



Local Government Boundaries Commission

**PROPOSAL TO DE-AMALGAMATE
COOTAMUNDRA-GUNDAGAI REGIONAL COUNCIL**

**Boundaries Commission Summary of the
Key Findings from Deloitte's Analysis of the
Financial Implications**

MARCH 2022

1. BACKGROUND

In August 2021, the then Minister for Local Government referred to the Boundaries Commission a business case submitted by the Cootamundra-Gundagai Regional Council (CGRC). The effect of the proposal in the business case, if implemented by the NSW Government, would be to “demerge” the CGRC local government area into the two local government areas that existed prior to the 2016 merger.

The CGRC business case was made under section 218CC of the *Local Government Act 1993* (the “Act”). This section was inserted in the Act in May 2021 and allows any council formed by amalgamation, within 10 years of that amalgamation, to submit a proposal for the de-amalgamation of the new area, whether by reconstituting the former areas or constituting different areas.

The CGRC proposal follows on from a similar proposal submitted by Gundagai Council-in-Exile Inc to the then Minister in October 2018 and referred to the Boundaries Commission for examination in February 2020. The Boundaries Commission submitted its report to the Minister in February 2021. In July, the then Minister announced that the NSW Government would not proceed with the CGRC demerger.

In examining any proposal for a change in local government boundaries, the Act requires the Boundaries Commission to have regard to a number of specified “factors”. One of those factors (section 263(3)(a) of the Act) is -

“the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned”.

To assist in its consideration of this factor, the Commission re-engaged Deloitte Touche Tohmatsu to provide advice on the financial implications of the proposal. Deloitte had previously provided advice to the Commission on the earlier CGRC demerger proposal.

2. THIS DOCUMENT

The Commission is releasing this summary of what it considers to be the key findings and observations from Deloitte’s work, so that residents and ratepayers might have a better understanding of the financial advantages and disadvantages of the proposal ahead of the public inquiry sessions commencing 27 April and the close of written submissions on 2 May. The key findings and observations are based on Deloitte’s analysis of information obtained from the Cootamundra-Gundagai Regional Council and other sources, discussions with Council staff and Deloitte’s own understanding of the issues involved.

The contents of this summary should not be seen as necessarily having the Commission’s acceptance, nor as representing the Commission’s overall view on the financial advantages or disadvantages of the proposal.

In examining the section 263(3)(a) factor and the demerger proposal in general, the Commission will consider all sources of information, including written submissions from residents and ratepayers, oral presentations at the public inquiry sessions, the Deloitte report, benchmarking data compiled by the Office of Local Government, etc.

3. COOTAMUNDRA-GUNDAGAI REGIONAL COUNCIL

Current Position

- Since the 2016 merger of the former Cootamundra and Gundagai Councils into the CGRC, there has been some level of organisational integration including ICT systems and some back-office functions. However, CGRC still effectively operates with a team in Cootamundra and a team in Gundagai and maintains the pre-merger footprint of service centres, depots and assets primarily due to geographical constraints.
- Since the merger, CGRC has delivered a range of community projects enabled by merger grant funding, as well as c.\$88.5m of capital expenditure (FY17-FY21) of which \$69.0m has been spent on asset renewals, funded by both grants and cash reserves across both Cootamundra and Gundagai.
- CGRC has addressed the need for sustainability of its Water Fund and Sewer Fund via increases in fees and charges to offset increasing maintenance costs and to partially fund major upgrade works in the Cootamundra water supply and Gundagai sewer supply networks.
- CGRC's recent focus has been on immediate budget repair and short-term liquidity challenges in the General Fund. While initially prevented from pursuing a Special Rate Variation (SRV) due to the rate path freeze under the Act, CGRC now has an approved SRV that will increase rates by 53.5% over the period from FY22 to FY25. CGRC is also pursuing various operating cost saving initiatives to support more immediate financial improvement in the General Fund.
- The recent rate harmonisation resulted in a \$0.3m shift of rate revenue from ratepayers in the former Gundagai Shire area to those in Cootamundra. Prior to the implementation of the SRV, by comparison to peer councils in the Large Rural category, CGRC's rates were below average.
- Since the merger, approximately \$88.5m has been invested in new infrastructure projects and asset renewal, largely funded by merger grants and reserves. This investment in the asset base has resulted in higher depreciation expenses (increased by \$3.1m from FY16 to FY21).
- The infrastructure backlog of \$23.7m reported in FY21 is expected to reduce following completion of current upgrade works in the Water Fund and Sewer Fund. However, noting the constraints of the General Fund and impact on cash available for road asset renewal in particular, it is likely the backlog will increase absent major capital grant funding. Recent NSW road upgrade grants may help CGRC mitigate this increase.

Overview of CGRC's Financial Performance (FY17 to FY21)

- As shown in Figure 2, CGRC has reported a cumulative operating surplus of \$13.5m in the 5-year period since the merger, after the receipt of capital grants including \$21.0m of merger grant funding to support the integration and investment in infrastructure and community projects.
- The majority of the cumulative operating surplus was generated in FY21, with a \$9.8m surplus driven by (i) a c.37% uplift in grants and contributions, and (ii) increases in charges implemented during FY20 and FY21. These grants related to the Gundagai Sewer Treatment Plant and additional NSW transport grants across Council's road network.
- Year on year, CGRC's operating result has also been impacted by:
 - Timing of receipt of recurring operating grants, including advance payment of Financial Assistance Grants and associated delivery costs;
 - One-off capital grants received for storm damage recovery, various Stronger Country Communities Fund projects, the new Gundagai Sewer Treatment Plant and more recently NSW road upgrade funding;
 - An overall increase in employee costs due to new roles and salary increases year on year, which has been partially offset in FY21 by a number of vacancies;

- Timing of delivery of grant funded projects, including community-owned projects managed by CGRC and associated delivery costs; and
- Variations in the value of Transport for NSW Road Maintenance Council Contracts (RMCC) revenue.

Figure 2: CGRC Operating Result Summary (FY17 to FY21)

\$m	FY17	FY18	FY19	FY20	FY21	5 Yr Total
Rates and Annual Charges	12.9	12.6	12.9	13.3	14.5	66.1
User Fees and Charges	6.6	6.1	8.6	8.3	8.1	37.7
Other Revenue	2.5	2.5	2.0	1.9	1.2	10.2
Operating Grants	16.8	8.3	12.0	9.9	8.9	55.9
Capital Grants	9.9	2.3	7.3	7.7	15.2	42.4
Revenue	48.6	31.8	42.8	41.2	47.9	212.4
Employees	(12.1)	(12.5)	(12.4)	(12.9)	(12.2)	(62.2)
Materials	(9.6)	(13.4)	(12.5)	(13.8)	(13.2)	(62.4)
Depreciation	(9.3)	(8.1)	(8.9)	(9.1)	(10.6)	(46.1)
Other	(5.7)	(3.6)	(3.8)	(3.7)	(1.8)	(18.5)
Non-operating expenses						
Net gains/(losses) from the disposal of assets	0.0	0.0	(0.8)	0.0	(0.3)	(1.2)
Net share of interest in JV and associates	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation decrement / impairment of IPP&E	(6.9)	(1.3)	0.0	(0.2)	0.0	(8.4)
Expenses	(43.6)	(38.9)	(38.5)	(39.8)	(38.2)	(198.9)
Net Operating Result	5.1	(7.1)	4.3	1.4	9.8	13.5
Net Operating Result before Capital Grants	(4.9)	(9.4)	(2.9)	(6.2)	(5.5)	(28.9)
Operating Performance Ratio (%)	5%	-30%	-6%	-20%	-16%	5%
Own Source Revenue (%)	45%	66%	55%	57%	50%	45%

Notes:

- FY17 reflects a 13.5 month period from 13 May 2016 to 30 June 2017.
- Operating Performance Ratio measures how well local councils contain expenses within revenue. The benchmark set by the Office of Local Government (OLG) for the ratio is greater than 0%.
- Own Source Revenue measures a council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG for the ratio is greater than 60%.
- Merger grants of \$21.0m were received in FY17 and FY19.
- Overall, CGRC's financial performance has been impacted by the rate freeze since merger, holding operational revenue at a stable level whilst the cost base increased, resulting in a negative operating performance ratio from FY18 to FY21. This has impacted the General Fund which has experienced operating deficits (excluding capital grants) since 2017.

CGRC's Cost Base

- CGRC's cost base has increased relative to pre-merger due to the impact of merger activities, grant funded programs and the level of RMS and private works. CGRC is now focused on cost saving initiatives to reduce costs to a sustainable level.
- To date, CGRC has not realised significant levels of economies of scale or net cost savings as a result of the merger.
- After incurring higher costs in FY17 due to the merger process, CGRC's cost base in FY21 (excluding depreciation) has grown to be approximately 47% higher than the aggregate cost base of the former Gundagai and Cootamundra Councils in FY16 (equivalent to 33% when adjusting for inflation). Factors contributing to this cost growth include:
 - A larger and higher cost organisation structure, with any executive-level consolidation savings realised on merger reinvested into other new roles

- Increase in service levels including new Visitor Centre in Cootamundra, increased operational hours at the Gundagai library, and new recycling program for council
- Higher costs of maintenance within the Water Fund and Sewer Fund
- Higher materials and services costs, partly attributable to delivery of community projects (grant funded) and RMCC contract works
- Higher depreciation rates applied to road infrastructure to align to industry standards and due to the larger asset base resulting from grant-driven capital projects and revaluation of IPPE.
- In relation to CGRC's organisation structure:
 - The current approved structure is 158 FTE which is a 14 FTE (net) increase (+8.9%) on pre-merger levels. There were minimal FTE reductions as a result of the merger, and there have been subsequent staffing increases in project management, to meet higher regulatory and quality requirements of a larger organisation and the insourcing of planning and surveying capability.
 - On an actual FTE basis, pre-merger FTE increased by 6 from 142 in 2016 to 148 in FY21 (as at end of February 2022 there were 9 vacant positions, predominantly in the back office due to challenges associated with recruiting and retaining staff).
 - CRGC effectively operates with a team in Gundagai and a team in Cootamundra and continues to maintain separate wage structures for its non-management team. However, there has been some integration of back-office functions (e.g. finance team, ICT and finance systems).
 - Council engaged external consultants to complete a full review of its organisational structure in January 2022, which also includes a cultural review. This engagement has not yet been completed, therefore the Council's Long Term Financial Plan 2021 - 2031 (LTFP) and Deloitte's report do not consider the financial impact of a potential restructure.
 - The average cost per employee has increased since the merger due to:
 - annual award increases under the Act
 - progression of employees through award salary bands under the Act
 - Council's decision to increase wages for staff with greater budgetary responsibility under the merged council structure
 - alignment of management salary structures between Cootamundra and Gundagai, which resulted in an uplift in the average rates for Cootamundra management staff (reflecting that Gundagai shire council historically paid above award salaries to attract staff to the smaller centre)
 - employment of contract staff to assist with implementation of capital and community projects
 - the creation of new, specialised roles to cater for the needs of a larger organisation, where some of this capability was previously sourced via external service providers.

CGRC's Long Term Financial Plan

- CGRC's LTFP reflects budget repair priorities to improve CGRC's consolidated operating result across the 10-year forecast period. LTFP forecasts at a fund level show:
 - The Sewer Fund and Water Fund to generate operating surpluses before capital grants in all forecast periods. The Water Fund and Sewer Fund are assumed to have been 'reset' to sustainable levels as a result of increased and harmonised fees and charges implemented in FY20 and FY21.

- The General Fund to continue incurring operating deficits before capital grants (albeit trending towards a reduction in the deficit position) throughout the 10-year period notwithstanding the approved 53.5% SRV and cost saving initiatives.
- With ongoing General Fund operating deficits forecast throughout the 10-year period, further operating cost savings may be necessary to deliver breakeven operating performance and therefore General Fund financial sustainability.
- In addition to the operating cost savings, CGRC's ability to achieve financial sustainability targets will also depend on:
 - Securing operating grants at historical levels or above;
 - Securing additional RMCC contract or other external works income;
 - Continuing to capitalise infrastructure team employee costs; and
 - More aggressive financial improvement initiatives (via increased revenue or cost reduction) than is currently forecast in the LTFP, noting this may impact current service levels.
- CGRC's ability to achieve operating cost saving targets will be constrained by geographic spread of services, community, age/condition of infrastructure and alignment of community stakeholders on financial sustainability objectives and urgency of improvement actions. The SRV process has provided some alignment in this regard.
- The unrestricted cash balance was negative at 30 June 2021, which CGRC management indicated was due to Council delays in submitting the required claims to receive the cash from grants. Council therefore utilised funds from other reserves at 30 June 2021 pending receipt of grant funding in cash.

4. DEMERGER CONSIDERATIONS

Demerger Costs

A demerger will result in additional costs being incurred. Under s218CC of the Act, the Minister is required to fund the costs of any de-amalgamation. Deloitte's work assumes that one-off costs will be met by the NSW Government, while ongoing incremental costs are met by the respective councils.

One-off costs:

- One-off costs include but are not limited to: project resources to support transition management and community engagement, ICT system implementation costs, financial and legal adviser costs and rebranding costs. A provision for staff retraining and minor redundancy costs has also been assumed based on the principle that both councils will seek to realign their organisation structures back to pre-merger levels if a demerger were to proceed. As there has been minimal physical or asset consolidation following the merger, there are not expected to be material costs to re-establish or replace fixed assets.
- CRGC management has estimated the one-off demerger costs to be \$1.75m. Based on its analysis of available benchmarks, Deloitte estimated that one-off demerger costs could be in the range of \$1.8m to \$4.2m (for the two new councils in total). This cost could be higher or lower depending on the level of cooperation between the new councils and their ability to achieve commercial agreement on key separation matters.
- For the purpose of the demerger analysis, Deloitte has assumed the mid-point of this range of \$3.0m in one-off costs (with \$1.5m allocated to each council).

Incremental costs:

- There are expected to be minor additional incremental costs associated with the need to duplicate Councilor structures, estimated to be \$0.1m per annum for both Cootamundra and Gundagai. Based on discussions with CGRC management, Deloitte's analysis assumes that the executive leadership teams for both councils can be filled by existing roles (with GM, Deputy GM and 10 Managers). As such, no additional headcount or costs have been assumed.
- These costs are shown in the following figure -

Figure 3: Demerger cost estimates and ratepayer impacts

Indicative Demerger Cost Forecasts					
	FY23	FY24	FY25	FY26	FY23 - FY26 total
	F'cast	F'cast	F'cast	F'cast	F'cast
Incremental costs (\$m) p.a. per lga	0.1	0.1	0.1	0.1	0.4
<i>Cootamundra</i> Rateable Assessments (#)	4,053	4,053	4,053	4,053	4,053
\$ / Rateable Assessment (\$)	(25)	(25)	(25)	(25)	(99)
<i>Gundagai</i> Rateable Assessments (#)	2,425	2,425	2,425	2,425	2,425
\$ / Rateable Assessment (\$)	(41)	(41)	(41)	(41)	(165)

Note: Rateable assessment numbers are per CGRC 2021-2022 Revenue Policy dated 29 June 2021 & allocations to Cootamundra and Gundagai are as advised by CGRC management. As forecast population growth is minimal according to Deloitte Access Economics, Deloitte used the fixed number of rateable assessments in FY22 to determine ongoing impact to ratepayers.

- The demerger cost range as presented above should be considered a high-level estimate and indicative only. The actual costs could be somewhat higher or lower depending on a range of factors including the ability of the councils to reach consensus on legal, financial and commercial separation matters, including the allocation of its cash reserves, and the financial capacity of the new councils and/or its community to fund such costs.

Financial Sustainability of New Councils vs a Continuing CGRC

- In order to assess councils' financial viability under both a continuing CGRC scenario and demerged scenarios, Deloitte has undertaken high level modelling to identify the estimated 'gap' to achieving a breakeven operating result before capital grants (as an indicator of financial sustainability) in FY26.
- Deloitte's modelling is based on CGRC's FY21 financial statements, FY22 Budget (QBR2) and Long Term Financial Plan assumptions, adjusted for known changes. The demerger modelling uses FY22 as a base year for assessing demerger scenarios due to availability of relevant data, however a demerger (if approved) would likely not occur until FY23.

- In the following table the 'gap' to achieving a breakeven result in each scenario is presented on a per rateable assessment basis in order to illustrate the potential impact on ratepayers.

**Figure 4: Gap to FY26 Operating Surplus before Capital Grants
on a per Rateable Assessment Basis (\$)**

	F'Cast Operating Result (FY26)	Rateable Assessments	\$/Assessment	\$ variance to Continuing CGRC
	\$m	No.	\$	\$
Continuing CGRC	(0.8)	6,478	(131)	N/A
Demerged Cootamundra	0.3	4,053	65	196
Demerged Gundagai	(2.1)	2,425	(864)	(733)

* Forecast Operating Result before Capital Grants in FY26 based on high level demerger modelling

* Number of rateable assessments in CGRC is per 2021-2022 Revenue Policy dated 29 June 2021 & allocation of assessments to each council is as advised by CGRC management

The above analysis is not meant to imply that the 'gap' can only be closed through rate increases - see later discussion.

5. CONTINUING CGRC SCENARIO (IE NON-DEMERGED) OBSERVATIONS

The Continuing CGRC scenario indicates that in FY26, CGRC is forecast to incur an operating deficit before capital grants of \$0.8m which equates to approximately \$131 per rateable assessment. This result is based upon the 53.5% SRV implemented from 1 July 2021 and CGRC's achievement of \$2.4m of targeted cost savings in FY22. However, Deloitte has indicated the cost savings are not supported by a formal and detailed implementation plan and it may therefore be challenging for CGRC to achieve this level of sustainable savings.

The scenario analysis indicates a demerger could impact Cootamundra and Gundagai ratepayers differently, with Gundagai's capacity to achieve financial sustainability significantly lower than either Cootamundra's or a continuing CGRC.

6. DEMERGED COOTAMUNDRA SCENARIO OBSERVATIONS

- The Deloitte analysis assumes a demerged Cootamundra would benefit from the 53.5% SRV and the annual operating cost savings of \$1.5m from FY23 (ie its share of the \$2.4m savings target set by CGRC for FY22).
- The high-level demerger analysis indicates that in FY26 Cootamundra's forecast operating surplus would be \$0.3m. This equates to a \$65 surplus per rateable assessment, \$196 per rateable assessment above the Continuing CGRC scenario (\$131 deficit). This indicates that a demerged Cootamundra's could achieve an operating surplus in the forecast period with minimal or zero cost savings.
- The key factors influencing this outcome relative to the Continuing CGRC scenario include:
 - Harmonisation of rates which, combined with property valuations, resulted in a \$0.4m increase in rate revenue generated in Cootamundra, which provides greater benefit with application of the SRV
 - Cootamundra retaining all forecast RMS RMCC contract revenue, with works currently limited to Cootamundra (revenue of \$2.9m forecast in FY26)
 - A larger population and ratepayer base to absorb the impact of any one-off items (including demerger costs) and normal trading fluctuations.

7. DEMERGED GUNDAGAI SCENARIO OBSERVATIONS

- The Deloitte analysis assumes a demerged Gundagai would benefit from the 53.5% SRV and the annual operating cost savings of \$0.9m from FY23 (ie its share of the \$2.4m savings target set by CGRC for FY22).
- The high-level scenario analysis indicates that in FY26 Gundagai's forecast operating deficit before capital grants would be \$2.1m. This equates to \$864 deficit per rateable assessment, \$733 per rateable assessment lower than the CGRC Case (\$131 deficit). This indicates that a demerged Gundagai's ability to achieve financial sustainability in the forecast period is much more difficult than either a Continuing CGRC or a demerged Cootamundra, without significant additional revenue (either from higher rates and charges or other external sources) or further cost savings.
- The key factors influencing this outcome for Gundagai relative to the Continuing CGRC scenario include:
 - Harmonisation of rates which, combined with property valuation impacts, resulted in a \$0.4m decrease in rate revenue generated in Gundagai
 - Relatively less access to third party revenue given that Transport for NSW RMCC works in Gundagai (which are limited to one road) are currently completed by Snowy Valleys Council.
 - A relatively smaller population and ratepayer base that means the impact of any one-off items (including demerger costs) or other normal trading fluctuations are more pronounced when considering the impact on a per ratepayer basis.
- Forecast Gundagai operating deficits would likely risk cash reserves being depleted in the forecast period, with a forecast negative cash position for a demerged Gundagai of \$7.2m at end FY26. Either additional funding or scaled back capital expenditure would be required to maintain operating liquidity.

8. PATHWAYS TO FINANCIAL SUSTAINABILITY

- For clarity, the analysis in Figure 4 does not represent and should not be interpreted as an intention by - or recommendation to - councils to increase rates by these amounts under the Continuing CGRC scenario or in a demerged scenario. Rather it is a comparative indicator of the demerged councils' capacity to achieve financial sustainability in that year, relative to the Continuing CGRC scenario.
- In all scenarios, it has been assumed that the aggregate annual operating cost savings of \$2.4m set by CGRC to be achieved in FY22 are achieved. Cootamundra's share of these savings is \$1.5m, and Gundagai's share is \$0.9m.
- However, even with these financial improvements in place, other General Fund initiatives may be required to ensure the General Fund is financially sustainable, including:
 - Securing additional operating grants or other third-party revenue streams
 - More aggressive cost reductions which may include headcount reductions, implementing alternative operating or service delivery models such as outsourcing or shared service strategies, limiting non-critical capital spend and general austerity measures, noting this will impact current service levels. In this regard, a demerged council may have more flexibility to achieve cost savings as a result of:
 - Removal of the minimum Rural Centre FTE constraints for Gundagai which currently apply to CGRC.
 - Potential for greater alignment between Councilors, management and community in relation to service level requirements in a financially constrained environment.

- The following sections illustrate the options available to councils to achieve a breakeven operating result (before capital grants).

Continuing CGRC Sustainability Pathway

To reach financial sustainability within the expected parameters of the Continuing CGRC forecast, CGRC needs to further reduce its cost base by \$800k or pursue equivalent additional funding in FY26. This is equivalent to a 3% reduction of FY26 controllable cost base in the General Fund. This level of savings may be achievable without significant impact on community service levels.

Cootamundra Sustainability Pathway

The modelling indicates Cootamundra achieves an operating surplus in FY26 and is therefore financially sustainable in the demerger scenario. Should CGRC not deliver on its forecast cost savings in FY22, a demerged Cootamundra will need to seek alternative cost savings or additional funding.

Gundagai Sustainability Pathway

Gundagai’s financial sustainability ‘gap’ of \$2.1m in FY26 is equivalent to 22% of its FY26 General Fund cost base. As shown in Figure 5, a combination of cost savings and uplift in revenue via external funding would therefore be required to achieve a breakeven result.

As an example, if Gundagai receives additional external funding of \$1.5m it would need to achieve \$0.6m of additional cost savings in order to achieve a breakeven result before capital grants in FY26. Alternatively, if it were only able to increase its external revenue by \$0.5m, it would need to achieve cost savings of \$1.6m. Gundagai’s capacity as a standalone council to achieve incremental income or cost savings over this period has not been tested.

Figure 5: Gundagai’s resulting operating surplus ex CG (\$m)

		Additional external funding					
		\$m	-	0.5	1.0	1.5	2.0
Additional cost savings	-	-	-2.1	-1.6	-1.1	-0.6	-0.1
	0.5	-	-1.6	-1.1	-0.6	-0.1	0.4
	1.0	-	-1.1	-0.6	-0.1	0.4	0.9
	1.5	-	-0.6	-0.1	0.4	0.9	1.4
	2.0	-	-0.1	0.4	0.9	1.4	1.9

Other Key Risks and Considerations

Under both the Continuing CGRC and demerger scenarios, a critical assumption and a key risk to financial sustainability is that operating grant funding will remain in line with average historical levels and continue to be indexed in line with the Consumer Price Index. There is no known imminent policy change that would materially reduce or increase the level of operating grant funding in the short term, however, with funding allocations subject to annual review and government budgets subject to reprioritisation, this remains a risk. Equally, if either or both councils were able to secure additional operating grant funding or third-party revenue, this would enhance their forecast positions.

The other key risk identified is the operating cost savings that are currently being pursued by CGRC. Achieving these savings is critical to the financial sustainability of both the existing and demerged councils (albeit at different levels given the different impacts of the merger between Cootamundra and Gundagai).

The allocation of cash reserves is also a critical consideration in a demerger scenario as it underpins the short-term liquidity position for the new councils. CGRC's FY21 balance sheet information indicates consolidated cash and investments of \$18.3m at 30 June 2021 and unrestricted cash of negative \$8.0m. Deloitte's analysis allocated cash reserves in proportion to the 2016 pre-merger cash position (Cootamundra 62.7%; Gundagai 37.3%) after removing \$6.5m relating to cash held from grant funding for Gundagai Sewerage Treatment Plant works. The way available cash is allocated between the two demerged councils may present possible major risks to one council.

Deloitte's report also highlighted concerns with the financial governance of CGRC driven by gaps in key financial information, issues related to the timely and accurate preparation of financial statements and departures of key staff.