Examination of a Proposal to De-amalgamate Cootamundra-Gundagai Regional Local Government Area

Report by the Local Government Boundaries Commission to the Minister for Local Government

27 July 2022

Local Government Boundaries Commission
Locked Bag 3015
Nowra NSW 2541

The Hon Wendy Tuckerman MP
Minister for Local Government
52 Martin Place, SYDNEY NSW 2000

Dear Minister

Proposal to De-amalgamate Cootamundra-Gundagai Regional Local Government Area

On behalf of the Local Government Boundaries Commission, I have pleasure in providing the report of our examination of the above proposal under section 263(1) of the *Local Government Act 1993*.

Yours sincerely

Bob Sendt
RJ Sendt
Chairperson
27 July 2022

Contents

Glossary of terms used

Term	Meaning
"Act"	the New South Wales *Local Government Act 1993*
"area"	a local government area constituted under the Act
"Boundaries Commission" or "Commission"	the Local Government Boundaries Commission established under section 260 of the Act
"CGRC"	according to the context, either the Council of the Cootamundra-Gundagai Regional local government area, or the area itself.
"DAA"	Data Analysis Australia
"Delegate"	the person appointed by the Chief Executive of the Office of Local Government to examine the Government's proposal that ultimately led to the May 2016 merger.
"economies of scale"	the concept in economics that larger organisations can produce goods or services at a lower unit cost due to their ability to spread fixed costs over a greater number of units
"diseconomies of scale"	the concept that economies of scale cease to operate after a certain point as additional costs (such as co-ordination) arise
"demerger" or "de-amalgamation	the reversal of a previous amalgamation of two or more local government areas (see also note below)
"factor(s)"	the matter(s) that the Commission must, under section 263(3) of the Act, have regard to in examining a proposal
"IPART"	Independent Pricing and Regulatory Tribunal
"IP&R"	Integrated Planning and Reporting
"LGA"	local government area
"LTFP"	Long-Term Financial Plan
"merger" or "amalgamation"	the May 2016 amalgamation of the then Cootamundra and Gundagai local government areas
"Minister"	the NSW Minister for Local Government
"OLG"	the Office of Local Government within the Department of Planning and Environment
"Proposal" or "demerger Proposal"	the business case submitted by Cootamundra-Gundagai Regional Council pursuant to section 218CC of the Act, that seeks to reverse the 2016 merger
"SRV"	Special Rate Variation
"TfNSW"	Transport for NSW (having taken over the role of the former Roads and Maritime Services)

1. Background to the Proposal and the Commission's Examination

The current Cootamundra-Gundagai Regional local government area was created by Proclamation published in the NSW Government Gazette on 12 May 2016 from the amalgamation of the former Gundagai and Cootamundra local government areas[1]. The amalgamation followed a proposal by the then Minister for Local Government which was part of a suite of proposals involving amalgamations of local government areas across metropolitan, regional and rural New South Wales.

From the time the Cootamundra-Gundagai amalgamation proposal was announced and during the course of the proposal's examination by the Delegate, substantial opposition was expressed by many in the existing areas.

The opposition to the amalgamation continued after it was proclaimed. Ultimately this opposition led, on 16 October 2018, to the submission of an elector-initiated proposal to the Minister under section 215(1) of the Act. The then Minister for Local Government referred this proposal to the Commission for review and report on 25 February 2020. The Commission finalised its review of this proposal and submitted its report to the Minister on 22 February 2021. A dissenting report by two LGBC Commissioners, recommending the demerger be implemented, was also submitted to the Minister on that date. On 20 July 2021 the then Minister for Local Government determined not to recommend the proposal to the Governor.

On 3 August 2021 the Minister referred to the Commission for examination and report the business case supporting the current Proposal to de-amalgamate submitted by the Cootamundra-Gundagai Regional Council, which was submitted to her on 6 July 2021 pursuant to section 218CC of the Act[2,3]. A copy of the CGRC covering letter to the business case is included as Attachment 1. The business case consisted of an undated report prepared by Associate Professor Joseph Drew of the University of Technology Sydney, which had been commissioned by CGRC.[4] This report had also been relied upon in relation to the 2020 Commission review of the elector-initiated proposal.

It is important to understand that, in accordance with the Act, the Commission's role is to examine the merits of the Proposal. Its role is not to provide - as many of those making submissions to the Commission, including in the report by Professor Drew have argued - an '*opportunity to right past injustices*.'[5]

The following map shows the boundaries of the former shires before their 2016 amalgamation. Together they form the current Cootamundra-Gundagai Regional local government area.

---

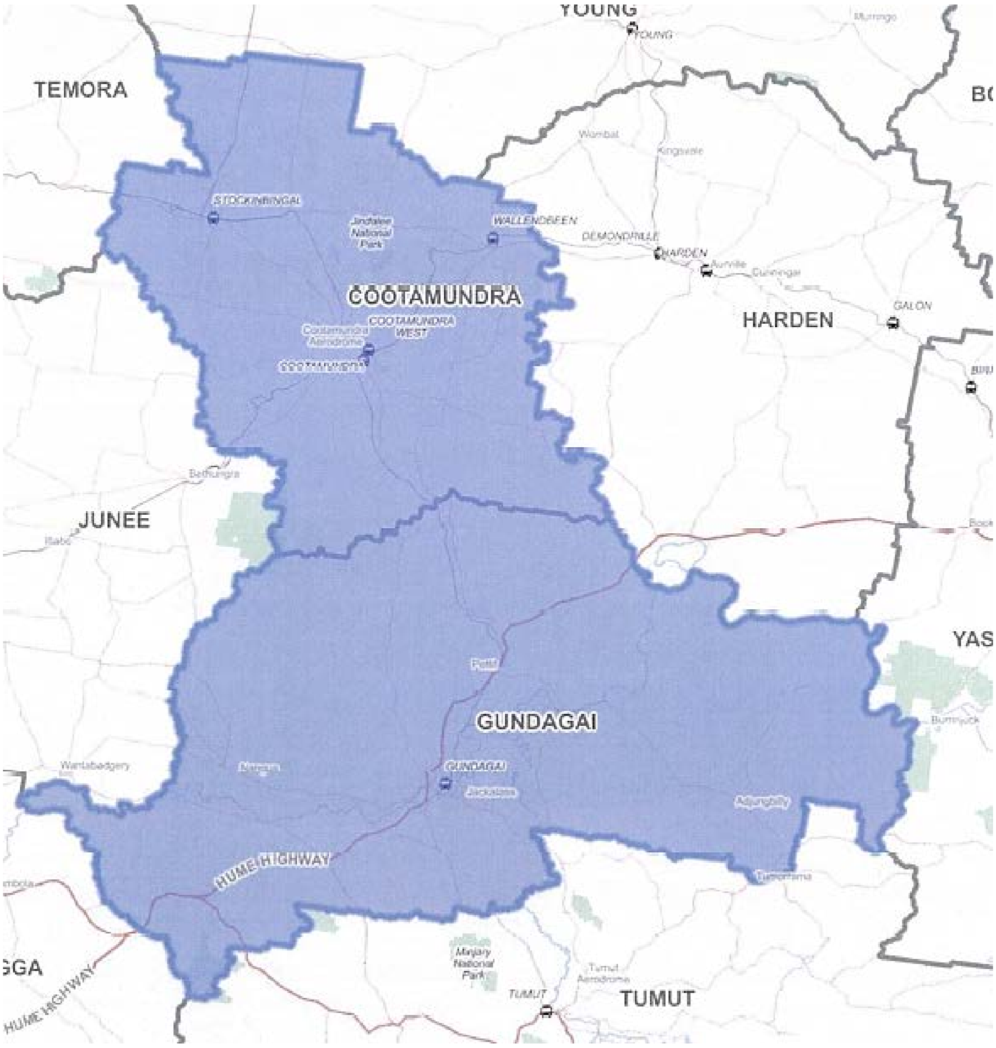
1 When proclaimed, the new area was named Gundagai. This was changed to Cootamundra-Gundagai Regional by Proclamation on 7 September 2016.

2 Section 218CC came into effect on 24 May 2021.

3 The Proposal has been supported by the newly-elected Council following the local government elections in December 2021.

4 Drew #3 *Report to the Boundaries Commission*.

5 Drew #3, page 1.



Area	Area (sq km)	Population 2016 (a)	Population 2021 (a)
Former Gundagai Shire	2,457	3,597	3,715
Former Cootamundra Shire	1,524	7,570	7,705
Existing Cootamundra- Gundagai Regional LGA	3,981	11,141	11,403

(a) Figures for the former Gundagai and Cootamundra Shires are estimates only. The ABS does not tabulate Census data on the basis of the boundaries of the former shires. Data shown here relate to the Gundagai and Cootamundra 'Statistical Area(s) Level 2' whose boundaries are similar to those of the former shires.

On 3 August 2021, the Minister referred the business case proposal to the Boundaries Commission. A copy of the Minister's letter is included as Attachment 2.

2. Summary and Recommendation

The Commission has had regard to all submissions put to it and all oral presentations made at the various public inquiry sessions including later review of the transcripts of those sessions. It has commissioned its own research and has had regard to all the factors in the Act that apply to this Proposal.

In undertaking its examination of the Proposal, the Commission has been very aware that it took place in an atmosphere that was still – some 6 years later - heavily reflective of the opposition to the then Minister's 2016 merger proposal and the continuing antagonism to its ultimate implementation. Indeed a very substantial proportion of the arguments presented to the Commission dealt largely or exclusively with why the Government's 2016 proposal should not have been implemented, rather than why the current Proposal should be. This feature of the Commission's examination of the current Proposal was consistent with its examination of the previous elector-initiated proposal co-ordinated by Gundagai Council-in-Exile Inc.

The Commission was conscious that its role was not to review the 2016 merger. It specifically made this clear at the beginning of every public inquiry session held in Gundagai and Cootamundra. However the view of many residents continued to be that implementation of this current Proposal was the appropriate 'solution' to whatever objections they had to the 2016 merger.

Regardless of the merits of the 2016 proposal and the ultimate decision, the proposal reflected a lawful option available to the Minister under the Act. The legal challenge to the proclamation was unsuccessful and the merger was implemented.

It is very clear - from the submissions made to the Commission, from the oral presentations at the Commission's public inquiry sessions and from the telephone survey undertaken on behalf of the Commission – that a substantial majority of residents in the former Gundagai Shire area support the proposal. The telephone survey undertaken for the Commission showing 82% of these residents either "agreeing" (10%) or "strongly agreeing" (72%) with the Proposal is broadly consistent with (albeit lower than) the level of support evidenced in the written and oral views expressed to the Commission. The numbers attending the Commission's public inquiry sessions in Gundagai (190 individuals attending across two sessions) and lodging submissions (155 separate individuals, not including former residents) also demonstrated the greater engagement of these residents with the Proposal.

Residents in the former Cootamundra Shire area are less supportive of – and less engaged with - the Proposal. Far fewer submissions were received from these residents (25 individuals) and far fewer people attended the Commission's public inquiry sessions in Cootamundra (51 individuals across the two sessions). Nevertheless the telephone survey showed a majority (79%) of residents in the former Cootamundra Shire area agreeing with the Proposal, 11% not agreeing but with 10% being neutral or not sure. What was also apparent was the significant growth since the Commission's telephone survey in 2020 in the proportion of these residents agreeing with the proposal – up from 70% to 79%.

More specifically, there was a very strong view advanced in many written submissions and oral presentations that there is no shared 'community of interest' between Cootamundra and Gundagai. This view was advanced both as a criticism of the 2016 merger and as an argument for the demerger now being proposed.

The Commission accepts that contact between residents of the two main towns and the broader areas consistent with the former two LGAs is very limited. It is almost inevitable that most LGAs will be made up of various individual communities of interest, some perhaps overlapping, others more discrete. In itself, the existence of multiple communities of interest does not preclude them being part of the one LGA. The challenge is more for councils to be able to recognise the different views and needs these communities have through sound planning, community consultation and service delivery strategies.

At any level of government, financial viability is a key driver of an entity's ability to provide the range and quality of services that its clients or customers can reasonably expect.

Many submissions and presentations laid the blame for CGRC's financial problems purely on the 2016 merger, with cost increases arising from 'diseconomies of scale' being seen as the outcome of the merger. However the Commission does not believe that diseconomies of scale exist in councils with populations the size of CGRC, although it does accept that the distance between the two major centres of Cootamundra and Gundagai does impose cost pressures.

There is less recognition that the growth in staff numbers and costs has been a major contributor to the budget problems. It is instructive to note that CGRC's consultant, Professor Drew, in his financial sustainability review report to the Council[6], recognised that not all the problems facing the Council could '*be laid at the feet of amalgamation*'. As he told the Council: '*Each one of us bears some responsibility for the current crisis – so there is nothing to gain by finger pointing'.*

Much of a continuing (ie non-demerged) CGRC's short to medium-term financial problems are being resolved by the implementation of the IPART-approved SRV of 53.5% over four years and the $2.4 million savings achieved - although some further cost savings may be needed. As with all rural councils, a continuing CGRC will depend heavily on government grants, particularly to meet its infrastructure financing needs.

From the submissions received by the Commission and presentations made at the public inquiry sessions, most residents and ratepayers feel that a demerger will result in a better outcome financially for the demerged areas. Based on the Deloitte analysis, the Commission accepts that this will be the case for a demerged Cootamundra Council. For a demerged Gundagai Council, the financial outlook appears far more challenging, although a number of emerging revenue opportunities – together with cost-cutting measures that the community appear to accept as necessary - would help it move towards financial stability. The requirement in section 218CC of the Act that the Minister is to fully fund the cost of any de-amalgamation would also assist the financial position of both councils.

As will be clear from this Report, the level of anger towards the 2016 merger decision felt by many in the Gundagai community has not subsided from that discussed in the Commission's Report on the previous demerger proposal.

What has changed however is the effect that this anger is having on the mental health of the community and the Council's employees. This was a continuing theme that came across during the Commission's examination of the Proposal. Community leaders spoke about the animosity between the two towns. The anger is manifesting itself in Council staff (particularly those from Cootamundra

6 Drew, *Cootamundra-Gundagai Financial Sustainability Review* (undated), tabled at Session 1, Gundagai (Drew #4).

being abused when working in Gundagai. Some staff have expressed their reluctance to travel to Gundagai. As one Council employee was reported to say "*Every time I know I have to go to the Cootamundra office to work, I just feel like driving into a tree".*

Taking the above into account (and based on its consideration of all the legislative factors as covered in the body of this Report), the Commission believes that the best outcome for the residents and ratepayers of the current LGA is for the de-amalgamation to be implemented.

In making this recommendation, the Commission is conscious that it is a reversal of that contained in its report on the previous demerger proposal. However given the changes discussed above, the Commission's view is that this recommendation is now the correct one to be made.

Recommendation: The Commission recommends that the Proposal be implemented.

The Commission notes that the next council elections in New South Wales are scheduled for September 2024. This date is more than two years after the date that the Minister is required by section 218CC of the Act to make a decision on this Proposal. Given the degree of concern expressed by a number of residents at some actions taken by the former CGRC Administrators, the Commission believes that, if the Proposal is implemented, the return to elected representation as early as is feasible would enable the communities to move forward.

Recommendation: The Commission recommends that if the Proposal is implemented, the Minister consider the holding of council elections for the de-amalgamated shires as early as feasible.

While this is the Commission's recommendation, it does not represent the unanimous view of the four Commissioners. A dissenting report under clause 12 of Schedule 2 of the Act is being submitted to the Minister by Commissioner Gleeson.

3. Role of the Local Government Boundaries Commission

The Boundaries Commission is an independent statutory authority constituted under section 260 of the Act.

The Commission consists of four Commissioners appointed by the NSW Governor for a fixed five-year term. The Chair is nominated by the Minister for Local Government, one Commissioner is nominated by the Chief Executive of the Office of Local Government, and two Commissioners are appointed from a panel of councillors nominated by Local Government NSW, a non-government organisation that represents and supports its member local government councils.

The Commission has several functions, set out in section 263 of the Act.

Its principal function is to examine and report on any matter referred to it by the Minister in relation to the boundaries of local government areas and the areas of operation of county councils. That is the function it has undertaken in respect of the current proposal.

The Commission also has a function if the Minister elects to refer any matter to the Chief Executive of the Office of Local Government, rather than to the Boundaries Commission, for examination and report. This was the process adopted for the 2016 amalgamation proposals by the then Minister for Local Government.

In that case, the Chief Executive (or a person appointed by the Chief Executive as a delegate) must then furnish their report to the Commission for review and comment. However the Commission’s review relates only to the report itself; it does not extend to re-examining the merits of the proposal. After completing its review of the report, the Commission sends its comments to the Minister.

4. The Examination Process

The Act requires the Commission to have regard to the views of residents and ratepayers in examining a proposal and, in forwarding the Proposal to the Commission, the Minister had directed the Commission under section 218CC(2) to hold an inquiry. Such an inquiry involves holding public meetings to allow residents and ratepayers to present their views.

At its meeting on 15 November 2021, the Commission resolved to engage Deloitte Touche Tohmatsu to assist the Commission in its understanding of the financial impact of the Proposal. The Commission's released a summary of the key findings from the Deloitte report on 25 March 2022, ahead of the public inquiry meetings.[7] The Commission also engaged Micromex, a market research company, to undertake an independent survey of residents' views on the Proposal and Data Analysis Australia to assist in its understanding of economies/diseconomies of scale in rural LGAs in New South Wales.

At its meeting on 13 December 2021, the Commission resolved to call for submissions, but also resolved to include in the public notice that people wishing to make a submission could request that their previous submission to the Commission's 2020 examination be considered. This information was also included in media statements and on the Commission's webpage. The Commission made this decision as it acknowledged the fatigue being experienced by the community, with only 18 months since the public inquiry and call for submissions for the previous proposal.

The Commission's examination of the Proposal was significantly delayed by the inability of CGRC to submit audited 2020-21 financial statements by the due date of 31 October as required by OLG. CGRC sought successive extensions (which were granted by OLG) to 17 December and then to 11 February 2022. The statements were finalised on 15 February.

On 23 March 2022, the Commission issued a media release (i) calling for written submissions, (ii) advising that members of the public could request their previous submission be considered, and (iii) publicising details of the venues, dates, and times for the public inquiry sessions. The Commission also arranged for a public notice to be made available on its website, on CGRC's website and in its public facilities, and published the notice in the following newspapers –

- Gundagai Independent
- Sydney Morning Herald
- Daily Telegraph.

The Commission made efforts to have the notice published in the digital edition of the Cootamundra Herald, however these efforts were unsuccessful.

Depending on the date of publication of each newspaper, this notice appeared on either 22 or 23 March 2022. The public notice also advised of the Commission's decision to webcast the proceedings for those unable to attend in person. A copy of this notice is included as Attachment 3.

Due to the ongoing impacts of the COVID-19 pandemic, the Commission encouraged pre-registration for those wishing to attend to speak or observe at the public inquiry meetings. On 21 April 2022 the

[7] LGBC: *Cootamundra-Gundagai Demerger Proposal - Key Findings from the Deloitte Financial Analysis*, 25 March 2022.

Commission issued a media release advising that the Commission had extended the registration date for the public hearings, and again gave notice of the call for written submissions.

Public meetings were held at the following times and venues, with attendance numbers as shown –

Cootamundra Ex-Services Club, Parker Street Cootamundra				
Date	**Session Time**	**No. of Attendees (a)**		
		Speakers	**Observers**	**Total**
27 April 2022	5:30pm – 7:00pm	8	27	35
28 April 2022	9:30am – 12:00pm	6	10	16
TOTAL		**14**	**37**	**51**

Gundagai District Services Club, Sheridan Street Gundagai				
Date	**Session Time**	**No. of Attendees (a)**		
		Speakers	**Observers**	**Total**
28 April 2022	4:30pm – 7:00pm	20	119	139
29 April 2022	9:30am – 12:00pm	7	44	51
TOTAL		**27**	**163**	**190**

(a) A small number of individuals attended more than one session.

Prior to the first of the public meetings, the Commission met with the CGRC Mayor, Councillors and Interim General Manager. The purpose of the meeting was to explain the arrangements for the public meetings and the Commission's approach to its examination of the Proposal generally, and to give the Council representatives the opportunity to raise any issues about the overall process.

Written submissions were accepted up until close of business 6 May 2022, one week after the completion of the public hearings. The numbers of submissions received by the Commission were as follows -

Submissions to Boundaries Commission		
By Residence (Previous LGA)	**Total Submissions Received**	**Separate individuals (a)**
Gundagai	138	124
Cootamundra	25	25
Non-resident/former resident/unknown	6	6
TOTAL	**169**	**155**

(a) Some individuals made more than one submission to the Boundaries Commission.

The Commission was cognisant of ensuring that submissions made by residents and ratepayers were treated confidentially and were de-identified in this Report. The Commission also ensured that all responses to the telephone survey were treated confidentially and anonymously.

The examination of this Proposal by the Boundaries Commission was undertaken by the following Commissioners - Bob Sendt (Chairperson), Rick Firman, Lesley Furneaux-Cook and Grant Gleeson. As part of that examination, all Commissioners attended the inquiry sessions in Cootamundra and Gundagai and read and considered all submissions. The Commission met physically or virtually on 10 occasions.

Where appropriate, the Commission has drawn on the content of its previous report, recognising –

- the intended outcome of the proposal, ie the de-amalgamation of the current CGRC into its former constituent shires, was the same
- the legislative provisions as to how the Commission is to conduct its examination (including the factors that the Commission must have regard to) have not changed
- the business case submitted by CGRC consisted of the same report that it submitted on the previous proposal
- many (but not all) of the submissions and oral presentations made by residents and ratepayers covered the same arguments as for the previous proposal
- the Commission’s previous report was completed less than 18 months ago.

In examining the Proposal and preparing this Report, the Commission wishes to acknowledge the contribution made by its Executive Officer, Ms Alice Beasley, assisted by a small group of OLG staff who assisted in organising the Inquiry sessions.

5. The Commission's Approach in Considering the Proposal

Under section 263(3) of the Act, the Commission is required to have regard to a number of factors when examining a proposal referred to it by the Minister. An extract of the relevant provisions of the Act is included as Attachment 4.

The Commission undertook this responsibility *inter alia* by –

- considering the views put forward in each written submission made by residents and ratepayers (and others) – both those newly submitted to the Commission and those requests to review those that had been previously submitted;
- taking account of tabulations of those submissions according to whether the Proposal was supported or not, and which factor(s) were commented on;
- taking note of the oral presentations made at the public meetings by the proponent, the Cootamundra-Gundagai Regional Council, residents and ratepayers, including where appropriate later reviewing the transcripts and/or audio-visual recordings;
- engaging an external party (Deloitte Touche Tohmatsu) to assist the Commission in its understanding of the financial impact of the Proposal;
- commissioning a research company (Micromex Research and Consulting) to conduct a telephone poll of a sample of residents to ascertain the views of the wider Cootamundra Gundagai community (ie beyond those residents who had made oral or written submissions);
- noting comments made by the Delegate in his report on the 2016 merger proposal; and
- taking account of relevant research available, including on the issue of economies of scale in local government.

The Commission was very conscious that its examination of the Proposal was not a review of the Government's May 2016 decision to merge the then Cootamundra and Gundagai shires. That is not the Commission's role nor the purpose of this examination. Despite this, many submissions and presentations to the Commission were heavily focussed on why they believed the 2016 decision was wrong and provided little in the way of comment on the merits of the Proposal. Nevertheless the Commission acknowledges that the ill-feeling held by many residents to the 2016 merger continues to this day and that ill-feeling is relevant both to CGRC's ability to deliver services and to the Commission's examination of a number of the factors under the Act.

Even if the 2016 decision was wrong (and the Commission makes no judgement to that effect), that does not necessarily mean that the demerger being sought is the appropriate solution.

Circumstances have changed in the six years or so since the merger –

- the different rate structures that had existed in the two former council shires were harmonised from 2020-21
- new land valuations by the Valuer-General also applied from 2020-21, with changes not necessarily uniform across the Shire
- a special rate variation of 53.5% was approved by IPART, commencing in 2021-22

- substantial infrastructure spending has occurred, benefitting the community but with consequent maintenance costs and depreciation charges to be met
- many Council fees have also been adjusted, in part to make them more equal across the merged LGA
- some service levels (eg library hours) have been harmonised across the merged council area, with cost implications
- the Council's organisational structures, staff numbers and pay rates have changed
- some internal systems (such as finance) have been replaced or impacted to varying extents.

Like a merger, a demerger will involve significant transactional costs and disruption to existing staff and services to residents.

Accordingly, and consistent with its understanding of the intent of the Act, the Commission adopted the position that any recommendation arising from its examination of the Proposal should be based on its judgement as to the better outcome for the residents and ratepayers of the existing local government area. That is, would residents and ratepayers as a whole be "better off" (and acknowledging that this cannot be a purely objective judgement) remaining under the one existing area, or under two demerged areas? Clearly, neither option can necessarily guarantee that every individual will be better off – but this is inevitable.

6. The Commission's Observations Relating to each Factor

6.1 Financial Advantages or Disadvantages

Section 263(3)(a) of Act requires the Commission to have regard to:

> *"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".*

6.1.1 Submissions and presentations made

The following table shows the number of written submissions that addressed this factor -

Written submissions addressing this factor		
Submitted to Commission	**Submissions addressing this factor**	**As a percentage of total submissions**
169	128	76%

This was one of the most consistently addressed factors in the written submissions received and presentations made at the public meetings. The arguments that were made addressed both why the original merger was wrong from a financial perspective, and the current and future position of the Council –

> *All the promises that were made … about the benefits and cost savings, none of these have ever been realised and will obviously never happen.*[8]
>
> *It is appalling that the community, the victims of poor decision-making by the State Government and KPMG, are now being forced to pay for them, to fix the mess …*[9]
>
> *The financial outcome has been a disaster, especially for Gundagai …*[10]
>
> *Our council's financial and viable performance has now fallen to be the 2nd worst of the forcibly merged councils and the 5th worst performing council in NSW.*[11]

Only one submission opposed the demerger –

> *I can't see how a demerged Gundagai council could be viable without more massive rate rises! And to what benefit to the rate payer? … I feel it would be pointless to demerge the 2 councils and a waste of tax payer and rate payers money and achieve nothing but more hardship and stress to staff and rate payers.*[12]

The July 2021 business case submitted to the Minister by CGRC in support of its demerger proposal included the same paper by Associate Professor Joseph Drew of the University of Technology Sydney

---

8 Submission #009 to the Commission.
9 Presentation by Councillor Abb McAlister to the Inquiry.
10 Submission #013 to the Commission.
11 Submission #054 to the Commission.
12 Submission #032 to the Commission.

that it had submitted to the Boundaries Commission for the previous proposal. However in its May 2022 submission to the Commission for this latest Proposal, the Council attached a paper including a series of financial projections for a demerged Gundagai Council prepared by Councillor David Graham. (This paper was also submitted separately to the Commission by Councillor Graham.)

6.1.2 Discussion

6.1.2.1 CGRC Financial Overview: 2016-2021

CGRC's financial performance has fluctuated significantly from year to year, mainly due to the timing of grant income (including merger grants) and the timing of expenditures associated with those grants. The Deloitte analysis - as summarised in the following table - shows that CGRC recorded a $13.5 million aggregate surplus over the four years to 2020-21, but an aggregate operating deficit excluding capital grants (the more normal measure) of $28.9 million.

CGRC Operating Result Summary 2016-17 to 2020-21

$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)**

Note: FY17 reflects a 13½ month period from 13 May 2016 to 30 June 2017.

The deficits sustained through the post-merger period have resulted from CGRC's expenditure growth against a relatively stable revenue base, with revenue constrained by the rate path freeze preventing CGRC from implementing an SRV until 2021-22.

CGRC's cost base has increased significantly relative to the aggregate of the two former councils. This increase reflects -

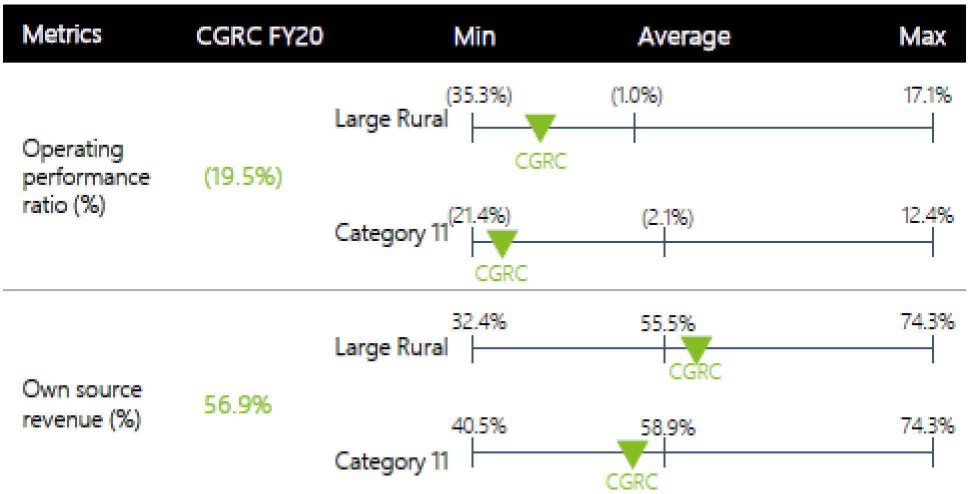
- increases in service levels including the new Visitor Centre in Cootamundra, increased opening hours at the Gundagai Library, and a new recycling program
- higher levels of grant funding resulting in an increased number of contractors and consultants

- the revaluation of IPPE (infrastructure, property, plant and equipment) combined with the investment in assets contributing to the steady increase in depreciation, including a 13% increase in 2020-21
- employee costs increasing due to new roles, salary increases and progression through OLG bands (see next Section)
- staff shortages and high turnover in the finance department resulting in challenges with embedding budgetary measures and cost saving initiatives.

The significant growth in expenditures has been a significant contributing factor to the decline in operating results over the period. Notwithstanding the above, it is clear that many in the community and the CGRC itself largely attribute this growth to the impact of the 2016 merger.

The Commission noted that CGRC is classified by OLG as a 'Large Rural (Category 11)' area with a population between 10,001 and 20,000[13]. (Also classified as 'Large Rural' areas are Category 10 rural councils, ie those with a population between 5,001 and 10,000.)

CGRC performance relative to OLG performance benchmarking results for 2019-20 (the latest year published by OLG) for the two key indicators of *operating performance ratio*[14] and *own source revenue ratio*[15] were as follows –



In 2019-20 CGRC's operating performance ratio of minus 19.5% was well below the average for both Category 11 councils and 'Large Rural Councils' in aggregate (ie Categories 10 and 11). The OLG benchmark for the operating performance ratio is >0% (ie the ratio should be positive). Councils consistently below this benchmark need to rely on capital grants to fund their operating expenditures.

13 These categories are used by OLG in order to better compare councils according to their characteristics (principally metropolitan/regional/rural and population size). The OLG categories are derived from the Australian Classification of Local Governments (ACLG) determined by the Australian Bureau of Statistics.

14 According to OLG, the Operating Performance Ratio measures a council's ability to contain operating expenditure within operating revenue. For a full definition of how it is calculated, see Performance-Benchmarks.pdf (nsw.gov.au).

15 According to OLG, the Own Source Revenue Ratio measures the level of a council's fiscal flexibility, indicating the degree of reliance on external funding sources such as grants and contributions. For a full definition of how it is calculated, see Performance-Benchmarks.pdf (nsw.gov.au).

CGRC's own source revenue ratio of 56.9% was close to the average for both Category 11 councils and 'Large Rural Councils' in aggregate (ie Categories 10 and 11). The OLG benchmark for the operating performance ratio is >60%. Councils consistently below this benchmark need to rely on capital grants to fund their operating expenditures. The Commission expects that, with the progressive implementation of the SRV from 2021-22, CGRC's performance on this measure relative to its peers will improve significantly (while noting that other rural councils may also increase rates).

6.1.2.2 CGRC Employment Overview: 2016-2021

At the time of the 2016 merger, actual FTE was 142 within an approved structure of 144 FTE. The structure consisted of 91 positions from the former Cootamundra Council and 53 from the former Gundagai Council, with one vacancy in each. On merger, one General Manager position was deleted.

An interim structure was implemented by the then Administrator in 2017, establishing 9 new FTE positions across the organisation and increasing the structure from 144 FTE to 153 FTE, predominately driven by additional resources to support the integration and merger-related projects. The interim structure established four Director positions, each responsible for a division across the Council. Whilst the operational and management structures were integrated, the operations within each former council area remained separate with duplicate teams in each area.

Since the interim structure was put in place, CGRC's approved organisation structure has been further increased to 158 FTE as at June 2021, an overall increase since merger of 14 FTE, or 9.7%. This increase included an additional 10 FTE positions in 2020 in governance, tourism, planning and surveying. (At February 2022, there were nine vacancies, giving an actual EFT of 149.)

Some of these new positions were created to undertake work (such as town planning) that had previously been contracted out, to meet increased demand (eg additional building surveyor to reflect building developments in the area) or to manage merger projects. Others however reflected decisions by the Council to duplicate positions that had previously only existed in one of the former councils.

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, but this was subsequently suspended.

The current leadership structure includes the General Manager, a new Interim Deputy General Manager and 10 Managers, with the four Director positions having been abolished. The overall structure continues to largely duplicate operational roles in each of Cootamundra and Gundagai.

Compared with employee costs in the two pre-merged councils in 2015-16[16], CGRC's employee costs for 2020-21 have increased by $2.8 million or 26.0%, although this increase is partly understated by the much larger vacancy level in 2020-21 (10 FTE as at June 2021 compared with 2 FTE as at merger date).

[16] For the purpose of this comparison, the reported 2015-16 employee cost figures (which only covered the part-year to 12 May 2016) have been adjusted to reflect a full year estimate.

Deloitte has estimated that the increase in employee costs comprises approximately 13.7% in award increases and 12.3%, mainly due to increased FTE numbers and the higher cost of additional senior management roles. The latter includes the effect of the Council's decision to address the different salary structures between staff of the two former Councils. While Cootamundra salaries were in line with the Local Government Award, the former Gundagai salary structure was above the Award - this being argued as having been necessary to attract staff to a smaller council. CGRC increased the salaries of a number of management positions to align with former Gundagai salaries and to reflect staff responsibilities across a larger council area.

The average cost to CGRC per EFT employed in 2020-21 was approximately $92,200, an increase of 21% from the calculated $76,500 for the two pre-merger councils in 2015-16.

6.1.2.3 Continuing CGRC Financial Outlook

The examination of this Proposal by the Boundaries Commission is not simply about the advantages or disadvantages to a proposed new Gundagai Shire and its residents. The examination must encompass the situations of all residents and ratepayers affected by the Proposal, ie including those who would be in a demerged Cootamundra Shire. This must also involve comparison with the existing LGA continuing as a merged area.

In respect of the financial advantages and disadvantages of the Proposal, the Commission therefore engaged Deloitte to compare the financial positions of each council under a demerger scenario with forecasts for CGRC. This section outlines the projected financial position of a continuing CGRC, ie the 'base case' against which the demerged councils can be assessed.

The Commission notes that CGRC will continue to be constrained in managing staff costs due to the requirement under the Act to maintain FTEs in Gundagai. This may limit options in relation to resetting service levels or considering alternative models for service delivery such as outsourcing. It does not mean that these staff cannot perform work or tasks remotely that benefit the CGRC community generally. As the pandemic has revealed, we have not yet found the limits of working remotely and the efficiencies that lie within this emerging opportunity.

It is true that most rural and regional councils in NSW rely heavily upon grant funding. In August 2020, LGNSW made a submission to a Legislative Council Inquiry recommending that "*grant programs should continue in recognition that they are an essential funding source for local government to deliver vital community infrastructure and services*"[17].

The receipt of $41.5 million in capital grants assisted Council in delivering new infrastructure and asset renewal projects. Since the merger CGRC has, with the assistance of grant funding, embarked on a range of projects and programs to first set and then deliver on the Council's 2018-2028 Community Strategic Plan (CSP)[18].

---

[17] LGNSW submission to the Inquiry into Integrity, Efficacy and Value for Money of NSW Government Grant Programs, August 2020, p4.

[18] See Council's website Community-Strategic-Plan-v1.4.pdf (nsw.gov.au). Council is currently finalising its 2022-2032 CSP.

The 2016 merger benefits that were modelled for CGRC were over a 20-year period. That said, CGRC's cost base is materially higher than pre-merger levels. Key drivers for the Council's declining financial performance pre-SRV have been-—

- the higher cost of the enlarged organisational structure (see Section 6.1.2.2)
- the statutory rate freeze which prevented the making of an SRV application until 2020
- an increase in depreciation and operating costs associated with capital works, including those funded from capital grants
- Council's decision to allocate capital spending between Cootamundra and Gundagai on a 50/50 basis.

The starting point for Deloitte's review of a continuing CGRC's financial outlook was the Council's Long Term Financial Plan ("LTFP"), updated to reflect the FY22 half-year budget review and current performance expectations. The results of Deloitte's projections are shown in the following table -

Profit and Loss $'m	FY22	FY23	FY24	FY25	FY26
	Base	*FCast*	*FCast*	*FCast*	*FCast*
Revenue					
Rates and annual charges	16.9	18.5	19.2	19.9	20.3
User charges and fees	7.4	7.7	8.0	8.3	8.6
Interest and investment revenue	0.2	0.2	0.2	0.2	0.2
Other revenues	1.5	1.5	1.5	1.5	1.5
Revenue before grants	25.8	27.8	28.8	29.8	30.6
Grants and contributions - financial assistance	5.6	5.6	5.7	5.7	5.8
Grants and contributions - operating purposes	4.1	4.1	4.2	4.2	4.2
Grants and contributions - capital purposes	17.8	0.6	0.6	0.6	0.6
Total Revenue	53.3	38.1	39.2	40.3	41.2
Expenses					
Employee benefits and on-costs	(12.9)	(12.7)	(12.8)	(13.0)	(13.1)
Materials and services (MAT)	(15.5)	(13.4)	(13.7)	(14.0)	(14.4)
Other expenses	(1.2)	(3.2)	(3.3)	(3.3)	(3.4)
Borrowing costs	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Depreciation and amortisation	(10.4)	(10.4)	(10.4)	(10.4)	(10.4)
Total Expenses	(40.3)	(39.9)	(40.4)	(40.9)	(41.4)
Operating surplus	13.0	(1.8)	(1.2)	(0.6)	(0.2)
Operating surplus (ex. CG)	*(4.8)*	*(2.4)*	*(1.8)*	*(1.1)*	*(0.8)*

Reported KPI's (%)	Target	FY22	FY23	FY24	FY25	FY26
		Base	*FCast*	*FCast*	*FCast*	*FCast*
Operating performance ratio	>0.0%	-13%	-6%	-5%	-3%	-2%
Own source revenue ratio	>60.0%	48%	73%	73%	74%	74%
Operating deficit per ratepayer ($)		(737.9)	(365.0)	(273.1)	(177.0)	(131.0)

While the continuing CGRC scenario forecasts indicate a cumulative operating deficit of $6.1 million (excluding capital grants) over the four years to 2025-26, there is a significant improvement on a year-to-year basis. This largely reflects the progressive implementation from 2021-22 of the cumulative (and ongoing) 53.5% SRV and CGRC's $2.4 million cost savings target in 2021-22[19].

Nevertheless the 2025-26 result still indicates a deficit of $0.8 million, equivalent to $131 per ratepayer. However the Commission considers that, with careful management by CGRC, such a deficit could be largely overcome with minimal recourse to service level changes.

6.1.2.4 The Approach to Demerger Scenarios

In order to assess the financial viability of demerged Cootamundra and Gundagai shires, Deloitte modelled individual forecasts based on an allocation of the CGRC 'base case' forecast (see above) and specific demerger impacts. The methodology is briefly described as follows.

- **Starting Point** – the Long Term Financial Plan (LTFP) adopted by Council in June 2020 but revised in February 2021 plus the revised CGRC financial forecasts to 2025-26, including CGRC management's revisions to the 2021-22 budget as at Q2 (ie end-December 2021)
- **Demerger Allocations -** CGRC financials were allocated to either Cootamundra or Gundagai (or both).

  In doing this Deloitte noted that some activities and projects can be directly attributed to either Cootamundra or Gundagai. Where activities related to both councils, Deloitte reviewed underlying workings and/or selected relevant revenue or cost drivers.
- **Demerger Assumptions –** Deloitte noted that CGRC's post-merger financial performance did not indicate specific cost savings or economies of scale that have been achieved to date. Deloitte estimated potential one-off costs of separating one organisation into two based on (i) limited benchmark data available, and (ii) discussions with CGRC management and estimated the ongoing costs associated with two Councils (including Councillors) and administrative roles. Deloitte assumed that the end-June 2012 vacancies will be filled.
- **Demerged Cootamundra and Gundagai Forecasts -** Deloitte modelled individual profit and loss and cash flow forecasts to determine sustainability gaps (if any); (ii) compared ratepayer impacts within each of the two demerged councils to a continuing CGRC to determine whether ratepayers are better or worse off; and (iii) considered factors that may affect financial sustainability within the two councils (as compared with CGRC).

6.1.2.5 Demerger Costs

If the Proposal is implemented, it is clear that costs will be incurred in demerging the current CGRC.

In its examination of the previous demerger proposal, the Commission had assumed that these costs would be borne by the two demerged Councils as there was no Government policy then in place to contribute towards these costs.

---

[19] Deloitte had identified the non-achievement of this savings target as a major risk to the financial sustainability of both the existing and demerged councils. However achievement of the target was confirmed by CGRC to the Commission in June 2022.

Under section 218CC of the Act (ie the section under which this Proposal is being dealt with), the Minister is "*by making grants under section 620 or using money otherwise appropriated by Parliament for the purpose, to ensure that the cost of any de-amalgamation of the new area resulting from a business case submitted under this section is fully funded*".

Given the section 218CC provision, Deloitte's analysis assumes that one-off costs (ie the costs of the demerger itself) will be met by the NSW Government, while any ongoing incremental costs (eg the cost to each council of having its own Mayor and other councillors) are met by the respective councils.

One-off costs:

- One-off costs include by Deloitte include: 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 was also assumed based on the assumption that both councils would 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, Deloitte assumed no material costs to re-establish or replace fixed assets.
- CRGC management estimated the one-off demerger costs to be $1.75 million. Based on its analysis of available benchmarks, Deloitte estimated that one-off demerger costs could be in the range of $1.8 million to $4.2 million (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.
- The lower end of the range identified by Deloitte ($1.8 million) is consistent with CGRC's own estimates, supported by the Drew Report, with the higher end ($4.2 million) reflecting available benchmarks from Queensland council de-amalgamations.
- For the purpose of the demerger analysis, Deloitte assumed the mid-point of this range of $3.0 million in one-off costs (with $1.5 million allocated to each council). In any event, the quantum of one -off demerger costs, being met by the NSW Government, is not relevant to the assessment of the demerged councils' future financial results.

Incremental costs:

- Deloitte assumed minor additional incremental costs associated with the need to duplicate councillor structures, estimated to be $0.1 million 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 -

Demerger cost estimates and ratepayer impacts

Indicative Demerger Cost Forecasts		FY23 F'cast	FY24 F'cast	FY25 F'cast	FY26 F'cast	**FY23–FY26 Total F'cast**
	Incremental costs ($m) p.a. per LGA	0.1	0.1	0.1	0.1	0.4
Cootamundra	*Rateable Assessments (#)*	*4,053*	*4,053*	*4,053*	*4,053*	*4,053*
	$ / Rateable Assessment ($)	**(25)**	**(25)**	**(25)**	**(25)**	**(99)**
Gundagai	*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 and 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.

It is important to understand that the projections shown in the demerger scenarios below are on the basis of existing council policies and practices. They do not make any allowance for any changes that a demerged council might make in revenue and rating, use of volunteerism, service levels, etc.

6.1.2.6 Demerger Scenario – Gundagai

The following table shows Deloitte's projected operating results for a demerged Gundagai Council -

Profit and Loss $'m	FY22	FY23	FY24	FY25	FY26
	Base	*FCast*	*FCast*	*FCast*	*FCast*
Revenue					
Rates and annual charges	5.6	6.2	6.5	6.7	6.8
User charges and fees	1.7	1.7	1.8	1.9	2.0
Interest and investment revenue	0.1	0.1	0.1	0.1	0.1
Other revenues	0.5	0.5	0.5	0.5	0.5
Revenue before grants	7.9	8.5	8.8	9.2	9.4
Grants and contributions - financial assistance	1.9	1.9	1.9	1.9	1.9
Grants and contributions - operating purposes	2.1	2.1	2.1	2.1	2.2
Grants and contributions - capital purposes	8.2	0.3	0.3	0.3	0.3
Total Revenue	20.0	12.8	13.2	13.5	13.8
Expenses					
Employee benefits and on-costs	(4.5)	(4.5)	(4.6)	(4.6)	(4.7)
Materials and services	(5.1)	(5.3)	(5.4)	(5.5)	(5.7)
Other expenses	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Borrowing costs	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)
Depreciation and amortisation	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)
Incremental demerger costs	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total Expenses	(14.9)	(15.1)	(15.2)	(15.4)	(15.6)
Operating surplus	5.1	(2.3)	(2.1)	(1.9)	(1.8)
Operating surplus (ex. CG)	*(3.1)*	*(2.6)*	*(2.4)*	*(2.2)*	*(2.1)*
One off demerger costs	-	*(1.5)*	-	-	-

Reported KPI's (%)		FY15	FY16	FY22	FY23	FY24	FY25	FY26
	Target	*Actual*	*Actual*	*Base*	*FCast*	*FCast*	*FCast*	*FCast*
Operating performance ratio	<0%	(1%)	16%	(26%)	(20%)	(18%)	(16%)	(16%)
Own source revenue ratio	>60%	62%	50%	39%	67%	67%	68%	68%
Establishment FTE		54	53	53	53	53	53	56
Operating performance per ratepayer ($)		(50)	657	(1,280)	(1,053)	(976)	(895)	(864)

The projections show that a demerged Gundagai Council would face financial difficulties in a demerger scenario, with operating deficits (both including and excluding capital grants) forecast in all years. While there is an improvement over time in the operating results (largely due to the progressive effect of the SRV), Gundagai would require additional revenue or cost savings.

The estimated $1.5 million operating deficit for Gundagai in 2025-26 equates to $864 per rateable property. To achieve a break-even result in 2025-26 (to enable comparison with the CGRC base case scenario), Deloitte has calculated various "sustainability pathways" or combinations of (i) increases in rates and charges and (ii) cost savings or additional external revenue that Gundagai would need to have in place. These pathways are shown in the following matrix –

Example: How can sustainability be achieved?

$m	Additional external funding: -	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

The above table shows that a demerged Gundagai Council could achieve a broadly balanced financial outcome (excluding capital grants) in 2025-26 by any of the combinations shown in the boxed areas. As an example, additional external revenue of $1 million plus cost savings of $1 million would achieve an operating deficit of only $100,000.

Various submissions and presentations made to the Commission as well as information supplied by CGRC have indicated a number of newly-emerging revenue sources for Council that would flow specifically to a demerged Gundagai. These include -

- Wind farm development – Stage 1 commencing construction in 2023-24 with annual revenue to Council of $195,000 and with the potential for 4 more stages over a 5-10 year period giving total annual revenue of $540,000
- Bangus Tip landfill development at Tumblong – conservatively estimated at $287,500 annually to 2025-26
- Quarry royalties – estimated at $120,000 annually to 2028-29.

6.1.2.7 Demerger Scenario – Cootamundra

The following table shows Deloitte's projected operating results for a demerged Cootamundra Council -

Profit and Loss $'m	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
	Base	*F'cast*	*F'cast*	*F'cast*	*F'cast*
Revenue					
Rates and annual charges	11.2	12.3	12.7	13.2	13.4
User charges and fees	5.7	5.9	6.2	6.4	6.7
Interest and investment revenue	0.1	0.1	0.1	0.1	0.1
Other revenues	1.0	1.0	1.0	1.0	1.0
Revenue before grants	**18.0**	**19.2**	**19.9**	**20.6**	**21.2**
Grants and contributions - financial assistance	3.7	3.7	3.8	3.8	3.8
Grants and contributions - operating purposes	2.0	2.0	2.0	2.1	2.1
Grants and contributions - capital purposes	9.6	0.3	0.3	0.3	0.3
Total Revenue	**33.3**	**25.3**	**26.0**	**26.8**	**27.4**
Expenses					
Employee benefits and on-costs	(8.4)	(8.4)	(8.5)	(8.6)	(8.7)
Materials and services (MAT)	(10.0)	(10.2)	(10.5)	(10.7)	(11.0)
Other expenses	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Borrowing costs	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Depreciation and amortisation	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
Incremental demerger costs	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total Expenses	**(25.4)**	**(25.8)**	**(26.1)**	**(26.5)**	**(26.8)**
Operating surplus	**7.8**	**(0.5)**	**(0.1)**	**0.3**	**0.6**
Operating surplus (ex. CG)	*(1.8)*	*(0.8)*	*(0.4)*	*0.0*	*0.3*
One-off demerger costs	-	*(1.5)*	-	-	-

Reported KPIs (%)		**FY15**	**FY16**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
	Target	*Actual*	*Actual*	*Base*	*F'cast*	*F'cast*	*F'cast*	*F'cast*
Operating performance ratio	<0%	-4%	6%	-7.5%	-3.1%	-1.4%	0.2%	1.0%
Own source revenue ratio	>60%	73%	67%	54.0%	76.1%	76.6%	77.0%	77.3%
Establishment FTE		88	91	105	105	105	105	105
Operating performance per ratepayer ($)		(177)	245	(440)	(190)	(91)	12	65

The projections show that a demerged Cootamundra Council would achieve positive operating results (both including and excluding capital grants) in the later years. The improvement over time in the operating results is largely due to the progressive effect of the SRV.

This indicates that a demerged Cootamundra Council could achieve operating surpluses with minimal or zero cost savings.

6.1.2.8 CGRC Proposal and Submission

- ***The CGRC Proposal***

A de-amalgamation proposal under section 218CC of the Act must be in the form of, or at least include, a "business case" setting out the reasons in support of the proposal.

The business case submitted by CGRC to the Minister in July 2021 consisted of a covering letter and a report prepared by Joseph Drew, an Associate Professor of Public Policy and Local Government at the University of Technology Sydney.

This report (hereafter referred to as "Drew #3") was undated and, apart from a heading to indicate that it was the business case required by section 218CC, appears to be in all respects the same as the report commissioned by CGRC in support of the then demerger proposal by Gundagai Council-in-Exile Inc ("GCIE") and submitted to the Minister in April 2020 and to the Boundaries Commission in August 2020. GCIE had also submitted to the Boundaries Commission in October 2018 two earlier papers by Professor Drew prepared after the 2016 merger and for the purpose of the proceedings in the Land and Environment Court.

At the Commission's Inquiry hearings on 26 November 2020 into the GCIE proposal, a further report prepared by Professor Drew ("Drew #4") was tabled by CGRC.

The Commission had regard to all these reports by Professor Drew (collectively the "Drew material") in its examination of the previous (ie GCIE) demerger proposal.

A substantial proportion of Drew #3 has a focus firstly, on the 2016 proposal made by the Minister and secondly, on the KPMG material supporting that proposal. It is clear from this report that Professor Drew has had a long association with the Gundagai community opposing the merger. That experience has obviously informed the comments in this report.

In essence, Professor Drew argues that the merger in 2016 "*created a council that was too large – that is, the amalgamation generated diseconomies of scale*"[20].

As indicated above, Drew #3 deals substantially with arguments as to why he considered the Government's decision to merge Cootamundra and Gundagai LGAs was wrong. Whether or not the merger was 'wrong' is not the issue that the Commission has before it. As stated elsewhere in this Report that is not the Commission's role and, even if a merger in 2016 was 'wrong', that does not mean a demerger in 2022 (or later) is inherently 'right'.

But Drew #3 also raises the argument (covered in more detail in Drew #4) , that CGRC is too large and therefore suffers from diseconomies of (large) scale. This argument was reviewed by the Commission in its examination of the previous proposal and discussed in its February 2020 Report. As Drew #3 (submitted by CGRC as its business case supporting the current Proposal) contains the same arguments as previously, the main points raised by Professor Drew in Drew #3 and #4 and the Commission's comments on them are repeated (in summarised form) in Section 6.1.2.9.

- ***The CGRC Submission***

The CGRC submission addresses all the section 263(3) factors that the Commission must have regard to in its examination of the Proposal and have been taken into account by the Commission under those headings.

[20] Drew #3, p21.

In relation to the financial advantages or disadvantages of the Proposal, the submission makes a number of points –

- many State grants (eg for libraries, Seniors Week, Youth Week) are made on a per LGA basis. Effectively the 2016 merger has halved the dollar value of these grants coming to the Cootamundra/Gundagai communities.[21]

  The Commission accepts the validity of this point.

- The amount a separate Gundagai Council would receive as Financial Assistance Grants ("FAGs") is higher than the 45% share of the existing CGRC FAG it receives.

  The Commission is unaware of how CGRC allocates FAG funding for roads or other purposes between the two areas.

- A "*proposed organisational structure for Gundagai comprising of a General Manager and three departmental directors is anticipated to achieve a $400,000 p.a. saving on projections outlined in the Deloitte report*."

  The Commission notes that staffing decisions would be for the newly-demerged councils to make and cannot be decided in advance. Further, the allocation of existing staff between the two councils would, in respect of some positions, be a matter of negotiation between the councils. Any savings a newly-demerged Gundagai Council could make (in staffing or otherwise) would be part of the measures needed to reduce or eliminate the operating deficit identified by Deloitte (and discussed in Section 6.1.2.6).

- The CGRC submission states that Gundagai rates would revert to the original (ie pre-harmonised) structure, benefitting a Gundagai Council by $400,000 per year.

  Again, this would be a matter for the new Council to pursue. As this would involve increasing rates, the Commission's understanding is that this would require a submission to IPART. If the rating did revert to the pre-harmonised structure, this would contribute significantly to reducing the operating deficit discussed in Section 6.1.2.6. However the Commission notes the number of complaints from Gundagai ratepayers about the impact on them of the SRV (notwithstanding the partial offsetting impact of the rate harmonisation).

As indicated earlier, the Council's submission included a letter and set of financial projections prepared by David Graham, a current CGRC Councillor and a former Gundagai Councillor from 2004 to 2016.

The projections are for the General Fund of a demerged Gundagai Shire Council. As described by Councillor Graham, the starting point for the projections is the 30 June 2021 cash position as projected by the former Gundagai Council in its *Fit for the Future* submission. A number of adjustments to that cash figure have been made to reflect areas where income has increased since 2016. These adjustments include –

- the effect of the SRV from 2021-22 on rate revenue that would be derived from Gundagai properties

[21] Other submissions have also made the point that CGRC has missed out on some Commonwealth grants (eg 2019 drought funding) because it failed the criteria, whereas a non-merged Cootamundra Council would have qualified.

- the expiration of the 2008 SRV that applied to the former Gundagai Shire
- the cost of 2 FTE over the merger-time number
- estimated annual service costs for 10 completed capital projects within the former shire boundaries
- the proposed wind farm development
- commercial lease fees from the Bangus Tip.

After taking into account the adjustments, Councillor Graham's projections show an estimated cash position of $1.44 million at 30 June 2022, increasing to $3.78 million at 30 June 2025.

Without questioning the integrity of the calculations themselves[22], the Commission has two major reservations with this approach.

Firstly, the starting point (as described above) is based on projections for the 30 June 2021 cash position made in 2015 and thus looking forward six years. Even without the merger, the degree of reliability that can be placed on projections that far out is questionable. Over such a period of time, there could have been a myriad of factors – positive and negative – that impacted on revenues and expenses and hence the cash position.

Secondly, while the CGRC business case outlined how assets, liabilities and staff could be allocated in a demerger, Councillor Graham's projections (as described above) included in the CGRC submission appears to reflect a view common in a number of submissions that the demerger is about establishing a new Gundagai shire as its supporters wish it to be. That is, with the levels of employment, services and cash that are somehow tied to what they were pre-merger.

The unstated corollary to this view is that a demerged Cootamundra will be formed from what is left. That is not what a demerger entails. The division between the two newly-demerged councils of non-fixed assets (including cash), of debt and other liabilities and, perhaps to some extent, of staff numbers must be through a negotiation process that is fair and equitable.

6.1.2.9 Economies and diseconomies of scale

- ***Introduction***

The concept of economies (and diseconomies) of scale is well known to economists. The concept has its origin in micro-economics, in particular the study of how manufacturing plants and firms operate.

Economies of scale reflect that costs of production can be classified (broadly) as fixed or variable. In a manufacturing plant (for example) variable costs are those that correlate to the amount of output produced. The cost of raw materials, power and utilities, transport, and wages staff would tend to be closely aligned with the units of output produced. Costs such as management, marketing, regulatory, accounting, and legal would be largely fixed.

[22] Other than the untested assertion that a newly-demerged Gundagai council will have the power to revert rates to their pre-harmonised levels.

Clearly, if a business can increase its quantity of production, those fixed costs would be spread over that larger production and would reduce on a per unit of output basis. Businesses that have large fixed costs require a large market in order to keep unit costs (ie sale price) at a competitive level. Economic theory also recognises that the benefit of spreading fixed costs over a larger output diminishes at the margin and, at some point, further increases in size can lead to increasing costs (eg additional management, co-ordination, increased costs of obtaining materials or other inputs) and hence diseconomies of scale.

While the theory is straightforward, its application is fraught with difficulties.

There are various approaches for attempting to measure the impact of economies and diseconomies of scale on cost structures. However to be meaningful, most techniques require identification of the outputs that are being produced.

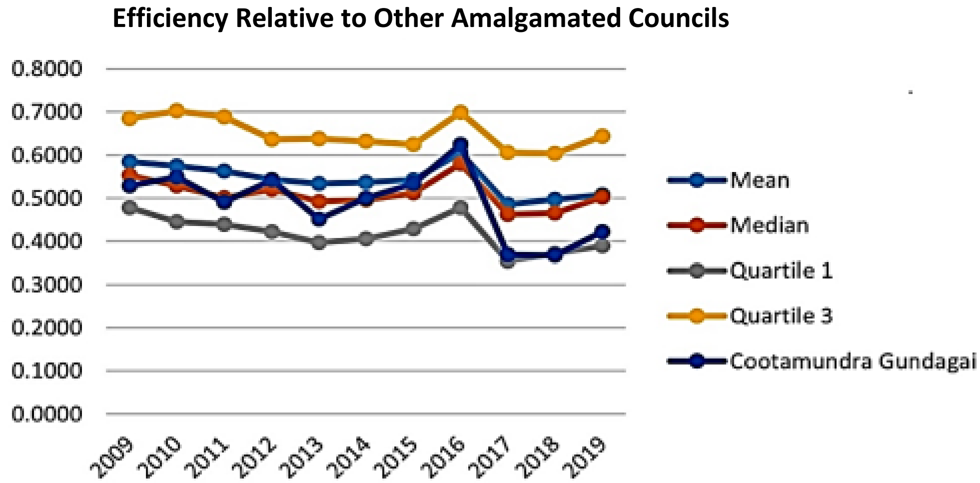
Where an organisation produces multiple outputs, some reliable method of apportioning the costs of the organisation across these outputs is generally also needed. Defining outputs and apportioning costs may be relatively straightforward where a business or factory produces a small range of physical goods (light bulbs, soap powder, packaged food). It is much more difficult in respect of entities (such as local authorities) that provide multiple, disparate services. How to delineate services, define what constitutes a unit of service, and attribute costs across the range of services provided is far more problematic in these instances.

- ***The CGRC Business Case***

While Drew #3 formed the basis of CRCG's business case, it repeats the argument about diseconomies of scale that were covered in more detail in Drew #4. Given the widely-held view in submissions and presentations to the Commission quoting the Drew argument, the Commission is dealing with the various Drew reports jointly.

Drew #4 presents results comparing the 'efficiency' (as defined by Professor Drew) of Cootamundra-Gundagai Regional Council from 2008-09 to 2018-19 (with the pre-merger years involving an aggregation of data for the then Cootamundra and Gundagai Councils). Professor Drew used a well-known technique called Data Envelopment Analysis (DEA) to compare CGRC over time and with the aggregate of all NSW councils.

The Drew Report argues that in the years 2008-09 to 2014-15, CGRC's efficiency was generally quite close to the median for all NSW councils. After an upward spike (ie 'improved efficiency') in 2015-16 (due, as Professor Drew acknowledges, to the distorting effect of the financial year finishing on 11 May 2016), CGRC's efficiency fell significantly in 2016-17 (to well below the median level), with a partial recovery in 2018-19. Professor Drew then compared CGRC's 'efficiency' with other NSW councils that were merged in 2016, as shown in the following graph –



Source: Drew # 3, page 21

However, in its Report on the previous demerger proposal, the Commission made a number of observations on the arguments in Drew #4 about scale –

- Firstly, Drew #4 does not indicate what 'outputs' were used in comparing the various councils. The use of broad outputs such as 'length of roads' (which appears to be one of the outputs used in the Report) can mask substantial differences in underlying cost-drivers (such as road surface, terrain, number and construction of bridges, heavy vehicle usage).
- Secondly, in the case of local government amalgamations, it is simplistic to compare the sum of the costs of the pre-merged councils with the costs of the merged council and attribute any (or all) increases to diseconomies of scale.

  It is equally plausible that any increase in costs could reflect factors such as council or management decisions to increase service levels (eg to 'harmonise up' to the higher level of the pre-merger constituent councils), transitional costs (eg to implement common IT, HR or other 'back office' services) or changes in senior staff that result in poor management of costs (unrelated to the merger).

  It is also possible that savings from economies of scale will not be reflected in net operating results but are redirected by a merged council into increases in the quantity or quality of other services. In any event, merger savings may not arise in the first few years.

  Nor does Professor Drew's analysis recognise that merged councils received substantial additional funding from the State Government in 2016-17 and 2017-18, both for capital and operating purposes. At least some of this funding would have found its way into operating expenditure
- Thirdly, the divergence between CGRC's results and the median and mean for other merged councils indicates that there must be different factors (ie unrelated to any 'diseconomies of scale' argument) influencing CGRC's higher costs
- Fourthly, Drew #4 also compared CGRC with all NSW councils. The graph included in that report showed that CGRC was close to both the mean and median levels of efficiency for all NSW councils in the years 2008-09 to 2014-15.

However, as most NSW councils would be larger than even a combined Cootamundra and Gundagai, one would expect the ‘all councils’ mean and median efficiency levels to be lower than CGRC. If, as Professor Drew concludes, the merger has resulted in a council that is too large and therefore suffering from diseconomies of large scale, then most councils in NSW, being larger than CGRC, would be even less efficient. However the figure does not bear this out.

- ***The Commission’s Analysis***

Given the now widely-held belief by community members and at least some CGRC councillors that diseconomies of scale lie at the heart of the Council’s financial problems, the Commission engaged Data Analysis Australia (“DAA”) to analyse expenditures by all rural councils (OLG Categories 9, 10 and 11) over the period 2013-14 to 2019-20.

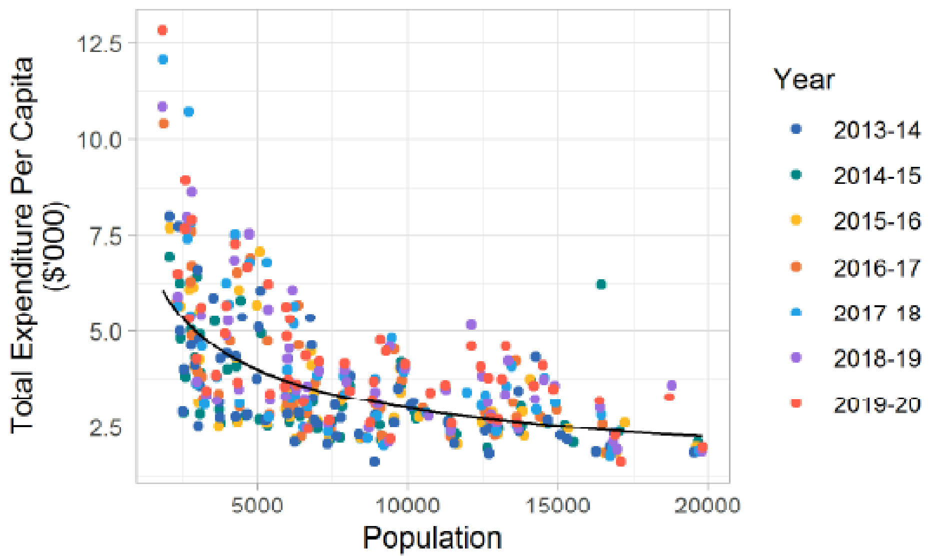
In engaging DAA, the Commission recognised that the ‘size’ of an LGA may be measured in a number of ways. Population is the most obvious as revenues and expenditures are typically measured in cost per capita (or cost per rate-payer). However given the number of submissions that presented arguments about the distance between the two centres of Cootamundra and Gundagai, and the need to maintain two service centres, the Commission also asked DAA to analyse expenditures on the basis of LGA areas (ie sq km).

In all the analyses, DAA found that a simple linear (ie straight-line) model did not fit the data well, ie there was no meaningful proportionate relationship between per capita expenditures and population or area. However using a non-linear relationship (as shown in the following graphs) gave much more meaningful results.

For total expenditure per capita, DAA found a strong negative correlation[23] of (-)0.65 between expenditure per capita and population, ie the larger an LGA’s population, the lower its per capita expenditure tends to be. This is shown in the following graph –

[23] A strong negative correlation score is between -0.6 and 1; a moderate negative correlation score is between -0.2 and -0.6; a weak negative correlation is between 0 and -0.2.

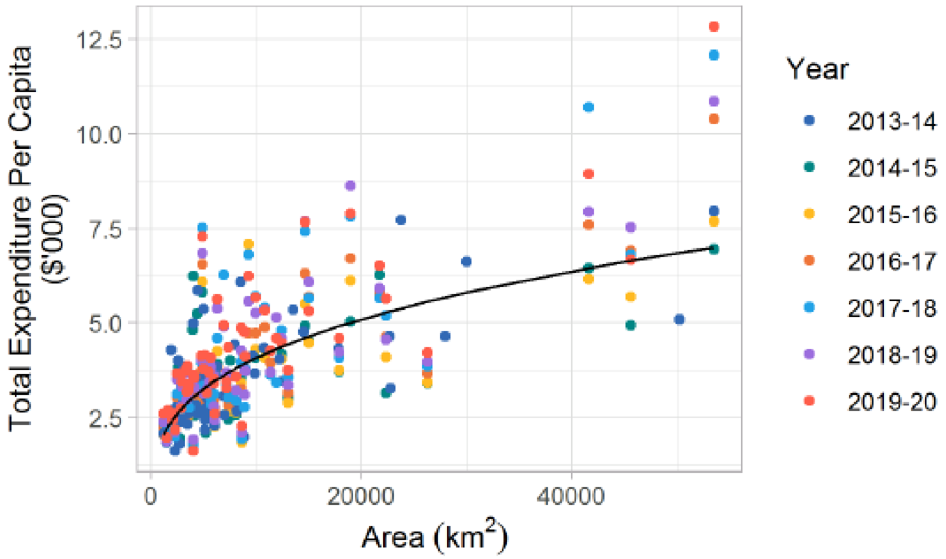
Total Expenditure per capita ($'000) and Population



The DAA analysis also looked at per capita expenditure on each of the seven 'service' categories (as defined by OLG). With the exception of 'Environmental', all per capita service expenditures exhibited moderate negative correlation scores.

DAA also looked at the correlation between total per capita expenditures and LGA areas. In this case there was a strong positive correlation of 0.73, the larger the LGA's area, the higher its per capita expenditure. This is shown in the following graph –

Total Expenditure per capita ($'000) and Area ($km^2$)



A moderate positive correlation was also found between per capita expenditures on all other service categories other than 'Environmental' (a weak positive correlation)[24].

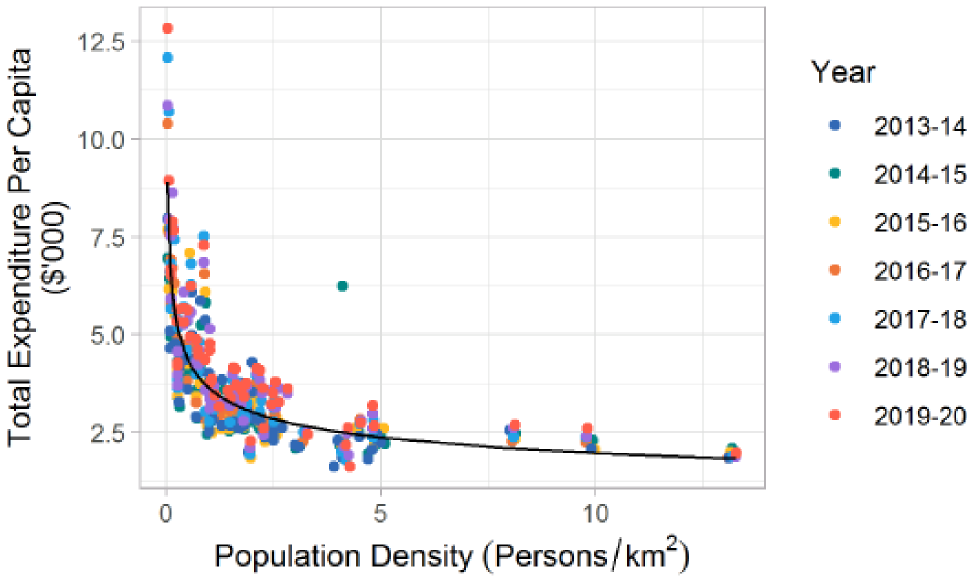
In terms of the direction of the relationships, both of the above results tend to be as expected.

[24] Interestingly, per capita expenditure on 'Roads, Bridges and Footpaths' exhibited a stronger correlation with the area of an LGA than with 'Road Length' (as published by OLG).

However DAA also proposed (and the Commission agreed) to explore the relationship between per capita expenditure and population density, ie combining the above two 'size' variables into a single persons/km^2 variable.

The result of this exercise showed an even stronger (negative) correlation score of (-)0.84, as shown in the following graph –

Total Expenditure per capita ($'000) and Population Density



A strong negative correlation was also found between per capita expenditure on 'Roads, Bridges and Footpaths' and population density, with moderate negative correlations between per capita expenditures on all other service categories other than 'Environmental' (a weak negative correlation).

- ***Discussion***

The Drew material compared expenditures on three bases –

- over time for Cootamundra, Gundagai and CGRC
- across merged councils and
- across all councils.

The first comparison did not differentiate between growth in expenditures arising from the claimed diseconomies of large scale and growth in expenditures arising from other factors (including expenditures funded from the Government's merger grants, short-term costs associated with the merger implementation and Council decisions unrelated to the merger).

The second comparison apparently covers all merged councils including those in major regional centres and in the Sydney metropolitan area. The substantially larger population sizes, smaller footprints and different characteristics of these LGAs cannot be considered to lead to any meaningful results for a rural LGA such as Cootamundra-Gundagai Regional.

The third comparison covers all NSW councils and suffers from the same issues as the second comparison – the inclusion of LGAs with such wildly different characteristics must limit its usefulness.

The DAA analysis undertaken on behalf of the Boundaries Commission suffers from none of these shortcomings. It looks only at rural councils in OLG categories 9, 10 and 11 – a much more comparable population of LGAs.

For these reasons, the Commission believes the DAA results to be the better, and most comprehensive available indicator of the relationship between per capita expenditures and LGA size (however measured) for rural councils.

What the DAA analysis does show is that (i) economies of scale (not diseconomies of large scale) apply for rural LGAs with populations up to 20,000 but (ii) LGAs do incur additional costs in providing services over larger areas.

In terms of the current demerger Proposal, the strong correlation between per capita expenditures and population densities suggests that councils of LGAs with a population density below 2 persons per km^2 would be expected to experience much higher costs in providing a reasonably standard range of services to their constituents. Population densities (based on 2016 Census data) are estimated as approximately 2.8 for Cootamundra-Gundagai, 5.1 for a demerged Cootamundra and 1.5 for a demerged Gundagai. A degree of caution must be exercised in considering these results as, despite the strong correlation shown, other factors can influence the cost structures for individual councils.

6.2 Community of Interest and Geographical Cohesion

Section 263(3)(b) of the Act requires the Commission to have regard to:

> *"the community of interest and geographic cohesion in the existing areas and in any proposed new area".*

6.2.1 Submissions and presentations made

The following table shows the number of written submissions that addressed this factor -

Written submissions addressing this factor		
Submitted to Commission	**Submissions addressing this factor**	**As a percentage of total submissions**
169	113	67%

The view that residents of the former Cootamundra and Gundagai Shires have little in the way of "community of interest" is one that that was put forward in many submissions made to the Commission and in presentations at the Inquiry sessions. Often this view was attributed to the distance between the two centres, as well as to the argument that Cootamundra was not a regional centre offering Gundagai residents as full a range of services as Tumut or Wagga Wagga. This is not a new view, with many submissions on the same theme also made to the Delegate in his examination of the 2016 merger proposal, and to the Commission in its examination of the previous demerger proposal.

This view was particularly articulated by residents of Gundagai in their written submissions and presentations at the Commission's public meetings –

> *In all the years since the amalgamation we have not even been to Cootamundra, and that could probably be said by most people in Gundagai. We … have no reason to go there.*[25]

> *On a social level, I have no personal or professional relationship with Cootamundra. I had no connection prior to the merger, and I still have no connection now. My business does not have any clients in Cootamundra, I do not travel there to shop or socialise, my children in both primary school and high school do not play any school-based sport with Cootamundra, as we are not in the same PSSA zone. There is no inter school connection.*[26]

> *Our farming and agriculture is totally different and the town's objectives for future operations do not align. There is still no community of interest. There are distinct divisions between towns. There is little interest in either of the towns toward each other. Our sporting needs cultural needs*

---

[25] Submission #009 to the Commission.

[26] Submission #050 to the Commission.

> *and environmental needs are totally different and because of this the town's people have different agendas.*[27]

The distance between Cootamundra and Gundagai and the condition of the road was also addressed in a number of submissions –

> *… it takes an hour to get from one to the other, and neither has great shopping infrastructure.*[28]
>
> *I travelled that Gundagai-Coota Road up that Muttama Valley probably at least twice, three, four or five times a week, and in the wintertime the fog, as it is known, is that bloody thick you can't see past your nose.*[29]
>
> *The only thing these two communities have in common is a very windy and hard to maintain road, Muttama/Gundagai Road, which provides the link between them. CGRC staff and councillors are very aware of the condition of the road and the risks posed by travelling on it, often late at night and early in the morning. During winter, much of the journey is undertaken in thick fog. At all times the risks include the technology black spots, increased traffic, particularly with large B-Double trucks, and kangaroos looking for feed on the roadside.*[30]

6.2.2 Discussion

The views quoted above are consistent with the views of the majority of presentations and submissions made to the Commission in its examination of this Proposal.

The Micromex survey of residents' attitude towards the Proposal (see Section 6.4.2) also cited lack of common interest as a reason by both Cootamundra and Gundagai residents for their support of the Proposal.

As was the case in 2016 and for the previous demerger proposal, the Gundagai community (in particular) continues to strongly express the view that the towns of Cootamundra and Gundagai have no community of interest. In the submissions and presentations reference is made often to the distance between the towns and to the absence of connectivity.

A number of those in favour of the Proposal argued that Cootamundra and Gundagai have no community of interest as Cootamundra is a 'railway town' and Gundagai is a 'highway town'. While that distinction may have been of great significance once, the Commission believes that both towns have developed much since their earlier beginnings, and the significance of this distinction has diminished over time.

The Commission notes that it is a common feature of inland NSW that local government areas exhibit low population density generally, with towns and villages interspersed throughout.

Because of the distances between many of these towns and villages, it is probably natural that their residents develop a strong sense of community and identify mostly strongly with their own locations. The Commission does not believe that having two or more distinct communities of interest in the one

[27] Submission #053 to the Commission.
[28] Submission #033 to the Commission.
[29] Presentation by James Smith to the Inquiry.
[30] CGRC submission to the Commission.

council area is, in itself, a barrier to the council operating efficiently and effectively, and in the best interests of all its residents. The Commission accepts that having different communities of interest will present a council with challenges in planning and delivering services, but this is a common feature. Most councils will be faced with the need to take into account different communities – whether based on location, or differences in residential/commercial/industrial/rural mixes, or differences in socio-economic factors such as ethnic and cultural backgrounds.

Since municipalisation was forced on communities in 1906 there have been moves to reduce the total number of councils. As Larcombe noted in 1978, "*the Government's apparent enthusiasm for larger units stirred up considerable opposition in areas desirous of retaining independence*"[31]. While this comment dates back to mergers occurring in the 1940s and 1950s, it seems that little has changed. The main arguments in favour of small areas put to the Barnett Committee, established in 1972[32], "*were the desire to keep local government 'local', and to facilitate the maintenance of public interest and participation*"[33]. These are still the arguments put forward to this Commission.

With regards to the view that larger areas took the local out of local government, a view frequently put to the Commission at both Cootamundra and Gundagai sessions, the Barnett Committee observed that if accepted, this argument would mean that "*the number of units [councils] would have to be greatly increased*". That remains the situation today.

However the Commission recognises that a sense of place and community identity is important for residents and ratepayers and that councils can provide a pivotal role in fostering this relationship through a range of strategies.

While it may be true that residents of both Cootamundra and Gundagai feel little connection with each other, they do share a number of social and demographic characteristics. In his report on the 2016 merger proposal, the Delegate noted similarities between the two shires in attributes such as household incomes, the level of post-school education, low rates of unemployment, and below average SEIFA[34] scores.

Data from the 2021 Census also show similarities (like many rural areas) in population and household attributes such as[35] [36] –

- the very high proportion born in Australia (92.4% in Gundagai, 92.5% in Cootamundra) – compared to a total NSW figure of 69.1%;

---

31 Larcombe FA, *The Advancement of Local Government in NSW 1906 to the Present*. A History of Local Government in New South Wales Vol 3 Sydney University Press (1978). See Chapter 11 The Local Government System 1919-1977, pp411-2.

32 Larcombe pp417-8. The Commission was established with terms of reference including "*the appropriateness of the existing units for economic and efficient local government*".

33 Larcombe pp418.

34 'Socio-Economic Index for Areas' - source: ABS.

35 The ABS does not tabulate Census data on the basis of the former shire boundaries. Data shown here relate to the Gundagai and Cootamundra 'Statistical Area(s) Level 2' whose boundaries are similar to those of the former shires. See [Search Census data | Australian Bureau of Statistics (abs.gov.au)] for further information.

36 The percentages shown here are of those who answered the particular questions, ie those who did not give an answer are excluded for the calculation.

- the very high proportion with both parents born in Australia (86.0% in Gundagai, 84.3% in Cootamundra) – compared to a total NSW figure of 46.5%;
- a relatively higher proportion of persons with aboriginal ancestry (4.5% in Gundagai, 6.9% in Cootamundra) – compared to a total NSW figure of 3.4%;
- a relatively high median age (44 years in Gundagai, 51 years in Cootamundra) – compared to a total NSW figure of 39;
- a high proportion aged 65 and over (22.5% in Gundagai, 31.0% in Cootamundra) – compared to a total NSW figure of 17.6%;
- a high proportion identifying as Christian (74.4% in Gundagai, 68.7% in Cootamundra) - compared to a total NSW figure of 51.3%;
- below average median weekly household income ($1,351 in Gundagai, $1,054 in Cootamundra) – compared to a total NSW figure of $1,829; and
- a very low proportion of households where a non-English language is used (5.4% in Gundagai, 2.7% in Cootamundra) – compared to a total NSW figure of 28.6%.

Some submissions criticised the Commission's inclusion of similar demographic data in its report on the previous demerger proposal. However the Commission believes that this information is relevant in understanding the environment in which a council must frame its Community Strategic Plan. A council whose residents have significantly differing characteristics (in terms of their age, ethnic or cultural backgrounds, education levels, language skills, etc) has a more difficult task than one whose population share similar characteristics.

It is informative to note the comments made by the Delegate in his examination of the 2016 merger proposal. In summarising sections of the submissions from the then Gundagai Shire and Cootamundra Shire, he wrote -

> *Gundagai Shire, in their submission, also noted that while both primarily agricultural regions, Cootamundra Shire's agriculture was predominately broad acre cropping while Gundagai Shire comprised of beef, lamb, fodder and wool grazing land, and aligned more closely with agri-communities and businesses to the south and west. This was attributed to the different geographical features with Cootamundra LGA being described as relatively flat with low undulating hills, as opposed to Gundagai LGA which exhibited more hilly and mountainous terrain, especially in the southern regions which encompass the foothills of the Snowy Mountains.*
>
> *Gundagai Shire residents who made submissions further stated that they had no need to ever visit Cootamundra and would instead drive 30 minutes to Tumut or an hour to Wagga Wagga to access major town facilities. Cootamundra Shire's submission noted there is minimal business crossover with Gundagai businesses primarily travelling to Tumut or Wagga Wagga for major banking, legal, accounting and professional services. These practices exist now under the current Gundagai Shire and there is no reason why they should differ under a new entity.*[37]

[37] Report by Delegate John Turner (2016), p25.

As the Delegate noted above, none of those features would change under a new (ie merged) entity. Nor have they since the merger, and nor would they if the demerger Proposal is implemented. The existence or absence of a single community of interest across the area makes limited impact on people's occupations, pursuits, travel patterns and daily lives.

What can create problems however is the ability to access local government services where distance is a factor. As noted above, numerous submissions and presentations alluded to the distance between Cootamundra and Gundagai and the condition of the road.

The main access between Cootamundra and Gundagai is via Muttama Road which is classified by TfNSW as a Regional Road. Regional roads are the responsibility of councils to fund, determine priorities and carry out works, while they are eligible for annual assistance grants from the State Government in recognition of their relative importance. Several submissions raised the absence of a significant transport corridor between the two main centres and the condition of the road as an impediment to the ongoing viability of the current Council and a factor to support the Proposal.

While the Commission does not see that having two or more distinct communities of interest in the one council area is untenable, it does recognise that a lack of community interactions and connectivity can create challenges for a council in terms of developing priorities in its strategic planning. Cootamundra-Gundagai Regional Council has largely adopted a two-town strategy where there is a like for like approach to the delivery of services. The Commission notes the range of initiatives across the merged shire by CGRC since 2016. Deloitte has suggested that the "geographic spread of services and community" is one of the reasons that will constrain the CGRC's ability to undertake cost savings needed to ensure financial sustainability.

The Commission accepts that the individual communities of interest have not altered with the merger. If the Proposal were to be implemented, the communities would continue to exist and each demerged Council would need to consider them in its planning decisions.

Another argument that was put to the Commission in many submissions was that the distance between Cootamundra and Gundagai imposes additional costs on the existing Council because of staff travel needs. It was claimed that a demerger would save at least $150,000 per year in vehicle costs, with an additional cost saving of $600,000 in staff time.

The motor vehicle cost was calculated by Professor Drew using data he obtained from staff travel records and the ATO motor vehicle travel deduction allowance.

Using the ATO 2019-20 rate of 68¢/km and the 59km distance between Cootamundra and Gundagai implies 1,870 round trips per year, or somewhere between 7 and 8 round trips every business day[38]. What is not clear is whether this quantum of travel reflected a relatively newly-merged CGRC in the throes of establishing itself and aligning its systems or whether it still applies. If the latter, it does sound excessive given (i) that the Council largely maintains the level of pre-merger operations in both towns), and (ii) the availability of internet-based applications such as Microsoft Teams and Zoom that have taken the place of a large proportion of face-to-face meetings in businesses and organisations in the COVID-19 era.

---

[38] CGRC has confirmed to the Commission that staff who live in Cootamundra but whose positions are based in Gundagai are not regarded as 'at work' while travelling to work.

6.3 Historical and Traditional Values

Section 263(3)(c) of the Act requires the Commission to have regard to:

> *"the existing historical and traditional values in the existing areas and the impact of change on them".*

6.3.1 Submissions and presentations made

The following table shows the number of written submissions that addressed this factor -

Written submissions addressing this factor		
Submitted to Commission	**Submissions addressing this factor**	**As a percentage of total submissions**
169	4	2%

Relative to most other factors, a smaller proportion of submissions and presentations addressed this factor, particularly in relation to the "historical values" component. Most that did were by residents of the former Gundagai Shire. Many made the point that Gundagai had its own unique history and expressed feelings that this history was being lost or diminished as a result of the 2016 merger. However this factor was not covered in any depth in any submission or presentation to the Commission.

Those that did present their views on this factor addressed the formation of the Gundagai and Cootamundra townships and alluded to the close relationship between the residents of the former Gundagai Shire and its council -

> *Gundagai embraces its First Nations history and links to its Indigenous heritage. Entrenched local families, with generational bonds to the founders, are obvious in Gundagai. The Great Flood of 1852 forged Gundagai's future and created a community who were forced to fight for their very existence … Gundagai is a fiercely independent and inclusive community, demonstrated most clearly by the Gundagai Council-in-Exile and the Facebook group, Save our Gundagai Shire, both established in response to the forced merger … Cootamundra's population is more disparate. It is also more laid back. There [is] no over-whelming sense of identity.*[39]

> *Each community has its own traditions and values. Gundagai has historic traditions that relate to the Murrumbidgee River and the Hume Highway. Cootamundra has always been a railway town. Historic events surrounding the Murrumbidgee River and the Hume Highway have formed our traditions over many years, traditions that do not relate to Cootamundra in any way. Traditions and values are formed over decades …*

> *A council that worked together with its community to achieve projects, provide services that were wanted by the community has disappeared to the point where the community involvement has hit rock bottom.*[40]

39 CGRC submission to the Commission.
40 Presentation by Glen Moore to the Inquiry.

> *Several large projects have come to fruition over the years as a direct result of community and individual citizens showing initiative and foresight. This is a unique feature of the Gundagai community. This ability to show initiative, leadership and willingness to work together across all levels of Government and community to achieve a common good for all is a tangible and palpable achievement.*[41]

The Council's own submission reinforced the point made in the preceding quote, listing a number of projects involving community participation, including –

- Gundagai Golf Club
- Uralba Aged Care Facility
- Mirrabooka Library and Community Centre.

6.3.2 Discussion

The Commission understands that every city, town, village and region has its own historical and cultural features. No two will be completely identical and in that sense every location is unique. The question for the Commission is whether the differences across the existing CGRC area are of such magnitude to suggest (in conjunction with other factors) that the Proposal would give a better outcome for the area's residents.

As to the history of the local government itself in the area, there have been many changes in its structure.

Prior the 2016 merger, both Cootamundra and Gundagai LGAs had existed for many decades, although undergoing a number of boundary changes.

At the time of Federation, less than one per cent of the NSW land area was incorporated despite the voluntary model available to communities since the enactment of the Municipalities Act of 1858 (22 Vic No. 13).[42] The 1858 Act permitted the voluntary incorporation of a municipality upon the petition of fifty householders and in the absence of a 'sufficient counter-petition'.[43] The communities of both Cootamundra (in 1884) and Gundagai (in 1899) took up that opportunity.

With the passing of the *Local Government Act 1906*, the State Government imposed municipalisation onto local communities, and Gundagai and Cootamundra Municipalities were reconstituted that year.

In 1925 the Gundagai Municipality was abolished when it was merged with Adjungbilly Shire to form Gundagai Shire. In 1975 the Cootamundra Municipality was abolished when it was merged with Jindalee Shire to form Cootamundra Shire. Jindalee Shire (originally named Cowcumballa Shire) had been proclaimed in 1906, and in 1935 absorbed part of the abolished Wallendbeen Municipality.

---

41 Submission #129 to the Commission.

42 A. H. Kelly, '*The Development of Local Government in Australia*,' (Paper presented at the World Planning Schools Congress 2011, Perth, 4-8 July), p5.

43 Andrew Kelly, *The role of local government in the conservation of biodiversity* (Ph. D. Thesis, University of Wollongong, 2004), p80.

From a local government boundary perspective, the above demonstrates that local government areas are not static, but change over time as circumstances change -

> *All over the State there Is a continual movement towards alteration and adjustment of the boundaries of councils and of their wards or ridings … It is, of course, essential that there should be machinery for adjusting the municipal areas as towns and districts develop or decline. Adjustments of this nature will always be a feature of local government in a growing country.*[44]

While local government boundaries may change, the reality is that the stories of both the former Gundagai and Cootamundra Shires are told through the history of their various towns and villages. Each of the towns and villages within the current Shire – Cootamundra, Brawlin, Muttama, Stockinbingal, Wallendbeen, Gundagai, Adjungbilly, Coolac, Nangus and Tumblong - will have its own historical and traditional values, each likely to be distinct and different to each other.

If however a wider lens is applied - to the CGRC overall, then a number of commonalities emerge.

The towns that make up the CGRC area are all located on the ancestral land of the Wiradjuri people. Many early settlers were attracted to the region by gold and stayed. Agriculture is a dominant industry and there is a shared history of the towns supporting and servicing these agricultural pursuits.

In having regard to this factor, the Commission questions the extent to which history – or historical values – attach to local government bodies rather than to towns, villages, buildings, individuals, geographical features (river systems, mountain ranges), etc. The rich histories of towns such as Gundagai are not changed by the alteration of council (or State or Federal electorate) boundaries. The ‘Dog on the Tuckerbox’, the historic Gundagai bridges, the statues honouring the Wiradjuri men Yarri and Jacky Jacky who saved some 70 Gundagai lives in the great flood of 1852 - all remain firmly part of Gundagai’s history regardless of council boundaries. That is not to deny the responsibility of local government in preserving, interpreting, honouring and promoting local history and historical features, but the Commission is not convinced that these histories and historical features are inherently impacted by boundary alterations.

The Commission therefore believes that proposed changes in LGA boundaries have little impact - positive or negative - on historical and traditional values.

[44] Sydney Morning Herald, 14 February 1924, page 6.

6.4 Attitudes of Residents and Ratepayers

Section 263(3)(d) of the Act requires the Commission to have regard to:

> *"the attitude of the residents and ratepayers of the areas concerned".*

6.4.1 Submissions and presentations made

The following table shows the number of written submissions that addressed this factor -

Written submissions addressing this factor		
Submitted to Commission	**Submissions addressing this factor**	**As a percentage of total submissions**
169	166	98%

Despite submission fatigue, the public hearings were well attended at both the Cootamundra and Gundagai venues. The Commission received 156 written submissions which was fewer than the 176 received as part of the previous demerger proposal, but none the less indicated a high level of community engagement with the process.

Overwhelmingly, the submissions and oral presentations made to the Commission indicated support for the Proposal, although the sentiments were often expressed in terms of opposition to the 2016 merger. Only one submission and one speaker at the Inquiry opposed the Proposal.

The Commission found several common themes that ran across both the written submissions and oral presentations. The quotes selected below largely represent those views under each theme.

- ***Ongoing resentment at the 2016 merger and frustration with the lack of progress on a demerger***

  Then the next shock announcement, "Cootamundra to merge with Gundagai", a name never considered, totally opposite in every way. We were shattered, blindsided, stunned, and all the work, time and effort and money – we had picked our partner: same town, similar in all aspects. The announcement was met with disbelief, and no wonder our people are angry.[45]

  The issue of the amalgamation and demerging will not go away. The community will continue to fight for a demerge and the dissention, distrust and discord will continue to erode Council resources and its ability to deliver services to residents and ratepayers.[46]

  *The plain fact is that this merger **HAS NOT WORKED** as many people said it wouldn't. Please let common sense prevail and de-merge this Council.*[47]

  The residents of Gundagai will continue to fight this battle for as long as it takes. Demerge this council now.[48]

[45] Presentation by Dennis Palmer to the Inquiry.
[46] CGRC submission to the Commission.
[47] Submission #007 to the Commission.
[48] Presentation by Ava McMurray to the Inquiry.

The residents of Gundagai will never accept the merger and will continue to make it extremely difficult to manage a merged area. They have stated time and again this case. As concerned residents, please demerge this Council.[49]

Meetings, submissions, meetings, submissions - when is this ever going to end! This has been going on ever since the ridiculous amalgamation between Cootamundra and Gundagai Councils six years ago. Despite this disaster and the upheaval to our lives the Gundagai people are never going to go away or give up, which is what this government wants.[50]

- ***Loss of localism in Gundagai***

  Our volunteer numbers in the community have almost disappeared. They have lost interest in working together with council, because the previous council was a community council which worked with the community and the community worked with it.[51]

  Please listen to both communities. Help save our identity, repair our mental health and let us live with pride and determination in our own councils.[52]

  This disastrous amalgamation has removed the "local" from local government. A council that worked together with its community to achieve projects, provide services that were wanted by the community has disappeared to the point where the community involvement has hit rock bottom.[53]

- ***Growing and hardening hostility between the two former local government areas***

  The issue is no longer financial. At the beginning I supported maintaining the amalgamation. However, the animosity between the two communities is unlike anything that I have ever seen.[54]

  The jealousy and hatred that is developing between the two communities has grown enormously since the last enquiry some 18 months ago.[55]

  This merger is tearing Gundagai and Cootamundra apart.[56]

- ***Declining mental health in the community***

  As Community Chaplain, I am aware of the harm and distress this is causing many in our community, especially amongst the elderly.[57]

  The mental health decline and stress in our community is palpable and has been recognised by the medical and clergy professions in both communities.[58]

---

[49] Submission #076 to the Commission.
[50] Submission #020 to the Commission.
[51] Presentation by Mason Crane to the Inquiry.
[52] Submission #051 to the Commission.
[53] Presentation by Glen Moore to the Inquiry.
[54] Submission #028 to the Commission.
[55] Submission #029 to the Commission.
[56] Submission #078 to the Commission.
[57] Presentation by Steve Maynard to the Inquiry.
[58] Submission #053 to the Commission.

The animosity from Gundagai has not waned an inch despite the passage of time, and it is exhausting for the people of Cootamundra.[59]

- ***Impact of community attitudes on staff and Councillors***

They are enduring the community indignation and lack of acceptance of this merger. They have to interact with our residents daily and their confidence in delivering services is being undermined. We cannot ignore the community sentiment. This merger of the former Cootamundra and Gundagai councils has not been embraced by the people.[60]

In a very short time following amalgamation, I had many Cootamundra Council Staff as new clients experiencing trauma from the harassment and bullying by customers of council staff when Cootamundra Staff were required to work in Gundagai. These clients were experiencing significant distress and continued to do so for quite some time.[61]

There is a general distrust of Council amongst the communities of both areas.[62]

Let me tell you how it really is. There is division, fracturing and resentment between the Councillors. ... But the battles are continual, exhausting, and relentless. This is not by choice. I can confidently say that not one single Councillor signed up for that disunity.[63]

I also made a special trip early on in my term to make a point of introducing myself to Gundagai and village shop owners and publicans. The response was definitely cool, if not antagonistic and hostile.

For the most part I got on well with the Gundagai councillors … However, after the events of the past few months, the resignation of the general manager, these relationships have deteriorated. There is now a definite feeling of "us" and "them" and a palpable feeling of hostility towards the Cootamundra-based mayor and me. It has become very, very hard and it is distressing and sad. Fortunately, I experience support from the people of Cootamundra and its villages, but I don't want to travel to Gundagai anymore.[64]

Of the 255 written submissions received by the Commission, only one opposed the Proposal -

I could see the amalgamation was the way to get economy of scale and a decent size rate base. Up until now the amalgamation has not been given 100% effort to make it work with the past powers, I believe to be trying to bring it down. I can't see how a demerged Gundagai council could be viable without more massive rate rises! And to what benefit to the rate payer? [65]

At the Commission's Inquiry sessions, only one person spoke against the Proposal -

The last six years, all the hard work staff have done will be for nought if this merger is deemed to go back to the former councils … I think that my opinion, in the big picture, is that a demerge will

59 Presentation by Nina Piotrowicz to the Inquiry.
60 Presentation by Mayor Charlie Sheahan to the Inquiry.
61 Submission #006 to the Commission.
62 Submission #115 to the Commission.
63 Presentation by Councillor Penny Nicholson to the Inquiry.
64 Presentation by Deputy Mayor Leigh Bowden to the Inquiry.
65 Submission #032 to the Commission.

only benefit a select few, and we need strong leadership to take us forward, and I believe we have that leadership now.[66]

6.4.2 Discussion

In the submissions supporting the Proposal, there is a continuing deep vein of resentment at the Government's 2016 merger decision – that it was forced on the community, that Cootamundra and Gundagai are different communities, that the decision was 'undemocratic', that the decision to merge has created anxiety and tension in the communities, that the merger has led to increased rates and charges. On that topic it was put frequently that the community would not have accepted an SRV without a demerger.

This resentment has not diminished since the Commission's examination of the previous proposal. In the Commission's judgement it has increased.

As the submissions received were overwhelmingly in favour of the Proposal, the Commission engaged a market research firm with significant experience in telephone polling to undertake a survey on its behalf. This was done to gain comfort that the views being put to the Commission were reasonably representative of those held by the community generally – and not simply those of a vocal minority. The survey was designed to capture awareness of, and attitudes to the Proposal overall, and in each of the former shire areas.

The survey showed an impressively high awareness of the latest Proposal by those surveyed – 92% of respondents overall, with awareness figures of 96% and 89% for respondents living in the areas covered by the former Gundagai and Cootamundra shires respectively. The length of time respondents had lived in the area was a factor in the level of awareness – 84% of those who had lived in the area for less than 20 years compared with 94% of those who had lived in the area for more than 20 years.

This level of awareness was consistent with that shown by a similar survey undertaken on behalf of the Boundaries Commission in late 2020, with the only change of any significance being an increase from 86% to 89% in the level of awareness by residents in the former Cootamundra shire area.

The survey asked respondents whether they agreed or disagreed with the Proposal, and the strength of that view.

As can be seen from the following chart, overall 82% agreed or strongly agreed with the Proposal, with 11% disagreeing or disagreeing strongly. As expected, the level of support was higher in the former Gundagai shire area with 87% - compared to 79% in Cootamundra – agreeing or strongly agreeing with the Proposal. Across the whole CGRC area, 7% were neutral or not sure.

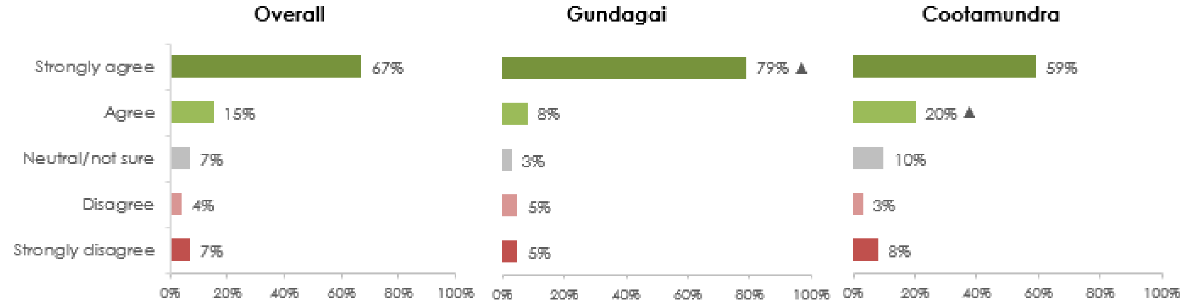
[66] Presentation by Marianne McInerney to the Inquiry.

Agreement with the Proposal to Demerge

Q5. (If yes on Q4) How strongly do you agree or disagree with this second proposal made by Cootamundra Gundagai Regional Council to de-amalgamate?

	Overall 2022	Overall 2020	Current residence – old LGA			
			Gundagai (2022)	Gundagai (2020)	Cootamundra (2022)	Cootamundra (2020)
Top 2 Box %	82%	75%	87%	82%	79%	70%
Base	367	367	154	149	213	217

	Gender		Age		Housing type		Time lived in the area		
	Male	Female	Under 50	50 and over	Town	Property	Up to 10 years	11 – 20 years	More than 20 years
Top 2 Box %	78%	86%	79%	84%	88% ▲	74%	75%	78%	84%
Base	172	195	141	226	214	90	42	65	260



Base: N = 367

▲▼ = A significantly higher/lower percentage (by old LGA)

Compared to the previous survey, the overall level of support for the Proposal increased from 75% to 82%, with that increase evident in residents from both former shires.

Those agreeing/neutral/disagreeing with the Proposal were asked the reasons for their position, with the responses shown in the following three charts –

Reasons for Level of Agreement

Q5. (If yes on Q4) How strongly do you agree or disagree with this second proposal made by Cootamundra Gundagai Regional Council to de-amalgamate?
Q6. Why do you say that?

Those that Agree/Strongly Agree (82%)

"Very different demographics between the councils"

"Gundagai are now in debt because of it"

"Rates have increased"

"Cootamundra was doing fine before amalgamation"

"We're having problems with both councils not getting along and causing problems for our local area. Something needs to be done about staffing and organisation"

"No friendship between the two towns anymore, if there ever was"

"Councils worked better when they were separate"

"Amalgamation isn't working and hasn't since the start e.g. rates went up dramatically"

"More focus would be placed on each town"

"Council was functioning very well prior"

"Become difficult to contact and communicate with council"

"Hasnt worked out very well"

"Both towns are not similar in the future direction of their respective areas and this is causing financial friction between towns as to how funds are distributed i.e. one town needs footpaths while the other is fixing up the 'Dog on the Tucker Box'"

"I disagreed with the amalgamation in the first place"

"Towns have nothing in common - a lot of ill-feeling now"

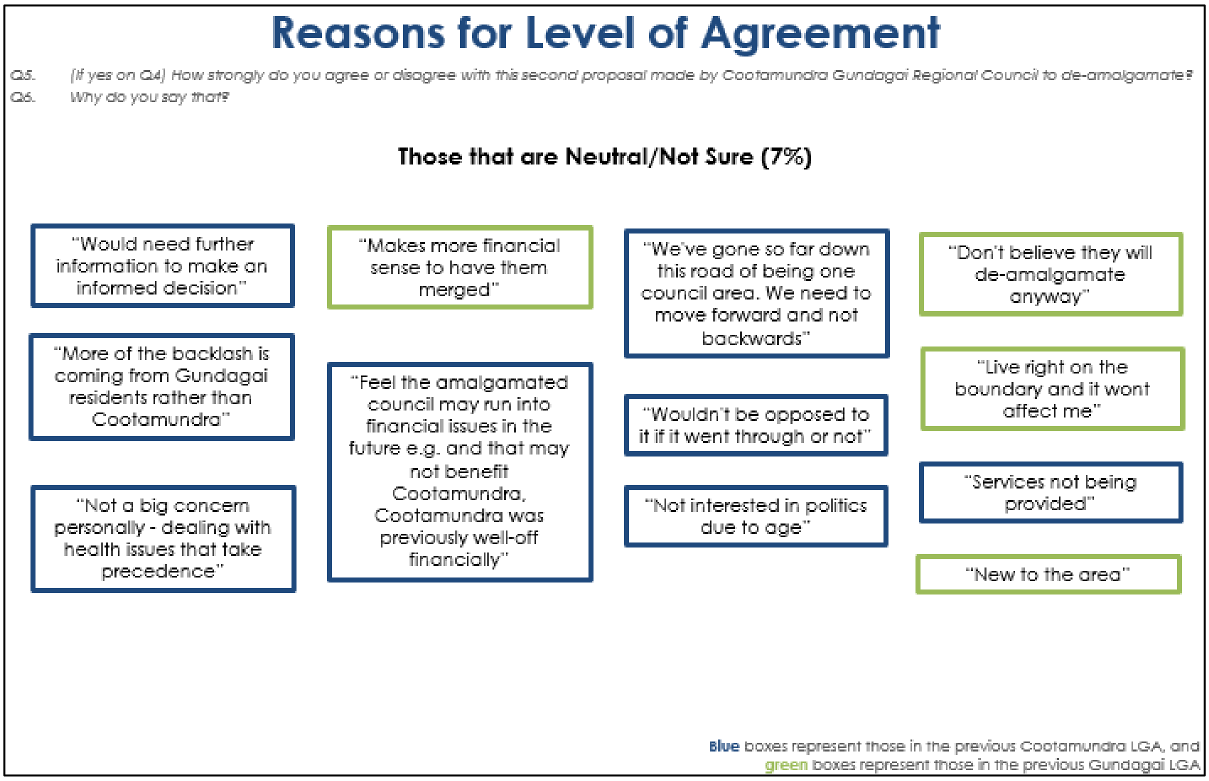
"We didn't want it in the first place"

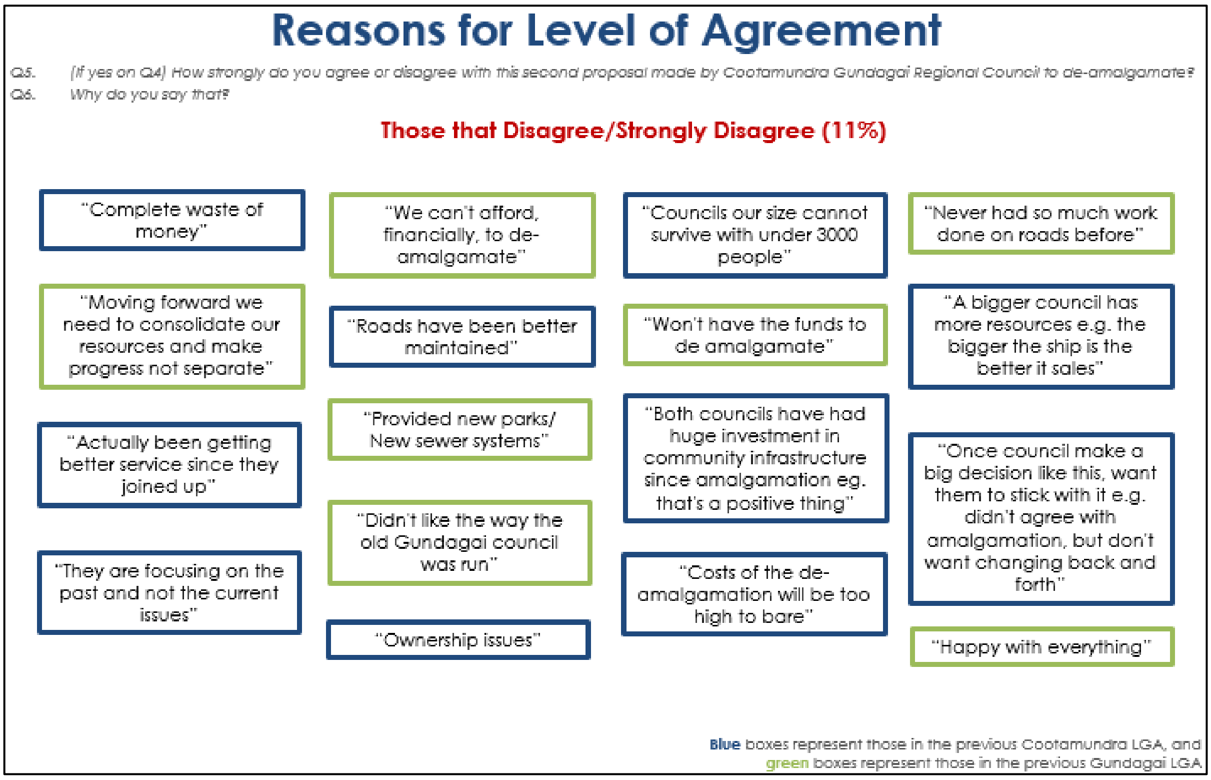
"Feels there is a lot of corruption"

"We have nothing in common, culturally or socially"

"No voice in council"

Blue boxes represent those in the previous Cootamundra LGA, and **green** boxes represent those in the previous Gundagai LGA





The reasons given by those survey respondents who agreed with the Proposal are very consistent with the views put forward in submissions and oral presentations.

While some of the reasons given by those survey respondents who did not agree with the Proposal were related to the cost of a demerger, there were also some (albeit a small number of respondents) that saw positives from the merged Council.

As the Commission made clear at every session, its role is forward looking. While we need to consider the recent past and the present to understand the future, it is not our role to review whether the 2016 merger decision was appropriate. Equally, our task is to do more than just take a plebiscite, so even assuming that a 'majority' of the community expressed a view in support of the Proposal, that would not be the end of the examination process.

As discussed in Section 6.2.2, there has been a long history of moves to reduce the number of councils. Originally (ie since widespread municipalisation in 1906) most rural LGAs would have been based on a single town, with surrounding villages. Where mergers do occur, it is probable that council functions will be headquartered in one town (most likely the largest town), almost inevitably leading to a feeling by other residents that the 'local' has been taken out of 'local government'. This feeling may subsequently manifest itself as a disengagement with the Council and a reduction in participation in community forums and activities. The loss of the spirit of volunteerism, raised in many submissions and presentations, is evidence of this.

In the context of the current Proposal, the Commission's task is to have regard to that "anti-merger" attitude and to weigh that in the balance. It is a factor which has not lessened since 2016 and which has and will continue to colour many residents' attitude to the Council and its staff. As noted by the Independent Local Government Review Panel in 2013 some communities are "so fiercely independent that forcing them to share a local council is probably unwise".[67] While CGRC has been able to function (in that services continue to be delivered), it will be constrained into the future if it cannot achieve an alignment between councillors, management and the community.

[67] Future Directions for NSW Local Government, April 2013, p10.

6.5 Elected Representation

Section 263(3)(e) of the Act requires the Commission to have regard to:

> *"the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area".*

6.5.1 Submissions and presentations made

The following table shows the number of written submissions that addressed this factor –

Written submissions addressing this factor		
Submitted to Commission	**Submissions addressing this factor**	**As a percentage of total submissions**
169	79	47%

It was very clear from the submissions and presentations made to the Commission that two of the issues felt most strongly by Gundagai residents were (i) that "their councillors" were "outvoted" by the "Cootamundra block" and (ii) the reduction in their connection with local councillors -

> *Gundagai is now significantly outnumbered with only 3 councilors out of 9.*[68]

> *While walking down our main street, I would meet and chat to most of our elected council members. This created a sense of connection with our former local government. That feeling has now been taken away by the merger with a larger nearby town. I do not feel represented by the Cootamundra-Gundagai Regional Council.*[69]

> *There is very strong feeling in both communities of "them and us" when it comes to elected representation, not a way to create one community.*[70]

> *By weight of population the voting pattern is heavily in favour of Cootamundra and this is causing some real angst among the Gundagai and Cootamundra communities – jealousy, envy and indeed hatred is creeping into Council and the community at all levels which makes it impossible for governance at any level.*[71]

6.5.2 Discussion

It was an inevitable consequence of the 2016 merger that electors resident in the former Gundagai Shire would no longer have their "own" council representatives. In the absence of a system of wards in the merged Cootamundra-Gundagai Regional Council (but see discussion in Section 6.9), all candidates for election stand for the Council as a whole, with electors voting accordingly.

---

[68] Submission #050 to the Commission.
[69] Submission #002 to the Commission.
[70] Submission #010 to the Commission.
[71] Submission #039 to the Commission.

Many submissions focused on the fact of an imbalance in representation suggesting that now Gundagai residents only elect three councillors who are residents of Gundagai. Previously, Cootamundra had nine councillors and Gundagai eight. Now CGRC has nine councillors. For residents of the former Gundagai shire their representation has been diluted from approximately one councillor per 470 residents to one councillor per 1,278 residents.

While the level of representation has changed since 2016, that does not in itself mean that the merger process conducted in 2016 was in some way flawed.

The feeling espoused by so many residents of the former Gundagai Shire that their representation has been diluted since the 2016 merger understandably reflects the population differential between Cootamundra and Gundagai, the distance between the two centres, the much higher ratio of councillors to residents than existed previously, and the Council's administrative centre now being in Cootamundra. This feeling has probably been exacerbated following the December 2021 local government elections, with Council electing a Cootamundra-based councillor as Mayor in place of the former Gundagai-based Mayor.

The Commission understands that there is often a much stronger connection felt by people in non-metropolitan areas with their local councils and councillors. This reflects, to a large extent, the smaller populations in rural council areas, the higher councillor to resident ratio and the greater likelihood that councillors will be personally known to (or at least recognised by) local residents.

However it is also likely that in any rural shire where there is one more populous town, candidates from that town will be more able to gain election. This would apply in most rural councils, not only those that may have been merged. It would likely have applied in the former shires of Cootamundra and Gundagai before they were merged.

Smaller towns and villages in any LGA are far less likely to have their "own representative(s)" in council. However the Commission appreciates that this may not be seen as an issue in an LGA where distances are less and where the residents of the smaller towns and villages have more of a connection with the population centre through employment, shopping and personal relationships.

The nine CGRC councillors have a responsibility to serve the collective interests of the whole community, not the town or village they happen to live in – nor the former shire they lived in[72]. Nevertheless it is clear to the Commission that the Gundagai residents largely feel that their needs are not being properly served by the current arrangements. It is also clear from many of the submissions and statements at the Inquiry sessions that this feeling has not lessened since 2016 – and will not as long as they feel they have lost representation.

The Council has suggested that if the demerger Proposal is implemented, a new Cootamundra council should have 7 councillors and a new Gundagai council should have 5 councillors.[73] On those numbers Cootamundra residents would have a representation ratio of about 1,100 per councillor and Gundagai about 750 per councillor. The Commission has no strong views on this suggestion but notes as at June

[72] See, in particular, section 232(1)(d) of the Act.

[73] Drew #3 p31.

2019 (the latest data published by OLG) of the 13 Category 9 rural councils in NSW[74], none has fewer than 7 councillors. One has 7, three have 8, six have 9, two have 10 and one has 12 councillors.

The Commission would be concerned that a council with only five councillors may experience difficulties from time to time in ensuring a quorum for its meetings.

[74] Excluding Central Darling Shire which has an Administrator.

6.6 Service Delivery and Facilities

Section 263(3)(e1) of the Act requires the Commission to have regard to:

> *"the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities".*

6.6.1 Submissions and presentations made

The following table shows the number of written submissions that addressed this factor -

Written submissions addressing this factor		
Submitted to Commission	**Submissions addressing this factor**	**As a percentage of total submissions**
169	15	9%

The Act does not provide guidance as to what is adequate, equitable and appropriate recognizing that this is a matter for the Commission. What is immediately apparent is that if the Proposal is implemented then the ability of the existing council to function will be impaired. The Deloitte report suggests that this will be a more significant issue for the new Gundagai council.

Most of the submissions received on this factor referred either to the failure of the 2016 merger benefits to arise or to the current financial position of the Council. While both of these issues impact on the Council's ability to fund an appropriate range of services, financial issues are dealt with in Section 6.1.1.

Some submissions however did discuss specific services or specific locations –

> *Since the merger occurred our local services have degraded. In the local roads, repairs which used to be done with bitumen are now done with a spray of tar and some gravel. Storm damage takes longer to be remediated … We have less visibility of local council workers on our streets. You know, we look around and you only see a handful of council vehicles and council workers in our community.*[75]

> *There are less local services – for lots of Council services we go through the Cootamundra office who don't always understand the needs of our littler community.*[76]

However two residents challenged the view that the current Council was failing to provide adequate services in Gundagai or argued that any shortcomings were not necessarily of the Council's doing -

> *Many in Gundagai need to take a good look around their town and then also at Cootamundra and realise they are not getting the raw deal in this relationship, as some in their community*

[75] Presentation by Tony Tunstell to the Inquiry.
[76] Submission #008 to the Commission.

have led them to believe. In some areas, Gundagai is ahead of Cootamundra, especially in tourism infrastructure. And yet, the narrative persists.[77]

However, as in the present situation of the merging of the councils with a larger town, there is evidence of parochialism and the "small person" syndrome vis-à-vis Cootamundra. The ongoing Gundagai Council in Exile is evidence of this. The sometimes bolshy and protective attitudes of elements within Gundagai are having a detrimental impact on the administration of the merged council.[78]

And one resident, while not arguing that services were inadequate or poorly managed, did question the cost of Council's duplication of services -

Efforts do seem to have been made by the Council to provide Equity, resulting in an "If one town gets something we have to duplicate it in the Other" approach, but this seems to have resulted in substantial over-investment and inappropriate servicing.[79]

Specifically on the issue of service planning and provision, the current CGRC Mayor stated –

The two communities are different and their priorities are different. This creates huge problems with the planning process. The community strategic plan has to somehow cover the two different communities, their priorities and visions for the future. The former LEPs are different because each community has different needs and objectives. To come up with some unified, integrated planning process is obviously going to be some watered-down attempt to provide a unified direction for two entirely different communities. As a result, we are seeing community disengagement.[80]

6.6.2 Discussion

As noted elsewhere, the Commission's role does not include investigating individual complaints or reviewing the performance of local councils. However complaints about service may reflect underlying issues such as a council's financial capacity.

NSW councils are required to use the Integrated Planning and Reporting (IP&R) framework introduced by the NSW State Government to help improve the way they plan for the future, and to ensure council planning is reflective of communities' needs. While this approach does (and cannot) not guarantee that every community need will be met, it does ensure a substantial degree of community involvement and regular reporting against the main deliverables. The IP&R requirements apply to the current CGRC and would apply to the two resulting councils if this Proposal were implemented.

The Commission notes that since the 2016 merger, CGRC has commenced, completed or is currently undertaking a number of capital works across the LGA including –

- replacement of the Gundagai sewerage treatment plant
- upgrade of Cootamundra water mains

---

77 Presentation by Nina Piotrowicz to the Inquiry.
78 Presentation by Richard White to the Inquiry.
79 Submission # 068 to the Commission.
80 Presentation by Mayor Charlie Sheahan to the Inquiry.

- timber haulage roads in the Gundagai area
- Jubilee Park enhancement
- upgrade of Sheridan St, Gundagai
- timber bridge upgrades.

While much of this capital investment has been grant-funded, CGRC has also applied its own reserves and borrowings to support these investments.

In addition to LGA-wide activities such as road maintenance, building and environmental services, CGRC currently provides the following services –

- libraries in Cootamundra and Gundagai
- swimming pool/aquatic centre in Cootamundra and Gundagai
- cemeteries in Cootamundra, Gundagai and a number of other smaller towns and villages
- water supply and sewerage services in Cootamundra, Gundagai and other locations
- numerous parks in Cootamundra, Gundagai and other smaller towns and villages
- sporting grounds in Cootamundra, Gundagai and other locations
- visitor information centres in Cootamundra and Gundagai
- waste depots/transfer stations in Cootamundra, Gundagai, Wallendbeen and Stockinbingal
- saleyards in Cootamundra and Gundagai.

Any council's ability to provide adequate, equitable and appropriate services and facilities depends to a significant extent on its financial capacity. The Commission notes that the Deloitte projections indicate that a demerged Gundagai Shire's financial capacity would be significantly more constrained than either a demerged Cootamundra Shire or a continuing merged CGRC.

Countering this are the arguments put forward by a number of speakers at the Commission's Inquiry sessions and in written submissions that, in providing services, a demerged Gundagai Shire Council would benefit from the high level of volunteer work by residents that existed previously and that residents would be prepared to accept further rate increases as the price for a return to a demerged shire. The latter argument in particular has not been tested by the Commission.

6.7 Employment Impacts on Staff

Section 263(3)(e2) of the Act requires the Commission to have regard to:

> *"the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned".*

6.7.1 Submissions and presentations made

The following table shows the number of written submissions that addressed this factor -

Written submissions addressing this factor		
Submitted to Commission	**Submissions addressing this factor**	**As a percentage of total submissions**
169	24	14%

This issue was addressed by councillors, staff and residents. Many expressed concern at the impact of the merger on the well-being of existing CGRC staff -

> *There is no equality, council staff moral is at an all time low, long standing staff are leaving, we are on our third general manager since the merger, volunteer workers have dropped right off, not wanting to be a part of the toxic environment that now exists.*[81]

> *Recently six long-serving Gundagai staff members have resigned. Why? If you look further into the reasons why, the answers lie within the toxic work environment created by the forced merger.*[82]

> *We have lost far too much knowledge, experience and too many quality people, due to the exodus of council staff because of the merger, and staff morale continues to decline.*[83]

An extremely concerning issue that was put to the Commission was the impact on the mental health of the staff. This was raised in a number of submissions and presentations and appears to stem both from internal conflicts within the Council (ie the polarisation of staff views relating to the merger impacting on working relationships) and allegations of inappropriate behaviour by some residents in their dealings with staff. Because of the seriousness of this issue, the Commission deals with it in more detail in section 6.11 of this Report.

[81] Submission #080 to the Commission.
[82] Presentation by Pip McAlister to the Inquiry.
[83] Presentation by Cindy Smith to the Inquiry.

6.7.2 Discussion

6.7.2.1 The Legislative Provisions

The Act contains a number of provisions dealing with staff and staff numbers where LGA boundaries change.

Firstly, section 354C provides that there can be no forced redundancies (other than of a senior staff member) by a council during a boundary change "proposal period".[84]

In the case of the merger of Cootamundra and Gundagai shires, section 354F of the Act prohibited the use of forced redundancies for a period of three years after the date of staff transfer. This period would have taken effect on 12 May 2016 (the date of the Governor's Proclamation) and would have concluded in May 2019.

However with the submission of the proposal by Gundagai Council-in-Exile Inc on or about 16 October 2018, section 354C of the Act again came into effect, triggering the start of a new proposal period. That proposal period would have ended on 20 July 2021 when the then Minister announced that the proposal would not be implemented.

And again, with the submission of the demerger proposal by the Cootamundra-Gundagai Regional Council in June 2021, a further proposal period commenced under section 354C and continues at the time of this Report.

Thus Cootamundra-Gundagai Regional Council has been statutorily barred from making any forced redundancies since May 2016, a period (to date) of over 6 years.[85] This may have impacted on CGRC's financial position and hence on the Commission's examination of the financial advantages and disadvantages of the current Proposal.

Secondly, section 218CA applies to a council (a) that is "constituted" (ie created) by the amalgamation of two or more areas or (b) whose geographical area is increased as a result of the alteration of the boundaries of two or more areas. It provides that such a council must ensure that the number of regular staff of the council employed at any rural centre is, as far as is reasonably practicable, maintained at not less than the same level of regular staff as were employed by the previous council at the centre immediately before the amalgamation or alteration of boundaries took place.

For this purpose, a "rural centre" is defined as a centre of population of 5,000 people or fewer. Following the 2016 amalgamation of Cootamundra and Gundagai shires, the town of Gundagai would have fallen within this category and CGRC has been required to maintain employment numbers there.

---

84 That is, a period commencing from the date the proposal is submitted to the Minister and ending either (i) on the date the Minister decides not to recommend its implementation or (ii) if the Minister recommends to the Governor that the proposal be implemented, immediately before the date specified in the Proclamation implementing the proposal.

85 The Commission is making no judgement as to whether forced redundancies would have been an appropriate mechanism for the Council to achieve savings.

In the event of the Proposal not being implemented, CGRC will continue to be required to maintain employment numbers in Gundagai at the May 2016 level. This requirement continues indefinitely. This could constrain a continuing CGRC in any downsizing strategies it may want to implement as part of its Long Term Financial Strategy, as any proposed reduction in numbers would have to be concentrated on staff based in Cootamundra.

If the Proposal is implemented, neither of the newly-demerged Councils would be captured by section 218CA as the provision only applies to merged councils.

Thirdly, section 354F of the Act deals with staff transferred as a result of boundary changes. It prohibits the use of forced redundancies (other than for senior staff) for a period of three years after the date of staff transfer. In the case of the merger of Cootamundra and Gundagai shires, this period would have taken effect on 12 May 2016 [check] (the date of the Governor's Proclamation) and concluded in May 2019 ie concurrently with the redundancy provision of section 354C.

If the Proposal is implemented, then a fresh 3-year period of statutory protection will apply to staff transferred from CGRC to the two new councils.[86] While this will impact both new councils, it may be more problematic for a demerged Gundagai.

It cannot be assumed that a new Gundagai Council would come into existence with the number of employees that existed at the date of amalgamation (and which number has been maintained). In the absence of any specific proclamation by the Governor on this matter, the allocation of staff and staff numbers between the two councils would be one of the issues they would need to negotiate. In the event of the de-amalgamation being implemented, the number of CGRC positions currently vacant (unless filled) may assist in reducing the number of approved positions and achieving savings for both demerged councils.

[86] See section354F of the Act – no forced redundancies.

6.8 Rural Impacts

Section 263(3)(e3) of the Act requires the Commission to have regard to:

> *"the impact of any relevant proposal on rural communities in the areas concerned".*

6.8.1 Submissions and presentations made

The following table shows the number of written submissions that addressed this factor –

Written submissions addressing this factor		
Submitted to Commission	**Submissions addressing this factor**	**As a percentage of total submissions**
169	4	2%

CGRC, in its submission, pointed to the distances involved between many of the villages and outlying communities, particularly as part of the merged LGA –

> *To give village residents an opportunity to meet with Councillors, in many cases, involves over an hour travel time to and from these locations for most Councillors. Village residents are being disadvantaged due to the distance ... The idea of holding Council meetings in villages has proved impossible due to distance, technology issues and time. These meetings in the past were very beneficial for village residents to get to know their councillors, understand the council process and to put forward village issues.*[87]

6.8.2 Discussion

The Commission interprets this factor as relating to communities outside the main centres of Cootamundra and Gundagai. "Communities" in this sense included the various towns and villages, as well as residents and ratepayers on agricultural properties.

The Commission noted that very few submissions specifically addressed this factor. Matters raised around the delivery of council services and the impact of rate harmonisation as well as the impact of the SRV have been considered by the Commission under 263(3)(e1) and 263(3)(a).

On one view the continuation of a larger council (ie CGRC), being more financially sustainable after the approval of the SRV, will be better placed to ensure the maintenance of its assets, especially the road and bridge infrastructure which is vital to the economic future of the area. The SRV Addendum expressly referred to the approval of the SRV as allowing capital works on transport assets to be 'increased.'[88]

To that proposition it needs to be said that, whether or not the Proposal is implemented, all residents and ratepayers whether in the larger urban centres or in the rural communities will be impacted by the continuing budgetary challenges facing their council.

---

[87] CGRC submission to the Commission.

[88] SRV Addendum p7.

6.9 Wards

Section 263(3)(e4) of the Act requires the Commission to have regard to:

> *"in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards".*

This factor does not apply to the Commission's examination as the Proposal does not relate to an amalgamation of two or more areas.

Regardless, the introduction of wards in a continuing CGRC would not appear to offer any solution to the many arguments put to the Commission by Gundagai residents about the "loss of representation".

Section 210(7) of the Act requires that the number of electors in each ward must not vary by more than 10 per cent. Based on the populations of each of the former shires (elector numbers not being available), it is likely that a 3-ward system would result in one Gundagai-based ward returning one-third of the elected councillors, the same proportion as currently. To satisfy the requirements of section 210(7), a 2-ward system that covered the former Gundagai shire area would also need to include a significant number of electors from the former Cootamundra shire, potentially impacting the number of Gundagai-based councillors.

6.10 Opinions of Diverse Communities

Section 263(3)(e5) of the Act requires the Commission to have regard to:

> *"in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented".*

This factor does not apply to the Commission's examination as the Proposal does not relate to an amalgamation of two or more areas.

6.11 Other Issues

Section 263(3)(f) of the Act requires the Commission to have regard to:

> *"such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas".*

6.11.1 Submissions and presentations made

The following table shows the number of written submissions that addressed this factor –

Written submissions addressing this factor		
Submitted to Commission	**Submissions addressing this factor**	**As a percentage of total submissions**
169	78	46%

While there were many submissions that included comments labelled as 'other issues', most of these were in respect of the animosity between the two communities, council staff travel costs and the impact of the merger on the mental health of staff and the broader community.

With the exception of the mental health issue, the other points raised have been taken into account by the Commission in its examination of the other factors in this Report.

A very large number of submissions to the Commission and speakers at the Inquiry sessions raised the issue of mental health, far more than during the Commission's examination of the previous proposal –

> *The mental health decline and stress in our community is palpable and has been recognised by the medical and clergy professions in both communities.*[89]

> *The comment was made recently to the former Mayor, by a long serving Gundagai Council and GCRC employee – "Every time I know I have to go to the Cootamundra office to work, I just feel like driving into a tree". That is appalling. When I mentioned this just last week to another long serving employee from Gundagai – her comment was – "Don't we all".*[90]

> *The jealousy and hatred that is developing between the two communities has grown enormously since the last inquiry some 18 months ago.*[91]

[89] Submission #061 to the Commission.
[90] Submission #129 to the Commission.
[91] Submission #029 to the Commission.

A former CGRC Deputy Mayor and long time councillor on both the former Cootamundra and CGRC councils spoke at length on this issue -

> *There are now toxic work place conditions emerging between the common workforce of the merged councils shown by recent resignations, and by the general talk in the town.*[92]
>
> *Council staff is one of the most valuable assets we have, and I am very frustrated and very concerned at the morale. It's the lowest morale I have ever seen, and I'm looking for a better word, but the work environment could be tagged as being "toxic" … .*
>
> *Mental wellbeing has never been high on my agenda, but I can certainly feel and see the results of the mental un-wellbeing. Staff morale now is at the lowest ebb I have ever seen. The workforce has no interaction. Extra stress placed on the administration staff is evident. It is an unhappy environment. It was never like this before and we owe our staff better.*
>
> *Being a long-term councillor I have a good rapport with many council workers. So many of them have commented on the anxiety and stress of their position and they are extremely concerned about their long-term future with family and financial commitments. An unhappy workforce - an unhappy work environment does not produce the best outcomes.*[93]

At another of the Commission's Inquiry sessions, a recently retired practising psychologist stated -

> *... the thing that concerns me most is the impact on the people, in particular the staff. Shortly after amalgamation … when I suddenly started getting referrals of staff members with anxiety, stress, depression, and whom I ultimately diagnosed with PTSD, I thought "This is not right." And then I'd be called to critical instances, as we call them in the game, where you are called to debrief a staff on some issue that's occurred that has caused a great deal of stress for the staff. Now, I was called to Gundagai several times and … it was very clear that there was a high level of animosity between the two groups of people, which I didn't expect.*[94]

Indeed, Mayor Sheahan felt it necessary to bring this issue to the community's attention –

> *I ask residents to treat Council staff with respect as they carry out their duties. There is no need for abuse, nor criticism directed at staff.*[95]

6.11.2 Discussion

The claims about the impact on the mental health of Council's staff are very concerning to the Commission. This issue was raised in many submissions and presentations and appears to stem both from internal conflicts within the Council (ie the polarisation of staff views relating to the merger impacting on working relationships) and allegations of inappropriate behaviour by some residents in their dealings with staff.

---

[92] Submission #013 to the Commission.
[93] Presentation by Dennis Palmer to the Commission.
[94] Presentation by Robyn Fowkes to the Inquiry.
[95] CGRC Community News, Edition 92, May 2022.

In terms of the impact on staff well-being, it is recognised that any substantial organisational change can be stressful to those involved. Normally, provided it is well-managed, staff can generally see that the stress of change and disruption will be temporary. However where people outside the organisation are strongly opposed to the change, it is much more difficult to manage the impact on staff.

Had the community largely accepted the 2016 merger, it is unlikely that most staff would be faced with the continuing tensions as evidenced above. But that is not what happened, and staff are still feeling the impact. In the event of this Proposal not being implemented, the Commission cannot see any early end to the widely held antipathy to the merger itself and to the Council and, unfortunately in some instances, to Council staff.

Attachment 1

Copy of the Gundagai Cootamundra Regional Council covering letter to the Business Case

COOTAMUNDRA-GUNDAGAI REGIONAL COUNCIL

ABN: 46 211 642 339
PO Box 420, Cootamundra NSW 2590
Ph: 1300 459 689 Fax:02 6940 2127
Email: mail@cgrc.nsw.gov.au
www.cgrc.nsw.gov.au

Cootamundra Office
81 Wallendoon Street,
Cootamundra NSW 2590

Gundagai Office:
255 Sheridan Street,
Gundagai NSW 2722

REC-210706-MMC-153700

The Hon. Shelley Hancock, BA, DipEd, MP
Minister for Local Government
Member for South Coast
PO Box 2015
Sydney NSW 2001

Dear Minister,

RE: Business Case for the Demerger of Cootamundra-Gundagai Regional Council

At its Ordinary Meeting held 29th June, 2021 Council Resolved (Min. no.163/2021):

That Council writes to the Minister for Local Government to ensure that the current proposal of de-amalgamation, including Business Case as previously submitted, and now resubmitted, is considered in line with the new Section 218CC of the Local Government Act.

Should you require further information or wish to discuss the matter please do not hesitate to contact me on 0428 441 300.

Yours faithfully

Abb McAlister
Mayor

6 July 2021

Page 1 of 1

Attachment 2

Copy of Minister's letter referring the proposal to the Boundaries Commission

The Hon. Shelley Hancock MP
Minister for Local Government

Ref: A781974

Mr Bob Sendt
Chairperson
Local Government Boundaries Commission
Locked Bag 3015
NOWRA NSW 2541

By email: Bob.Sendt@lgbc.nsw.gov.au

Dear Mr Sendt

On 6 July 2021 I received the attached business case from Cootamundra-Gundagai Regional Council under section 218CC of the *Local Government Act 1993* (the Act) setting out a proposal (the Proposal) for the de-amalgamation of the Council by reconstituting its former areas of Cootamundra Shire and Gundagai Shire.

As required by section 218CC(2) of the Act, I hereby refer the Proposal to the Local Government Boundaries Commission. Further, in accordance with that section, I note that I am required by section 218CC(2) to direct that the Commission conduct an inquiry and report on the Proposal.

I note the Local Government Boundaries Commission has previously reported on the same proposal from Cootamundra-Gundagai Regional Council and the Government publically released the report and its response on 20 July 2021.

Yours sincerely

The Hon. Shelley Hancock MP
Minister for Local Government

Enc: Business Case containing de-amalgamation proposal and covering letter of 6 July 2021.

GPO Box 5341 Sydney NSW 2001 ▪ P: (02) 8574 5400 ▪ W: nsw.gov.au/ministerhancock

Attachment 3

Copy of LGBC's public notice dated 22 March 2022

Local Government Act 1993

NOTICE OF LOCAL GOVERNMENT BOUNDARIES COMMISSION EXAMINATION AND REPORT INTO A PROPOSAL TO DE-AMALGAMATE THE COOTAMUNDRA-GUNDAGAI REGIONAL COUNCIL AREA

Pursuant to section 218CC(2) of the *Local Government Act 1993*, the Minister for Local Government has referred to the Local Government Boundaries Commission (LGBC) a business case proposing the de-amalgamation of the Cootamundra-Gundagai local government area. The effect of the proposal, if implemented, would be to re-establish the former Gundagai and Cootamundra Shire Council areas.

Call for written submissions
Written submissions are invited from members of the public. Submissions should preferably address one or more of the factors listed in section 263(3) of the Act.

The Commission cannot automatically carry forward previous submissions in examining the current proposal. However anyone wanting the Commission to take into account their earlier submission should write to the Commission requesting this.

Submissions by email to eo@lgbc.nsw.gov.au or by mail to LGBC Executive Officer Locked Bag 3015, Nowra NSW 2541 must be received by COB 2 May 2022.

Public Inquiry
A public inquiry in relation to the proposal will be held under section 263 of the *Local Government Act 1993* at the following times and venues:

Venue 1: Cootamundra Ex-Services Club, 299 Parker Street, Cootamundra	**Venue 2:** Gundagai District Services Club, 254 Sheridan Street, Gundagai
Wednesday 27 April 2022	**Thursday 28 April 2022**
Session 1: 5:30pm – 7:00pm	Session 1: 4:30pm – 7:00pm
Thursday 28 April 2022	**Friday 29 April 2022**
Session 2: 9:30am – 12:00pm	Session 2: 9:30am – 12:00pm

Registration Requirements
All members of the public wanting to attend the public inquiry should register, nominating the session they want to attend. Speakers will be allotted four (4) minutes to address the Commission. Attendees wanting to address the inquiry should indicate this when registering.

A failure to register may mean you may be unable to attend the session of your choice and/or address the inquiry. Registrations for each session will close if the maximum number of attendees is reached. Priority will be given to those addressing the public inquiry. Registrations will open from Tuesday 22 March 2022 and can be made at www.olg.nsw.gov.au/lgbc or by contacting the Executive Officer on (02) 4428 4160.

The inquiry proceedings will be webcast live for those unable to attend the venue. The webcast will be accessible through the Boundaries Commission webpage.

For more information contact the Executive Officer or visit www.olg.nsw.gov.au/lgbc

Attachment 4

Section 263(3) of the *Local Government Act 1993*

(3) When considering any matter referred to it that relates to the boundaries of areas or the areas of operations of county councils, the Boundaries Commission is required to have regard to the following factors:

(a) 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,

(b) the community of interest and geographic cohesion in the existing areas and in any proposed new area,

(c) the existing historical and traditional values in the existing areas and the impact of change on them,

(d) the attitude of the residents and ratepayers of the areas concerned,

(e) the requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area,

(e1) the impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities,

(e2) the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned,

(e3) the impact of any relevant proposal on rural communities in the areas concerned,

(e4) in the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards,

(e5) in the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented,

(f) such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas.