3 Another matter that we noted was, from a financial
4 perspective, in relation to external audit. The external
5 auditors before merger for Wyong were PwC. I can't
6 remember the name of the former Gosford external auditors,
7 but my understanding was that the former Gosford auditor's
8 bill was massively less than the Wyong council bill, and
9 these things are usually pretty comparative for similar
10 sized councils. I understand that a discounted rate was
11 negotiated with those Gosford auditors and the pay-off was
12 that they didn't need to make an on-site visit during the
13 interim audit. The interim audit was apparently being done
14 by desktop.

15
16 Now, if that was the case - and I was told that it
17 was - I would have thought that without the auditors being
18 hands on during the year, and I'm sure you understand
19 a normal local government audit consists of the audit of
20 the annual financial statements as well as an interim audit
21 during the year to verify the way that the internal control
22 systems are working and the actual use of those internal
23 control systems and whether there is any breakdowns.

24
25 So I wonder if that was one of the factors that led to
26 there not being sufficient oversight of the internal
27 financial systems at the former Gosford.

28
29 We have talked about rate pegging only obliquely.
30 To me, rate pegging is an unnecessary burden on New South
31 Wales councils. It was implemented by the Wran government
32 in 1976. To me, it's actually resulted in the starvation
33 of New South Wales local government communities of the
34 infrastructure assets and the level of maintenance and
35 services that they truly deserve.

36
37 If you were to drive your car through any local
38 government area in New South Wales and then go for a drive
39 to another state, let's say Queensland where I have lived
40 for the last 13 years, you will notice a massive difference
41 in the state of maintenance and the quality of the urban
42 infrastructure or the rural infrastructure. There is no
43 rate pegging in Queensland, but the councils are
44 responsible and generally they have honest, open
45 conversations with their communities about what things the
46 communities want, what types of infrastructure, what
47 quality of infrastructure, what service levels and

1 maintenance levels they want, and then they go, "Okay,
2 fine. If you want that, this is how much it's going to
3 cost." Then they have an open and honest conversation with
4 their people and they arrive at a budget and a rate.
5 To me, the rates in Queensland are not out of the box; they
6 are not extraordinary.

7
8 Governments throughout the world, especially in the
9 western world, are finding their infrastructure decaying.
10 It's not going up, to me, in any positive way. The US
11 government will never repay its debt. It's got such
12 a massive amount of debt.

13
14 I think if we were to contemplate the idea of removing
15 the rate pegging legislation in New South Wales, you would
16 open up a way for the councils to be trusted, for the new
17 councils to be able to have those open and honest
18 conversations with their communities, to be able to give
19 them what they want at a price.

20
21 The city of Wodonga, which in the early 2000s was
22 a high-performing local government, had the highest level
23 of rates of any council in Victoria and the highest levels
24 of satisfaction via a Municipal Association of Victoria
25 survey. They used the principles of the Australian
26 business excellence framework in running their organisation
27 and they had wonderful communications with their
28 organisation.

29
30 I don't know whether it's practical to remove the rate
31 pegging legislation, but if you did, you wouldn't need the
32 complexities and the massive costs and administrative
33 overheads of IPART to at least the same degree that you
34 have now. Councils would be free to be accountable to
35 their local communities.

36
37 I just think it's so sad for the people of New South
38 Wales that rate pegging is in place. It's a message from
39 the State Government that "You, local governments, cannot
40 be trusted." It doesn't sit well with me.

41
42 The adequacy of the external funding, Commissioner,
43 I would say absolutely inadequate, but of course the
44 state's only got so much funding to hand around.
45 I wondered whether, though, perhaps in future mergers, if
46 the State Government is offering a financial incentive, it
47 might be best to be on a sliding scale depending on the

1 scope and complexity of individual amalgamations. I was
2 very disappointed to learn in recent years that part of the
3 amalgamation funding pool ended up being paid out to
4 councils that were not merger councils, including one
5 \$90 million payment to the Hornsby council. So that's
6 disappointing. That money could have gone to the merger
7 councils and provided some sort of support for them.
8

9 Might I just say about ARIC, that when the
10 administrator Ian Reynolds selected - appointed the ARIC,
11 I was absolutely delighted with the quality of the people
12 that he appointed, and I would say that to me, at least at
13 that time, it absolutely would not have been their role to
14 have an oversight over the quantum of unrestricted cash.
15 That to me is and should have been a management objective
16 and then, of course, a councillor, sitting as the council,
17 objective to pay attention to.
18

19 I note that we have a recent change where they have
20 now got a little bit more financial oversight as part of
21 their remit, which I think is fine in all of the
22 circumstances that the council's been through, but I don't
23 think they should ever have an operational role. That
24 would be an inappropriate use of them.
25

26 In terms of internal audit, there have been question
27 marks thrown up about why didn't internal audit pick up the
28 issue with the unrestricted cash. That was never the role
29 of internal audit. The internal audit's role was more of
30 an operational auditing, a governance auditing,
31 a complaints management auditing, looking at things like
32 tendering and procurement and things like that. There was
33 only one person there for much of the time that I was
34 there. We had two people for a short time. But there
35 wasn't the capacity at all within the remit of internal
36 audit to do that.
37

38 Another thing that occurred to me during the
39 administration period was because of the massive backlog
40 that both the former councils and then the new Central
41 Coast Council had, would it be possible for the new Central
42 Coast Council, once the elections took place, to
43 contemplate the idea of selling the water and sewerage and
44 drainage business? I used to have regular meetings with
45 the CEO of Hunter water. We had, you know, a shared water
46 pipeline arrangement and other collaborations. I raised
47 the idea as a potential for the future with him and he

1 thought it was well worth pursuing. I suggested that one
2 option might be to sell the business to either Hunter Water
3 or to Sydney Water, if the complexities of the government's
4 permissions and all that sort of thing could be gotten
5 through.

6
7 If that could have been achieved, I thought that there
8 might well be a multibillion dollar benefit for the general
9 fund to council that would remain at the Central Coast,
10 which would not only cover all of the infrastructure
11 backlogs many, many times over, but provide a whole new
12 lifestyle and way forward and quality of life for the
13 citizens of the Central Coast with fabulous infrastructure
14 and wonderful service levels and maintenance levels. So
15 I'm throwing that out there as something that, you know,
16 the council and the State Government may wish to think
17 about into the future.

18
19 I do want to make a note that out of all of the
20 amalgamations of local governments that have occurred in
21 Australia since 1981 - that's the first one that occurred
22 after I joined local government in 1978, the one in 1981
23 was a New South Wales one, and it was on the basis of
24 a report called the Bain report - I have never seen such
25 a strong level of support from a premier, that was
26 Premier Baird; from a local government minister, that was
27 Local Government Minister Toole, nor from the premier and
28 cabinet executive director, Steve Orr, who was given the
29 responsibility for putting this whole process in place
30 along with Tim Hurst, the CEO of OLG. The induction
31 process I thought was excellent and the ongoing in kind
32 support was fabulous. It was the best of all of the
33 amalgamations for the period from 1981 to 2016, in my
34 opinion.

35
36 Q. Where was that one?

37 A. That was in New South Wales. You know, I had some
38 experience of the follow-up, the shake-down from the
39 amalgamation that occurred between Port Macquarie and
40 Hastings councils. The Hastings council was struggling
41 financially. It had about 100 timber bridges and a poor
42 road network. The Port Macquarie municipality was
43 relatively rich, and over the next - I was there for eight
44 years in a couple of senior executive roles. In the next
45 eight years, there was a massive outpouring of
46 Port Macquarie ratepayer funds to update the infrastructure
47 in the former Hastings Shire. There was a lot of us versus

1 them still happening eight years later. And, in fact, I
2 ran a by-election at one stage and there was a referendum
3 that was lost 51.5 to 48.5, to demerge.
4

5 So these things, these feelings, hurt feelings from
6 amalgamations, do tend to drift on for quite a long time.
7 That wasn't as well a managed amalgamation process back in
8 1981 as this one was. So due credit to the State
9 Government of the day for the support that they provided.
10

11 You asked Mr Reynolds about a handover, whether he did
12 a handover to the new council. Of course, he did do
13 a 30-odd page administrator's report at the last council
14 meeting, which I presume would have been given to the new
15 councillors to read. Many of the new councillors were
16 elected - well, at least a number of the new councillors
17 were elected, and those new councillors were part of the
18 local representation committee that we used to have -
19 administrator Reynolds and our executive team used to have
20 regular meetings during the amalgamation period with. So
21 they had a degree of familiarity with what was happening
22 with the amalgamation. So those people did not come into
23 the new council blind.
24

25 There's been debate about what an ideal number of
26 councillors, or even the structure of the new council post
27 the next elections, whenever they might be - September next
28 year, maybe - might be. I don't know what the right answer
29 is there. As we know, there were apparently some
30 dysfunctional happenings at the elected member level during
31 council meetings during the term of the newly elected
32 council which, you know, is part of the argy-bargy of
33 politics.
34

35 I have worked in councils that have had no divisions
36 or wards, and I've worked in councils that have had lots of
37 divisions or wards. There is no ideal situation, but one
38 of the dangers I noticed of those councils that had
39 divisions or wards is that there was often - not always,
40 but often, probably more often than not - a tendency for
41 the councillor members of those wards to pay more attention
42 to what was beneficial for their area rather than for the
43 benefit of the area as a whole.
44

45 In some of the councils I've worked at, the
46 councillors voted what I would crudely call slush funding
47 to themselves, to enable them to identify projects or

1 activities within their particular wards that they
2 perceived would be beneficial for their area. But to me,
3 in most cases it was like a re-election slush fund, paid
4 for by the taxpayer. That's potentially open to all forms
5 of misdeeds, in my opinion.

6
7 The upshot of my career recommendation to you was,
8 okay, you can see councils like Brisbane city, that
9 operates pretty successfully with the ward system, but on
10 balance, I would suggest no divisions whatsoever is going
11 to be a more efficient, effective and fair system for the
12 Central Coast, despite the wide geographic coverage of the
13 area.

14
15 In terms of a number, I'm going to pick a number of 10
16 as being a pretty good number, sufficient --

17
18 Q. Councillors, you mean?

19 A. Pardon?

20
21 Q. Of councillors?

22 A. Councillors, not wards, yes. I had a lot of dealings
23 during my professional career with colleagues in the US,
24 South Africa, New Zealand and the UK. Some of those
25 councils had 60 or 70 councillors. It's interesting - and
26 this is more the case in the United Kingdom, they had a lot
27 of boroughs with 60 or 70 councillors and a variety of
28 different political groupings and independents, but they
29 worked. The CEOs used to say it was like herding cats,
30 trying to get them on to the same agenda at the same time,
31 but they managed to make it work. So the number is just
32 a number.

33
34 But in terms of the dual roles identified in the
35 New South Wales Local Government Act, you know, our elected
36 councillors are not politicians, although they are
37 politicians, and they are not board members, although they
38 are board members. So they have like a dual role and there
39 is often a lot of confusion in the minds of elected
40 councillors, especially when the going gets tough, about
41 which role they should be paying the most attention to.

42
43 I strongly support the suggestions that have been made
44 by various witnesses to the inquiry that it would be great
45 if all elected councillors were able to do the course of
46 the Australian Institute of Company Directors. I put
47 a heck of a lot of my councillors through over the years,

1 to good effect with the way in which they functioned and
2 behaved after that. Also, some specific perhaps Office of
3 Local Government or other source specialised local
4 government councillor training from the State Government,
5 or maybe from the Local Government Association. They need
6 to understand what their roles are and realise that there
7 are some very serious accountabilities and responsibilities
8 that they need to put in place.

9
10 Now, sorry to take so long, but finally, the sign-off
11 to the Gosford accounts in I think March of 2017, after
12 having gone through an extraordinary period of forensic
13 accounting - I have mentioned some of the issues but not
14 all of them earlier - I won't go through the additional
15 ones, suffice it to say that Mr Naven and I and ultimately
16 the administrator refused to attest to the accuracy, the
17 functionality of the internal control systems of what made
18 it finally through to the statements of account. We could
19 not. It was impossible to verify that what was in front of
20 us was true and fair. So we did a disclaimer.

21
22 Mr Hart, after ringing me to ask me what I knew about
23 the change in accounting practice earlier this year,
24 I note, has put a copy of that disclaimer on as an
25 attachment to a council report in June of this year. So
26 I'm sure you have already seen that.

27
28 That disclaimer really hurt to have to do but we were
29 in a position where there was no other option.

30
31 Interestingly, during the course of that period
32 leading up to then, we did get a degree of pressure from
33 the state audit office and from the Office of Local
34 Government to sign them off anyway, despite our objections,
35 which was disappointing.

36
37 Madam Commissioner, I'm done, unless you have any
38 further questions. Thanks for the opportunity of speaking
39 with you.

40
41 THE COMMISSIONER: That's okay. Thank you, Mr Noble.
42 I will just check whether Ms Annis-Brown has any questions?

43
44 MS ANNIS-BROWN: Thank you, Commissioner. No questions.

45
46 THE COMMISSIONER: Thank you. Mr Simone, do you have any
47 application?

1
2 MR SIMONE: Thank you, Commissioner, no application..
3 apologies. My camera is not working.
4
5 THE COMMISSIONER: No problem. Thank you. Thank you very
6 much, Mr Noble. I am happy that your power has been
7 restored. You can go about your day now.
8
9 THE WITNESS: Thank you very much and all the best with
10 the inquiry.
11
12 <THE WITNESS WITHDREW
13
14 THE COMMISSIONER: Our next witness will be Mr Kitson at
15 1.50pm and we will adjourn until then. Thank you.
16
17 LUNCHEON ADJOURNMENT
18
19 THE COMMISSIONER: The public hearings into Central Coast
20 Council will now resume. The next witness is David Kitson.
21 Mr Kitson, I see you are there.
22
23 MR KITSON: Hello, yes.
24
25 THE COMMISSIONER: I will just have Ms Annis-Brown swear
26 you in as a witness, please.
27
28 <DAVID KITSON, affirmed: [1.50pm]
29
30 <EXAMINATION BY THE COMMISSIONER:
31
32 THE COMMISSIONER: Q. Mr Kitson, can you explain - you
33 were a former employee of Central Coast Council and before
34 that Wyong Shire Council?
35 A. Yes. Sorry, can you repeat that question?
36
37 Q. I just heard somebody else speaking. Is that me?
38 A. That's all right. Yes.
39
40 Q. Is that turned off?
41 A. It's turned off now, sorry.
42
43 Q. Thank you. Yes, can you explain what your experience
44 there was?
45 A. Yes, look, I was senior contributions officer in
46 charge of the contributions unit, the Wyong contributions
47 unit. I commenced employment with Wyong in 2011 and

1 finished up effectively in 2018. Look, my role was, you
2 know, reviewing the major contributions plans, specially
3 the Warnervale district contributions plan. At the time
4 I arrived, you know, there was something like \$19 million
5 worth of contribution credits owed to developers and
6 generally speaking the contribution plan had, after
7 commencing originally in the early '90s, kind of just lost
8 a bit of its certainty, I guess.

9

10 Q. Can I just ask you, you said \$90 million --

11 A. 19.

12

13 Q. Owed to developers?

14 A. Yes.

15

16 Q. Do you mean --

17 A. For works that they had completed.

18

19 Q. And hadn't been paid for? I'm sorry, I just don't
20 understand --

21 A. No - that's exactly right, yes. Yes. Yes.

22 Basically, there was a system where a developer would do
23 work and if it was in the plan, they would get the value of
24 the work in the plan and they would offset that against the
25 contributions that were payable. So sometimes the works
26 were actually worth more than the contributions that were
27 payable.

28

29 Q. So there would be a credit to them?

30 A. There would be a credit, yes. Yes. So that was one
31 of the reasons why I was first, I suppose, employed with
32 council, to kind of sort that issue out, yes.

33

34 Q. Now, you said you finished up in 2018?

35 A. Yes.

36

37 Q. But at some point the Council, Wyong, became
38 Central Coast Council?

39 A. Yes, that's right, exactly, yes.

40

41 Q. Did you continue in the same role in Central Coast
42 Council?

43 A. Well, no. There was a restructure and the
44 contribution unit was subsumed into another section. So
45 I guess, you know, my role as managing contributions was
46 removed. So I guess I still was largely doing the same
47 kind of work but, you know, there was - the managerial part

1 of it was taken on by the unit manager, Matthew
2 Prendergast.
3
4 Q. You have made a submission to the public inquiry,
5 thank you. In that submission, you refer to the "big rock
6 to bedrock transitioning program".
7 A. Yes, yes.
8
9 Q. Is that the same thing as the --
10 A. Project management team, yes.
11
12 Q. It is the project management?
13 A. Yes. Yes. That's what they referred to it as
14 colloquially, I guess, yes.
15
16 Q. How did that work from your perspective? Was it
17 successful in progressing the merger?
18 A. Not at all, no. No. It was just a distraction. It
19 was very inefficient and really it just left everyone in no
20 man's land in terms of trying to get on with the job of
21 reforming the contributions area and having, yes, a path to
22 reform. So, no, I don't think it was helpful at all.
23
24 Q. So how did it work in the contributions area? How did
25 the project management office - did they have a person
26 assigned to your area?
27 A. Yes, they did. Yes, that's right.
28
29 Q. And what was the change needed to be made in terms of
30 contributions? Did you have to bring them all together
31 under one umbrella? What did you have to do?
32 A. Well, no, I wasn't involved in that. Basically, it
33 was a merger of two different contribution areas. So
34 I really had no involvement in the Gosford kind of area, so
35 it was run really as silos and managed by - after the
36 organisational structure had been formed by
37 Matthew Prendergast, who was the manager of strategic
38 services.
39
40 Q. So was there no progress towards having a uniform
41 contributions system throughout Central Coast?
42 A. No - look, there still wouldn't be one now. You know,
43 basically the contributions systems were - of both councils
44 were very, very different. There was I think 50
45 contribution plans in Gosford that really had not
46 been - I couldn't see any amendment in any of those plans
47 for the last 20, 25 years. So all very old. So, you know,

1 there would have had to have been a lot of work done to
2 kind of review those.

3
4 In terms of the Wyong contribution plans, look, some
5 of the district plans were quite old, I think there was
6 about 13 plans. The Wyong - the Warnervale contribution
7 plan which concentrated on the main release area, it had
8 been reviewed and a lot of the figures in there had been
9 substantiated and reconciled, I guess, if I can put it that
10 way, yes.

11
12 Q. When you are talking about contributions, are they
13 just section 94 or section 7.11 contributions or are they
14 under the Water Management Act as well?

15 A. Look, while working at Wyong, basically, our unit kind
16 of did the assessment of the amounts that had to be paid in
17 respect to development for both section 94, 7.11 7.12 and
18 also section 64 of the Water Act charges. However, you
19 know, it was only done on that basis because of the
20 synergies that could be achieved and really, after the
21 collection of the moneys, you know, the section 64 moneys,
22 we really didn't have much involvement in those, except to
23 say that there was a dedicated contributions officer in
24 finance that did the accounting for both - for all of the
25 contributions, whether it be 7.11, 7.12 or section 64.

26
27 Q. And you didn't mention contributions under the
28 Water Management Act. Were they collected?

29 A. Sorry, that's section 64 I'm talking about.

30
31 Q. I see, I see.

32 A. Yes, yes. So water and sewer contributions, yes.
33 Charges, I should say, not contributions. Charges.

34
35 Q. Charges, yes. So you have provided some information
36 about a dispute about - or a discussion, if I can say,
37 within the council about the way contributions were
38 treated?

39 A. Yes.

40
41 Q. You were advocating for section 94, section 7.11/7.12
42 funds to be separated?

43 A. Yes.

44
45 Q. And separately accounted for?

46 A. That's right.

47

1 Q. By the time you left in 2018 do you know whether that
2 was occurring?

3 A. I have no idea.

4
5 Q. Was it occurring while you were there?

6 A. Look, I guess principally I was concerned going back
7 to I think 2014 and those emails that I showed you, that
8 finance took the view that 7.11 contributions - drainage
9 contributions were being kept with the sewer and water
10 charges, which is just totally, you know, unjustified.
11 It's really contrary to good practice.

12
13 Now, look, I kind of made inquiries about that five or
14 six, seven times over the years, and I think the last time
15 that it came up was when, you know, they were transferring
16 Gosford section 7.11 drainage contributions over to deal
17 with them, basically, in a kind of consolidated accounts,
18 and that's where it came up again. You know, I pointed
19 this out to Scott Cox, the manager of planning and
20 development, saying that this was an issue. Look, I don't
21 know where it went from there. Yes.

22
23 Q. So you have mentioned CEO attitudes to staff as if
24 there was one CEO, but there was actually a train of them,
25 even in your time?

26 A. Yes, yes. That's true.

27
28 Q. Can you tell me --

29 A. Did I say CEO or management? Sorry.

30
31 Q. CEO.

32 A. No, I said there was one - I think I said management,
33 didn't I? Yes, senior management - oh, sorry.

34
35 Q. I'm looking under "Senior management attitude to
36 staff". It says "the CEO", as if there was one?

37 A. Yes, I'm talking about the CEO and the leadership
38 team, basically. That's right. Look, all I can do is kind
39 of give you a feel for how it felt being kind of at a bit
40 of a lower level in the organisation and the - you know,
41 the disruption and the attitudes by management to staff.

42
43 Look, I've kind of relayed that no confidence motion
44 in Rob Noble that was undertaken by the union and some
45 examples of, you know, some of the - you know, the fact
46 that management really, in many cases, didn't respect the
47 three-year moratorium on changes to conditions and pay.

1 So --

2

3 Q. I wanted to know more about that, because most of the
4 people that have given evidence have said that they were
5 hamstrung by those requirements. How do you say they
6 weren't meeting those conditions?

7 A. All I can say is that - I provided two examples
8 including, you know, that I was directly involved with and
9 also another colleague in my department, but I also
10 understand that there was something like 26 industrial
11 disputes and, look, I haven't had a look at those so
12 I can't tell you exactly what they are, but compared - you
13 know, up to 2018, compared - and I understood that, you
14 know, other amalgamated councils didn't have anywhere near
15 that number of industrial disputes. I just think that,
16 yes - yes, I guess I can only give you that information.
17 I think I have referred you to some of the people that
18 might be able to provide better information in regard to
19 that.

20

21 Q. Did you observe a north versus south mentality within
22 the staff at the council?

23 A. Yes, yes. In my area definitely. Definitely,
24 definitely. Yes. Yes.

25

26 Q. How did that manifest itself in the business of the
27 council? Did it interrupt it?

28 A. Look, I don't think it helped. I think the - it's
29 a funny thing but, you know, at the senior management level
30 there was kind of a perception that there was a Wyong
31 takeover, but in other sections it may well have been
32 a Gosford takeover. So I suppose across the organisation
33 there was probably a mixture of views on that. Yes, look,
34 I think there was an us and them and I guess, look, at the
35 end of the day, you know, that wouldn't have - the fact
36 that people were operating out of different council
37 buildings, I suppose, really - maybe even lessened that
38 issue in some instances because people just didn't have
39 contact with each other, I guess.

40

41 Q. You mentioned before silos within your area. Was that
42 evident in other areas of the council?

43 A. Look, I couldn't probably answer that on a widespread
44 basis.

45

46 Q. Then just in relation to your experience, your
47 interactions with, say, the finance section?

1 A. Well, look, I guess - I think I have kind of alluded
2 to, and probably I think you have heard lots of evidence
3 about, the fact that the accounting system really wasn't up
4 to scratch for a long time and, you know, you really
5 couldn't get account balances. I think I - my
6 recollection, that was about seven months. I believe that
7 it held up the end of year reporting. So yes, sure, that
8 was a difficult issue with finance.

9
10 This issue of the treatment of section 7.11 drainage
11 funds - you know, notwithstanding that I - well, I thought
12 it was an important issue to kind of get clarity around
13 that, and notwithstanding that, like, I don't know how many
14 years it was that that just went by the way. We had
15 managers involved in that, we had the council solicitor
16 involved in it, but just nothing ever happened. I guess
17 that is a bit telling in terms of, you know, the reporting
18 we used to get back from finance.

19
20 Q. So you said that situation endured for about seven or
21 eight months. Was it --

22 A. No. No, no, I think it was - it endured for probably
23 four years.

24
25 Q. Until you left?

26 A. Until I left, yes. Well - it probably still hasn't
27 been resolved.

28
29 Q. So I misunderstood you. What was the seven months,
30 then, that you couldn't get --

31 A. The seven months was actually getting access to
32 account balances from finance. I think you have kind of
33 already heard evidence about that.

34
35 Q. Yes.

36 A. In 2017, I think it was, yes.

37
38 Q. You said that the senior management didn't have an eye
39 to make cost savings. In your area, what savings could you
40 identify that could have been made that weren't?

41 A. Well, look, I think the - there certainly was a lot of
42 dealings with consultants that I believe was just really
43 superfluous at that particular time. I think there was
44 much greater issues that were on the table to be dealt with
45 and, you know, basically we were engaging consultants to
46 basically tell management what they really should have
47 asked staff. It was just basically a - the consultants

1 would come in, we would tell the consultants what they
2 wanted - what they then went and told management.

3
4 Q. So can you give me an example of something like this?

5 A. Well, just in case - just in terms of what
6 contribution system we had at Central Coast Council.
7 Clearly, you know, there was a need for management to
8 actually go and ask the people that were directly dealing
9 with it, but that just didn't happen. So there was a lot
10 of time lost in that process.

11
12 Then there was another process whereby there was
13 a thought bubble, "Oh, well, we might get some consultants
14 to do some planning for putting contribution rates on the
15 website, that people can go and type in how many units they
16 are going to have or how many - and they will get an
17 answer". Well, you know, there was just no way in the
18 world that that could happen. There was just too much more
19 work that needed to be done for the contributions plans.

20
21 Even setting aside that you could do it, you know,
22 there was kind of some real legal issues about whether you
23 should do that because it was actually just duplicating
24 a system we already had at the moment where developers
25 could come and ask. We had a software that we kind of
26 calculated contributions. They were kept in the system for
27 when they kind of - when a DA might have come in. So we
28 could give quotes and we were doing that fairly - there was
29 a fairly quick turnover so, you know, the whole investment
30 in trying to do something online was just ridiculous.

31
32 Q. So you presumably had a pre-DA system, did you?

33 A. We had a system where people could ring up and ask
34 what their contributions would be.

35
36 Q. Individuals could?

37 A. Anyone, yes. Yes. A very efficient system.

38
39 Q. Many councils don't have that.

40 A. No.

41
42 Q. You also mentioned in your submission that you didn't
43 think that the staff were progressing a combined LEP and
44 DCP for the Central Coast.

45 A. Yes. Well, look, I guess - look, I made
46 a submission - sorry, did I make a submission? I think
47 I did make a submission. Look, yes, we are, you know, over

1 five years after the amalgamation and we haven't got
2 a consolidated DCP or LEP. Now, the council has been
3 working on one and it came up for adoption I think
4 last November - I think I have that in my records - and it
5 was appalling. Here it was, it was a half-baked
6 proposition that, oh, yes, we haven't got the final
7 documents so that people can look at all the changes that
8 are supposedly being adopted. We haven't got - and there
9 is this whole raft of other work that has to be done to
10 finalise it, and here we are nearly a year on and it is
11 still not gazetted. So I'm very cynical about the reason
12 why it was put up for adoption so soon after the, you know,
13 financial disaster.

14
15 Q. Do you know how that compares to other amalgamated
16 councils in terms of progress?

17 A. Look, I can't - I know of one instance where - I just
18 can't think of the name. Look, I would suggest that they
19 have all done it. I don't think there is - yes, look,
20 I can't categorically assert that they have, but I would
21 suggest that most of them would have done that by now. You
22 know, we're talking about five years now and these changes
23 are not substantive, you know, it is basically just to
24 amalgamate two existing documents. Look, there are always
25 transitional issues but, you know, five years, it is
26 ridiculous.

27
28 Q. You referred in your submission to a local
29 infrastructure committee. Now, as I understand it, that
30 committee doesn't exist any more.

31 A. I wouldn't know. Yes.

32
33 Q. Were you on the committee?

34 A. I was on the committee, yes.

35
36 Q. What was its role?

37 A. Well, its role was to deal with contribution issues
38 and I suppose to be a liaison between finance and
39 contributions, basically, yes.

40
41 Q. Within the council or --

42 A. Within the council, yes, yes, that's right.

43
44 Q. Did it have any public members?

45 A. No. No. It was just an internal staff committee.

46
47 Q. I see. It wasn't a formal committee that made

1 recommendations to the council, then?

2 A. No. No, it wasn't.

3

4 Q. That's why I couldn't find it.

5 A. No, no, that's right.

6

7 Q. They were the questions that I had for you, thank you.
8 Did you want to make any further statement?

9 A. Look, I guess like most residents, we sit in disbelief
10 that somehow you could lose track of \$200 million. You
11 know, I think there is a lot of finger pointing going back
12 to councillors and, you know, I guess from my perspective,
13 you know, I've been in local government since 1984, and
14 I guess I would say that - I suppose there is going to be
15 widespread blame here for what has happened, but it really
16 is - it really goes back to management in terms of setting
17 the parameters for what council can and can't do. So
18 I just cannot see how the CEO and the executive leadership
19 team are not held - are not responsible for the situation
20 that council finds itself in now. So, look, I guess that's
21 probably all I have to say. Thank you for taking my
22 submission on board.

23

24 THE COMMISSIONER: Okay. I will just see if
25 Ms Annis-Brown has any questions.

26

27 MS ANNIS-BROWN: Thank you, Commissioner, no questions.

28

29 THE COMMISSIONER: Thank you. Mr Simone, any application?

30

31 MR SIMONE: No application, thank you, Commissioner.

32

33 THE COMMISSIONER: Thank you. Thank you, Mr Kitson.
34 Thanks for coming along. We will conclude now your
35 evidence.

36

37 <THE WITNESS WITHDREW

38

39 THE COMMISSIONER: Our next witness is a member of the
40 public, Mr Gary Blaschke. He is scheduled for 3.10pm so we
41 will resume at 3.10pm.

42

43 SHORT ADJOURNMENT

44

45 THE COMMISSIONER: The hearings into Central Coast Council
46 are now resumed. Mr Blaschke, I believe you are there.
47 Would you please come on camera and off mute.

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MR BLASCHKE: I'm not allowed, Commissioner, to start my video for some reason.

THE COMMISSIONER: It's not working?

MR BLASCHKE: Now it is.

THE COMMISSIONER: Good. I have you. I will just have Ms Annis-Brown swear you in as a witness.

<GARY BLASCHKE, affirmed: [3.10pm]

<EXAMINATION BY THE COMMISSIONER:

THE COMMISSIONER: Q. Now, you are our first member of the public who is making an oral submission to the inquiry. Can you just tell me a little bit about yourself before you start?

A. About myself. Well, I've been a resident of the Central Coast for close to 15 years. Really active. Not politically but definitely community wise. I'm an advocate for the environment. I was self-employed for 37 years as a tradesperson. I was the founder and honorary president, national president, for the disabled service association for 36 years, until I contracted three cancers and I resigned only a couple of weeks ago. But I'm the former committee member of the Central Coast disability inclusion reference group, former chairperson of Breakaway, which is a respite accommodation on the Central Coast, former president of the Northern Lakes Disability Tourism Precinct Committee, former president of Botany Bay and Catchment Alliance, and SouthWest Enviro Centre, recipient of the Order of Australia medal in 2007 for my involvement with disability and the environment, and recipient of the Australian sports medal in 2000, inducted into the Surfers Hall of Fame in 2001.

I graduated in environmental legislation and auditing in 2002 through TAFE and I'm the former landcare coordinator for the Lake Munmorah region.

Q. Well, quite a CV. Now, perhaps if I can summarise, your submission is you are angry. That's what it sounds like to me. There is a few things that I wanted to ask you about. You said you are concerned that you don't have elected councillors at the moment. How is that affecting

1 you as a resident?

2 A. Well, as a resident, we don't have a voice. You know,
3 I've been trying to get a meeting - and mainly because of
4 COVID - with Rik Hart for several months now. I did have
5 meetings with Dick Persson because I had some dealings with
6 him with Warringah council and Port Macquarie council
7 regarding disability issues, so I knew Dick Persson fairly
8 well. But if I need to contact anybody in council, it
9 takes me half a day to find out who the right person is,
10 and then you might not get a reply for, you know, a fair
11 few days. So the issue might be immediate, but we don't
12 get any response.

13
14 Q. So the council doesn't have a customer response
15 system?

16 A. Oh, you can put on to the "Ask" program, but that
17 doesn't mean you're going to get an answer within a few
18 days, because it's got to go through the system. So the
19 system's not what I call very efficient.

20
21 Q. Well, nothing's operating particularly efficiently,
22 even public inquiries, at the moment. One of the other
23 things you were concerned about was you said that obviously
24 not all of the failures are about the merger, but you were
25 concerned that very little work had been done initially to
26 implement the merger. That's what I understand you to be
27 saying.

28 A. Well, it all sort of started when the Central Coast
29 regional plan 2036 was lumped upon us by the State
30 Government. Very few people had any input into it.
31 We didn't even know - the general community didn't even
32 know about it and probably still doesn't know too much
33 about it.

34
35 I had a meeting with Lee Shearer, who was the
36 Director-General at the time. I only asked her three
37 questions over a cup of coffee and she got up and walked
38 out on me. She said that I had run out of time. So it
39 didn't start that well. Then all of a sudden we hear about
40 the merger coming, whether it was happening or wasn't, we
41 couldn't really get any information about it. Next minute
42 it was well and truly on us.

43
44 I believe it was a political merger. You know, that's
45 my personal opinion, that there are reasons why this merger
46 was to go ahead. I know - I lived in the Wyong community
47 and even though we had problems, we never had problems like

1 we do today.

2

3 Q. Do you understand that the council at Wyong actually
4 resolved to proceed with the merger?

5 A. Yes. Well, I even - when I first heard about
6 it - because we could only get what the press was telling
7 us. I thought gee, you know, if we are in trouble, I had
8 no idea how much trouble Gosford council was in, I had
9 heard rumours about it because I have friends who live down
10 that end, and I thought maybe the combination of the two
11 councils might work, sharing equipment and, you know, just
12 working together. But obviously - I've listened to a few
13 of the witnesses over the last few days and you know there
14 is a them and us. Definitely it was a factor. But it
15 wasn't only just Gosford versus Wyong. It was within the
16 areas. The peninsula of the Gosford area was always "We're
17 not getting anything". I lived in the northern part of the
18 Wyong municipality. Yes, we are the forgotten community.
19 And I hear all the reasons why. We're not asking for
20 a lot, we don't want kerb and guttering or things like
21 that - some people might, but I don't; I don't want to be
22 feeling that I'm living in a suburb. I want to feel that
23 I live in a fairly rural type setting, even though it's
24 not. But, yes, there was definitely problems brewing.

25

26 We couldn't get any opportunity - the only way the
27 community could address the full council, who made the
28 decisions - we might have had ward councillors and we may
29 have been able to get in contact with them and go and have
30 a cup of coffee with them and tell them what our problems
31 were, but they had to then put the motion to the council,
32 it had to be accepted that I applied to address the
33 council. Whether the mayor allowed that or not was
34 a deciding factor. Even if you got time to address the
35 council - and the general community, it's like standing
36 before a courtroom, before a magistrate. It's fairly
37 daunting for people who are not used to the process.

38

39 Even a few years ago it was five minutes to put your
40 case across, and then you could get cross-examined by any
41 of the councillors, whether they were friend or foe. You
42 know, we even lost that democracy where councillors didn't
43 want to get home too late so they reduced the five minutes
44 to three minutes. Like, you can hardly get your name and
45 what you are there for out in three minutes, and then you
46 are cut off.

47

1 I played plenty of games, I had certainly councillors
2 who were friends and I set them up, I would send them
3 questions to ask me so I could continue talking in front of
4 all the councillors who were going to make the decision on
5 whether we go ahead with it or we don't go ahead with it.
6

7 Q. Now, I appreciate that you wrote your submission back
8 in June and that you have probably heard a bit of
9 information over the last few days, but you are concerned
10 that staff were well aware of overspending and that there
11 was a widespread knowledge of the financial strife that the
12 council was heading towards. Do you have any independent
13 information to substantiate that?

14 A. Look, I belong to several groups in the region, people
15 who I consider to be upright standing citizens. One of
16 them is the Central Coast Better Planning Group. We mix
17 with former council employees, town planners. The Coal-ash
18 Community Alliance is another group that I belong to that
19 we all talk within one another, Friends of Democracy. So
20 if you are asking me have I any written proof, no, I don't,
21 but certainly the word was out there within the community,
22 especially the community who are concerned in the direction
23 we're heading, that that was part of it.
24

25 Q. You have referred me to a council meeting in 2014.
26 That didn't relate to the Central Coast Council. That was
27 the Wyong council?

28 A. Yes.
29

30 Q. You express a concern about the time it will take to
31 build the community's confidence back in the council. What
32 do you think will happen?

33 A. Look, I think it's going to be quite a long time.
34 There is so much political influence in most councils - any
35 council where I have lived in the past, you know, there's
36 been controversies, there's been corruption and all sorts
37 of things. Strathfield council is one good example.
38 I won't name the person, but there was a couple of the
39 councillors and mayor and deputy mayor who were waiting to
40 get sentenced to gaol. So issues like that come up every
41 now and again. I'm not saying that our situation is that
42 way. But we've been burnt. We've been hurt. Very few
43 people saw this coming to the extent of what it is.
44

45 Yes, maybe we could have fought our way out of the
46 financial situation, but we're talking hundreds of millions
47 of dollars here that the taxpayers are going to have to

1 actually get them out of trouble, or the ratepayers. You
2 know, we had a recent premier who gave out a grant for
3 \$5.5 million and had to resign because of it. That's
4 5.5 million. That's peanuts in the bigger picture. We're
5 talking hundreds of millions of dollars here, and yet from
6 what I have heard, there's a lot of buck passing going on
7 here - who was responsible for this and who was responsible
8 for that? Well, you know, it's a whole assorted array of
9 different organisations.

10
11 The Audit Office of NSW, PricewaterhouseCoopers,
12 assorted GMs, CEOs, CFOs, internal experts from both
13 Gosford and Wyong councils, an abundance of directors
14 pretending to be experts, have now accumulated this
15 ten-year debt for us, bank loans that need to be paid for,
16 sale of community assets, reduced maintenance now and in
17 the past, increased land rates and potential water rates.
18 You know, employment of 250 extra staff when they probably
19 didn't need to do it, and eventually the sacking of our
20 elected councillors, whether they were good or bad. But
21 they were people who supposedly had our interests at heart.
22 Whether or not they did, whether it was the political
23 parties that were setting their agenda, but, you know,
24 I had some councillors who I was very good friends with.
25 I had a movie night once where I invited everybody to come
26 and see a movie that I was showing about what they call
27 PEP 11, which is oil and gas exploration off our coastline.
28 Every councillor was invited. I had all the hors d'oeuvres
29 for them. I had one councillor turn up. That was
30 fabulous. She put her feet up on my lounge, ate all my
31 hors d'oeuvres, and had a great night.

32
33 Q. I won't ask you who, then. I don't have any further
34 questions for you, Mr Blaschke. Do you have any statement
35 that you want to make to the inquiry?

36 A. Yes, well, you know, I can't see how nobody is
37 responsible for this. As I said, if a premier can come
38 down over \$5.5 million, and from what I have heard, all
39 over the week - I haven't listened to every single person,
40 but, you know, nobody wants to say they have to take
41 responsibility for this.

42
43 We've been bullied around for quite a while, the
44 community, especially people like me who are vocal. You
45 know, I write in the local paper and I write issues that
46 are very critical to the local people. I'm not politically
47 motivated, but I have been involved in the construction,

1 heavily involved in the construction, of a disability
2 walkway at Lakes Beach. Now, I have referred to that item,
3 7.1, on 24 September, and I suggest you listen to it. If
4 you don't believe there was bullying going on, the person
5 they were bullying was a good friend of mine who had MS and
6 he was going through a hard time. He got sucked in by two
7 councillors to go and say how fantastic the construction
8 was for the local community, that it was the best thing
9 since sliced bread. When he got to council, he was
10 freaking out, he had never spoken in front of a council
11 before, he asked me to be there with him and I couldn't be
12 there on that particular night. But he got ripped to
13 shreds, really ripped to shreds.

14
15 Q. But this was Wyong council?

16 A. This was Wyong council. But, you know, I'm sure
17 there's people in the Gosford area who have been treated
18 exactly the same.

19
20 Q. I understand. But unfortunately, the ambit of my
21 inquiry doesn't extend back in time.

22 A. I understand that. But this is a community
23 perspective of how we were treated. I have raised in my
24 submission all the different codes of conduct. The
25 council's internal ombudsman's charter, the council code of
26 conduct, the council meeting principles - you know, I've
27 written them all out, whether we were informed, inclusive,
28 trusted, respectful - you know, it goes to even the Office
29 of Local Government code of conduct and the expected
30 standards of behaviour. None of those have been followed
31 whatsoever. I'm happy to stand up in a court of law and
32 state that as well. Because I've been hands on. I've been
33 upfront. I'm not running any political motive here, even
34 though some councillors were. But there are some fabulous
35 people in council. Some of the councillors were great.
36 Some of - and definitely staff. I'm still dealing with
37 lots of staff. I was only talking to a couple of the
38 centre type management staff yesterday and I congratulated
39 them for the great work that they were doing, and they love
40 to get that sort of feedback from the community. But
41 unfortunately, the higher you went, the more incompetent
42 the whole situation became. For them to turn around and
43 say "Oh, no, I don't think I was responsible for this" or,
44 you know, "It wasn't my fault whatsoever", it just doesn't
45 pass any pub test for the community.

46
47 Q. Thank you. If you just wait there, I will see if

1 Ms Annis-Brown has any questions.
2 A. Thank you.
3
4 MS ANNIS-BROWN: No questions, thank you, Commissioner.
5
6 THE COMMISSIONER: Thank you. And Mr Simone, can I just
7 ask whether you intend to make any application in respect
8 of any member of the public giving evidence?
9
10 MR SIMONE: Commissioner, it will depend on the evidence
11 on a case-by-case basis. I have no application in respect
12 of this witness.
13
14 THE COMMISSIONER: Okay, thank you, Mr Simone.
15
16 Thank you, Mr Blaschke. That concludes your evidence.
17 We have a further member of the public coming on at 3.40,
18 Mr Stephen McKenzie, and we will adjourn until then.
19
20 THE WITNESS: Thank you, Commissioner.
21
22 <THE WITNESS WITHDREW
23
24 SHORT ADJOURNMENT
25
26 THE COMMISSIONER: The hearing into Central Coast Council
27 will now resume. Mr McKenzie, I believe you are there.
28 Could you come on camera and off mute, please.
29
30 MR McKENZIE: Okay. Can you hear and see me?
31
32 THE COMMISSIONER: I can. Thank you, Mr McKenzie. Let me
33 apologise, if I had had greater digital alacrity, I might
34 have noticed the text message from my administration
35 assistant letting me know that you were waiting. I didn't
36 see it until after I had already concluded, so I'm sorry
37 about that.
38
39 MR McKENZIE: Not necessary, but thank you.
40
41 THE COMMISSIONER: I will now ask Ms Annis-Brown to swear
42 you in as a witness.
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1 <STEPHEN MCKENZIE, affirmed: [3.40pm]

2

3 <EXAMINATION BY THE COMMISSIONER:

4

5 THE COMMISSIONER: Q. Mr McKenzie, you are the second of
6 our members of the public who are speaking to the inquiry.
7 Can you just tell me a bit about yourself?

8 A. Okay. I'm an accountant by trade, although I haven't
9 really practised as one for a long time. I've worked as
10 a consultant with what's now Accenture for many years, and
11 then probably spent most of my career working in financial
12 institution, banks, life insurance companies, in planning
13 roles and also project roles and managing up to 3,500
14 people around the country in an operational service,
15 operational type things.

16

17 I've been involved in a number of acquisitions and
18 mergers on both sides of the fence as the acquirer and the
19 acquiree, and I've always been interested in community
20 affairs. My wife and I have always been involved in the
21 children's school P&Cs, and so forth, and I was heavily
22 involved in a community group in my previous - in our
23 previous home at the local council there. So I've got some
24 experience with council from that.

25

26 I guess I made a submission because I care. I'm
27 heavily involved in a community club and I know a number of
28 the community leaders of the various groups and I just
29 thought I would write. My intention is really so it
30 doesn't happen again rather than necessarily bayoneting the
31 wounded, if you like.

32

33 Q. You said you live on the coast now. How long have you
34 been there?

35 A. I've had a house on the coast for about 20 years.
36 I'm originally from Melbourne. We moved - we've been
37 spending an increasing amount of time up here. Our
38 children have grown up, left home, and we moved up
39 permanently a year and a half, two years ago.

40

41 Q. And what's the club that you are involved in?

42 A. The Hardys Bay Community Club. We're open tonight, if
43 you are free.

44

45 Q. I'm a little distant from that. If they do Zoom, I
46 could attend.

47 A. Yes. I'm the president and the director there.

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Q. Thank you. Your submission is in the nature of a series of questions, but to be of assistance to me, I really need to understand what it's like from your point of view as a member of the community, how do you feel about the council now?

A. I wouldn't say that I'm angry. I guess I've got two major areas of concern. One is that checks and balances clearly failed, and there are quite a number of them within council and without. I think that needs to be addressed, otherwise it will happen again, if not in Central Coast, in other councils. I'm happy to talk further about that a bit later on.

Also, a number of the councillors are - I think you called them newbies. So it was their first time.

Q. It wasn't a derogatory term.

A. No, no, I was just trying to get with the vernacular. Many councillors across the board stay for one term and one term only, and they come from all walks of life. So one thing that's come out, that I've observed and has certainly been emphasised during this inquiry, is the lack of coaching, mentoring, training of councillors so that they can really add value and understand what it is that's happening and what it is that their role is and what their obligations are.

I think it was Dick Persson who said in one of his reports that they were well intentioned, and I think that's certainly the way it would have started out. I'm aware of some theatrics and behavioural things. I don't wish to go into them. I think you have probably got more than enough information about that.

Another area I would probably say is, just in broad, that I notice that the community and the councillors are really directed to talk to the directors, or instructed to talk to the directors, and I understand why that is so. However, a pretty common theme that I haven't heard come out so far, but it may have, is there is a feeling generally in the community, particularly amongst people I know who have had a lot to do with the council over many, many years, that the staff are quite dismissive and that they are very uncomfortable talking with a member of the community and try and avoid and just not do it as much as possible. I think irrespective of the current crisis, that

1 is a problem and the current crisis will exacerbate that,
2 I'm sure. I have no doubt.

3

4 Q. Have you personally had any cause to contact the
5 council about something and had the experience yourself?

6 A. Yes. Yes, I have.

7

8 Q. So can you talk me through the process, the interface
9 between a member of the community and the council?

10 A. Well, it was in connection with a planning
11 proposal - not mine, I was just a ratepayer, a member of
12 the community, and I couldn't understand enough from what
13 was on the council website, so there was a name there.
14 I contacted them. And to be fair, they were reasonably
15 responsive and came and met with myself and another
16 community leader.

17

18 But when we asked a few more questions subsequently,
19 I tended to get flicked around to a few departments and
20 people, and that's where - that is one example, first-hand,
21 where it was really being fobbed off and you were getting
22 an answer that if you were just having a conversation with
23 someone face to face, you would say "Hang on, you're not
24 answering the question."

25

26 Q. So it started off good and then it deteriorated?

27 A. Yes. Pretty quickly.

28

29 Q. Are you concerned about the current lack of democracy
30 that you have because of the suspension of the councillors?

31 A. That's a good question. Frankly, no, which might seem
32 odd, but I think there were too many councillors, and
33 that's not any disparagement of any of them as individuals.
34 It is hard to get a group of 15 to agree. I have had
35 discussions with Rik Hart, and that was very productive and
36 I found him very sensible and certainly he came to the
37 point very, very quickly. It was quite a long discussion,
38 too, and he had some of his directors there and
39 I subsequently contacted two of those directors separately
40 about follow-on items that came up during the discussion.

41

42 I don't think that as a community we are missing
43 democracy, because I think that the state of affairs was
44 such that it wouldn't have got right, it would not have
45 improved. I have run a lot of programs and projects that
46 are very large, very expensive, very complicated, and the
47 100-day plan wouldn't cut it.

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Q. You mentioned earlier that you might want to say something more about checks and balances?

A. Yes.

Q. What was that?

A. Well, fundamentally, I think they all must have failed, for us to be in this position. The first one is the amalgamation, which was blamed for all sorts of things. Interestingly, all the correspondence seemed to focus on the cost of amalgamation, and I didn't see one comment related to any possible benefit, let alone any benefit that had been reaped from the amalgamation.

My impression - because I wasn't closely involved with it - is that the first administrator, I think that was Ian Reynolds, left too early. If you are running an amalgamation or, in commercial world, an acquisition or a merger or a restructure, whatever it might be, you have a program and you have numbers and you regularly monitor them and you are regularly called to account to say "How are you going?" Clearly, that couldn't have been the situation. So I think that's one. I have heard that the program office was disbanded or something relatively soon after the administrator left. That's also not a good thing to have done, assuming that they were competent, which certainly one of the transcripts or videos conveyed that they were pretty good. So that's one element.

Another one is the Office of Local Government. I will just look to my notes very briefly.

Q. Certainly.

A. Because their overall mission, if you like, or purpose, from their website, is to strengthen the sustainability, performance, integrity, transparency, accountability of the local government sector. And I'm not having a shot at the minister or anyone individually, but if that is the objective of that entity, then they must have failed. Something didn't happen, whether the Office of Local Government doesn't get close enough because there is a lot of councils and what have you, but when councillors were saying they weren't aware, then the thoughts that struck me - and I'm used to a corporate world and you report to boards and those sorts of things and you need to be sure what you are saying before you go in - there should be standards of information that is

1 regularly provided to councillors, and whether that's -
2 I would have thought the Office of Local Government would
3 have some at least influence on that.
4

5 So what are those requirements of the directors and
6 staff and general manager to provide to the councillors?
7 Were those provided? If not, why not? Did anyone from the
8 Office of Local Government confirm that they were being
9 done? And do they monitor the sort of information that
10 goes to councillors to see if it's adequate? So to me,
11 that's one failure.
12

13 Another one was the audit, risk and improvement
14 committee. Their sort of mandate - providing independent
15 oversight, objective assurance and monitoring of council's
16 audit processes, external reporting, risk management
17 activities, compliance with policies and procedures.
18 Again, the individuals on that committee are certainly well
19 qualified and experienced and so on.
20

21 But something, to me, didn't work, because we have all
22 these issues. Whether it was because they didn't meet
23 often enough or whether they had too long an agenda, which
24 meant that when you start a meeting and you've got all
25 these items, then it takes a long time just to go through
26 them to say, "Where are we up to?" That can become, as one
27 of the councillors described, a bit of a Yes Minister check
28 the box exercise. The meetings typically overran,
29 I understand, which again is usually testament to an
30 over-full agenda.
31

32 So as a layperson, and just a member of the community
33 who is interested, somehow they weren't doing the right
34 things, otherwise we wouldn't be where we are.
35

36 Then you go to the auditor-general, the external
37 auditors, the internal auditors, the consultants that were
38 hired I'm sure at various times - again, why was there no
39 red flag? I actually looked through the minutes and
40 agendas for the council and from I think in March there was
41 some minute or comment about - this is March 2020, there
42 was a comment that there is a gap between the operating
43 revenue and operating expenditure, and I think it was 30 or
44 40 million.
45

46 Then, for the rest of that year until October, there
47 was no mention of financials. There was no regular

1 standing agenda item of financial performance. I'm really
2 quite astonished by that, because it is a very, very large
3 and complex council that is still groaning through a merger
4 process, and to not have the numbers in bright lights is
5 extraordinary.
6

7 One of the other things that purportedly was within
8 the responsibility of the audit, risk and improvement
9 committee was to monitor staff numbers, and that was stated
10 during your inquiry. Well, once again, the numbers
11 increased by at least 250, so why did that not come to
12 light? Why was that not raised as a risk?
13

14 There is a group of people who were appointed within
15 the Office of Local Government as - what they were
16 called - engagement officers. So they were meant to be
17 a link between the Office of Local Government, their
18 respective portfolio of councils and the State Government,
19 to make sure they were all in sync. Well, were they in
20 touch with this particular council, which clearly was
21 having some difficulties?
22

23 I think that as a rule, all of those things are meant
24 to prevent the sort of situation we've got, and yet they
25 didn't. The community, one way or another, have paid for
26 those services, and more so they haven't got the objectives
27 of those services and functions actually fulfilled. Now
28 there is a bigger burden with increased rates and so forth,
29 so that's really where maybe I've got a slightly different
30 perspective, but I'm more focused on how do we stop this
31 happening again.
32

33 I mean, obviously it's got to be how do you fix it.
34 I think Rik Hart, from what I've experienced with him and
35 read, and so forth, and David Farmer is the new CEO -
36 I found his discussion pretty - he was pretty impressive,
37 I thought, for someone who is relatively new to this
38 particular council. So I think they are sort of getting it
39 right, but there are no elected representatives at the
40 moment and I think, frankly, from what I can gather, if
41 there were - and you asked me about democracy - if there
42 were at the moment, I think it would be an impediment
43 because it's just easier if there is - it's sort of like,
44 and I don't wish to malign Rik Hart, sometimes it's easier
45 to have a dictator, benevolent dictator, to get things to
46 happen quickly than the democratic way. I'm not suggesting
47 that should be the case for a long time, but right now, if

1 you wanted to fix it, you give someone the authority, who
2 has the ability, and then you get it fixed.

3
4 The other lady - is it Natalie Cowley.

5
6 Q. Natalia Cowley.

7 A. Sorry, yes. You know, I think she came across really
8 quite well and certainly other people have spoken very
9 positively about her as well. It was very difficult for
10 a merging council to have the coming and going of CEOs and
11 acting and interim and CFOs and what have you. I mean,
12 clearly that wouldn't have helped.

13
14 Q. No.

15 A. And the appointment of a general manager, from what
16 I can gather from your questions and the testimony, if you
17 like, due process was followed, there didn't seem anything
18 untoward, but it was the wrong decision and there are
19 a couple of comments that have been made that I think
20 pinpointed that right from the outset. And I'm not
21 focusing in on the fact that all 15 of them should have
22 been on the panel at the same time to interview everyone.
23 I'm just saying that that had come across to at least some
24 of them that that was an aspect that would be
25 a disadvantage in the role he was coming into, which was
26 not an easy situation.

27
28 Q. Not at all.

29 A. And there certainly are north and south issues, from
30 what I could gather, anyway, from what I could see, from
31 what I have heard, people I have spoken to, et cetera. But
32 there we are.

33
34 So they were sort of some of the things that I was
35 going to say. I'm more than happy to answer any further
36 questions if you think I can help in any way.

37
38 Q. I don't have any further questions for you, but if you
39 want to make any further statement, you are welcome to.

40 A. Even again, that staff turnover that I just
41 mentioned - why were there no flags being raised? The two
42 most important jobs in the council were not filled.
43 Certainly from a cultural point of view, from what I have
44 seen - and it's anecdotal - there were a few council
45 meetings where the behaviour didn't look as it should.
46 Unfortunately, I suppose, if our local councils are
47 politically minded and they watch Canberra, they may not

1 get a very good lead from there.

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That's probably - I mean, we could go on for a long, long time, but I thought I would touch on things that I hadn't heard quite so much of during the inquiry. I hope that that is instructive and informative and helpful.

Q. It is to me. I will just check with Ms Annis-Brown to see if she has any questions?

A. Sure.

MS ANNIS-BROWN: Thank you, Commissioner, no questions.

THE COMMISSIONER: Mr Simone, any application?

MR SIMONE: No application, thank you, Commissioner.

THE COMMISSIONER: Thank you. Well, thank you very much, Mr McKenzie. That concludes your evidence and that concludes the hearing for today.

I will check my timetable. We're starting at 10am tomorrow with Mr Halwagy, and I apologise in advance if I have mispronounced his name. We will adjourn until 10am tomorrow.

MS ANNIS-BROWN: Commissioner, tomorrow is Saturday.

THE COMMISSIONER: There you go.

MS ANNIS-BROWN: We will adjourn until Monday.

THE COMMISSIONER: Thank you, Ms Annis-Brown.

<THE WITNESS WITHDREW

AT 4.04PM THE INQUIRY WAS ADJOURNED TO
MONDAY, 18 OCTOBER 2021 AT 10AM