

Proposal to De-amalgamate  
Cootamundra Gundagai Regional  
Local Government Area

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

14 July 2025

# Local Government Boundaries Commission

Letter to Minister from LGBC

Local Government  
Boundaries Commission

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The Hon. Ron Hoenig MP  
Minister for Local Government  
GPO Box 5341  
SYDNEY NSW 2001

Dear Minister

**Proposal to alter the boundary of Cootamundra-Gundagai Regional Council Local  
Government area and create a new local government area**

On behalf of the Local Government Boundaries Commission, I have pleasure in providing  
our report on the above proposal under section 215 of the *Local Government Act 1993*.

Yours sincerely



Peter Duncan AM  
Chair  
Local Government Boundaries Commission

14 July 2025

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# Local Government Boundaries Commission

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## Glossary of terms used

Term	Meaning
Act	Local Government Act 1993 (NSW)
area	Local government area constituted under the Act.
Boundaries Commission	The Local Government Boundaries Commission established under section 260 of the Act.
CGRC	Cootamundra-Gundagai Regional Council
Demerger or de-amalgamation	The dissolution of CGRC and creation of two new council areas that align with the former Cootamundra and Gundagai local government areas.
DTP	Demerger Transition Plan
FSP	Financial Sustainability Plan
LGA	Local Government Area
Minister	New South Wales Minister for Local Government
OLG	The Office of Local Government
Proposal	The Proposed submitted by Cootamundra-Gundagai Regional Council pursuant to section 215(1) of the Local Government Act dated 28 March 2024 as described in [1718]
TPMO	Transition Project Management Office

## Background to the report

1. The Local Government Boundaries Commission has been referred a proposal made pursuant to section 215 of the *Local Government Act 1993* (the **Act**) by Cootamundra Gundagai Regional Council (CGRC) for that Council's area to be dissolved and two new local government areas to be declared (the **Proposal**). The boundary of each new council would coincide with the boundaries of the former Cootamundra and Gundagai local government areas that existed prior to 12 May 2016.
2. At the same time that the Minister has referred the Proposal to the Boundaries Commission, the Minister also referred the Proposal for public inquiry (the **Inquiry**). The Terms of Reference to the Inquiry are as follows:

*To enquire and report to the Minister for Local Government with respect to the Cootamundra-Gundagai Regional Council (Council) proposed Implementation Plan (comprising a Detailed Transition Plan, Task Schedule and Financial Sustainability Plan) as lodged by Council as a formal proposal on 21 March 2024 to create two new Councils from the existing Council including advising whether:*

- 1) *if the governing bodies of the new Councils were to implement the proposed Implementation Plan, would this create the potential for:*
  - *sustainable financial path for the ongoing operation of the two Councils;*
  - *strong and effective leadership in a manner consistent with the guiding principles set out in sections 8A, 8B and 8C of the Act;*
  - *effective management of responsibilities relating to long term financial planning, public land management and provision of services.*
- 2) *the area of Cootamundra-Gundagai Regional Council should be dissolved pursuant to section 212 to enable the proposal to create two new Councils to be implemented;*
- 3) *any other matter that warrants mention, particularly those that may impact on the effective administration of the future Councils' functions and responsibilities or the community's confidence in the Council being able to do. The Commissioners may make recommendations as the Commissioners see fit having regard to the outcomes of the inquiry, including whether all civic officers at Cootamundra-Gundagai Regional Council should be declared vacant.*

3. Under section 212 of the Act, a public inquiry is required before a local government area can be dissolved. The Inquiry will specifically address that legal requirement.
4. Notwithstanding the convening of the Inquiry, a proposal made under section 215 (1) of the Act is also required to be referred to the Boundaries Commission. Section 218 of the Act provides:
  - (1) *If the Minister decides to continue with the proposal, the Minister must refer it for examination and report to the Boundaries Commission.*
  - (2) *The Minister may recommend to the Governor that the proposal be implemented –*
    - a) *with such modifications as arise out of the Boundaries Commission's report, and*
    - b) *with such other modifications as the Minister determines but may not do so if of the opinion that the modifications constitute a new proposal.*
  - (3) *The Minister may decline to recommend to the Governor that the proposal be implemented.*
5. Section 263 of the Act then mandates the functions of the Boundaries Commission once a matter is referred to it. Section 263 provides:
  - (1) *The Boundaries Commission is required to examine and report on any matter with respect to the boundaries of areas and the areas of operation of county councils which may be referred to it by the Minister.*
  - (2) *For the purpose of exercising its functions, the Boundaries Commission –*
    - (a) *may hold an inquiry if the Minister so approves, and*
    - (b) *must hold an inquiry if the Minister so directs, but may not hold an inquiry otherwise than as referred to in paragraph (a) or (b).*
  - (2A) *Despite subsection (2), the Boundaries Commission must hold an inquiry for the purpose of exercising its functions in relation to a proposal for the amalgamation of two or more areas that has been referred to it in accordance with section 218F.*
  - (2B) *Reasonable public notice must be given of the holding of an inquiry under this section.*
  - (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 impacts 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.*
- (4) The Boundaries Commission is not entitled to examine or report on any matter relating to the area of operations of a county council constituted or proposed to be*

*constituted for the supply of electricity.*

*(5) The Boundaries Commission must allow members of the public to attend the inquiry held by the Commission under this section.*

*(6) The Boundaries Commission may continue with an examination or inquiry even though a Commissioner or Acting Commissioner replaces another Commissioner during the course of the examination or inquiry.*

*(7) The Supreme Court may not make an order in the nature of prohibition in respect of, or an order for removing to the Court or quashing, any decision or proceeding made or conducted by the Boundaries Commission in connection with the exercise of its functions.*

6. This report addresses the requirements of section 263 based on the Proposal as currently presented by CGRC.

7. The Boundaries Commission is currently constituted by the following persons:

(a) Mr Peter Duncan AM (Chair)

(b) Ms Ruth Fagan (Commissioner)

(c) Mr Rick Firman OAM (Commissioner)

(d) Ms Erica van den Honert (Commissioner appointed 17 April 2025)

8. The Commissioners, (other than Ms van Den Honert), along with Mr Douglas Walther, were also appointed as Commissioners of the Inquiry, however, each of the Commissioners are cognisant of their different statutory function in their role as Commissioners of the Boundaries Commission. This report addresses the Proposal having regard to the requirements of the Boundaries Commission but has regard to both the documentary material presented and oral evidence presented to the Inquiry. The Commissioners also have the benefit of the interim report that has been prepared for the purpose of the Inquiry and will cross-refer to the Interim Report of the Public Inquiry as appropriate. Ms van Den Honert has not been involved in the deliberation of this proposal.

## Summary and Recommendation

9. Following their consideration of the Proposal and the factors contained in section 263 of the Act, the Commissioners endorse and adopt the summary of the Proposal, and the recommendations contained in the Interim Report of the Public Inquiry as follows:



The Proposal seeks to achieve two outcomes:

- (a) the dissolution of the CGRC local government area under s. 212 of the Act; and
- (b) the creation of two new local government areas of Cootamundra and Gundagai under s. 204 of the Act that have boundaries coincident with the former council areas.

In effect, the Proposal seeks to 'demerge' the CGRC.

The Proposal outlines a pathway to these two outcomes. It provides preliminary financial modelling to demonstrate the consequences of the creation of separate Cootamundra and Gundagai councils. It undertakes high level risk analyses and identifies opportunities for shared services and co-operation between the proposed new councils to demonstrate that the resultant councils will be viable entities.

The Proposal identifies two further stages of work to be completed (referred to as Phase 2 and Phase 3) that will identify with greater specificity and certainty the allocation of assets, liabilities, funding, staffing, etc., to facilitate a 'demerge' of CGRC.

It is proposed that a Transition Project Management Office be established within CGRC with a view to employing necessary key staff that will need to be ready to start on 'Day 1' of the proposed new councils, to pre-negotiate shared services agreements, and undertake necessary audits and allocations of assets, liabilities, funding, staffing, etc.

The dissolution and creation of council areas are to be completed by way of proclamation by the Governor. Section 213 of the Act anticipates that the proclamation will cover all necessary matters for, among other things, the transfer of assets, rights and liabilities, staff and funding for a new council to be functional from the date of proclamation. Any proclamation will need to be very detailed given CGRC and the new councils need to cease and commence (respectively) simultaneously.

It is evident from the Proposal that Phase 2 and Phase 3 are necessary to be completed before an effective proclamation may be drafted and made. However, the Commissioners are of the view that the Proposal provides sufficient information to allow a recommendation to be made that the Minister give CGRC 'in principle' support to pursue the dissolution of the CGRC local government area and the creation of two new areas aligned with the areas of the former Cootamundra and Gundagai councils. This recommendation is subject to the Minister being satisfied with CGRC's arrangements for the funding of Phase 2 and Phase 3 under the Proposal being secured (in the sum of up to \$3 Million) – via State government funding or otherwise.

*If the critical issue of funding for Phase 2 and Phase 3 can be resolved, the Commissioners make additional observations of matters to be considered during those phases.*

*It is further recommended that CGRC be given a timeline for completion of the tasks envisaged in Phase 2 and Phase 3. Based on the time estimations provided in the Proposal, it is recommended that Phases 2 and 3 (including the drafting of a proposed proclamation) be completed by 31 May 2026, with a view to the proclamation (and the 'demerge') taking effect by 1 July 2026. As part of that proclamation, local council elections should be proposed to take place in September 2026 for a two-year term so as to align the subsequent election with the regular local government election cycle (the next regular election being due in 2028).*

## Background to the Proposal

10. As noted in the Interim Report of the Public Inquiry, the current CGRC was created by Proclamation published in the New South Wales Government Gazette on 12 May 2016. It was the result of the amalgamation of the former Gundagai and Cootamundra local government areas. 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.
11. From the time the proposed amalgamation of the two councils was announced, overwhelming opposition has been expressed by the local community. That opposition continued after the local government area of the CGRC was proclaimed. This opposition led to the first attempt to seek the demerger of the two councils.
12. The first proposal was an elector-initiated proposal to the Minister under section 215(1) of the Act submitted on 16 October 2018 (First Demerger Request) made with the unanimous support of the CGRC councillors. The then Minister for Local Government referred the First Demerger Request to the Local Government Boundaries Commission for review and report on 25 February 2020. The Boundaries Commission finalised its review of that proposal and submitted its report recommending against demerger 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 First Demerger Request to the Governor.
13. A second attempt to secure the demerger of CGRC was submitted pursuant to section 218CC of the Act on 6 July 2021 (Second Demerger Request), again with the

unanimous support of the CGRC councillors. On 3 August 2021, the Minister referred the Second Demerger Request to the Local Government Boundaries Commission for examination, consideration and reporting. On 27 July 2022, the Boundaries Commission provided a report to the then Minister for Local Government recommending the Second Demerger Request be implemented. Also on 27 July 2022, a dissenting report of one member of the Boundaries Commission recommending against the demerger was submitted. In October 2023, the Minister for Local Government advised CGRC that advice had been received that section 218CC of the Act did not provide a legal pathway to demerge CGRC. Accordingly, notwithstanding the recommendation of the Boundaries Commission, the Second Demerger Request could not proceed.

14. CGRC was further advised by the Minister that if it wished to again seek demerger, the legal pathway was for the Minister to dissolve the CGRC local government area by proclamation pursuant to section 212 of the Act and create two new areas pursuant to section 204 of the Act. To that end, CGRC was advised it should prepare a detailed implementation plan to create two sustainable councils with a view to that plan being reviewed by the Boundaries Commission and by further public inquiry which would each then make recommendations to the Minister. The advice from the Minister to CGRC was that no funding would be provided by the NSW State government to support CGRC's application to demerge or any subsequent demerger.
15. The Proposal the subject of this report is as the result of the pathway suggested by the Minister for Local Government for CGRC to pursue, for the third time, the demerger of the Cootamundra Gundagai Regional Council. Again, the pursuit of demerger has been unanimously supported by the CGRC councillors.
16. The matters that CGRC was advised it would need to specifically demonstrate to justify a demerger were as follows:
  - (a) where the new boundaries should be;
  - (b) electoral matters such as wards, number of councillors and the method of electing the Mayor;
  - (c) division and sharing of assets and liabilities;
  - (d) allocation of staff as well as management and organisational structures;
  - (e) rate levels and charges; and
  - (f) proposed service standards and shared service arrangements.
17. The Proposal comprises the following documents:

- (a) Demerger Transition Plan – Phase 1 (including transition task schedule) (DTP);
- (b) Financial Sustainability Plan, dated March 2024 (FSP);
- (c) Financial Sustainability Plan Addendum, dated January 2025 (FSP Addendum);
- (d) Response to requests for additional information, dated November 14 2024 (RFI Response); and
- (e) Workforce Management Plan 2025/2029 (WMP).

18. In addition to those documents, Commissioners requested that the public submissions and reports that resulted from the First Demerger Request and the Second Demerger Request be considered as part of the Proposal. CGRC agreed to that request and that earlier material has been considered as part of the Proposal.
19. In addition to having the benefit of the Proposal documents, the Commissioners also have the benefit of the submissions provided in response to the Inquiry. Twenty such submissions were received. This is in addition to the 1399 received in response to the First Demerger Request and the Second Demerger Request.

## The Proposal

20. As noted in the Interim Report of the Public Inquiry, the Proposal was prepared on behalf of CGRC by consultant Peter Tegart of Always Thinking Advisory, a specialist local government advisory firm. Mr Tegart also gave oral evidence to the Inquiry.
21. The Proposal seeks to dissolve the CGRC local government area under section 212 of the Act and to have proclaimed under section 204 of the Act two new local government areas that have the same boundaries as the previous Cootamundra and Gundagai local government areas prior to the merger of the two former councils in 2016.
22. As presently constituted, CGRC is represented by nine councillors, inclusive of the Mayor and Deputy Mayor who are elected by the councillors (as opposed to being directly elected). It is proposed that the new Cootamundra Council would have seven councillors, and the new Gundagai Council would have five and that the Mayors and Deputy Mayors would continue to be elected by the councillors from within their respective number.
23. The nine councillors of the CGRC are fewer councillors than the former two councils (which previously had a combined 15 councillors) but the proposed number of councillors for the new councils would represent an increase in representation overall

compared to the current circumstances and would comply with section 224 of the Act which requires a minimum of five councillors for any local government area. Further, the resultant rate of representation proposed (councillor per number of residents) is similar to the average rate of representation for similar sized rural council areas.

24. It is proposed that neither of the new councils will be divided into wards for the purpose of the election of representatives. This is consistent with the situation that existed prior the merger of Cootamundra and Gundagai councils and the merged area of CGRC.

25. The Proposal acknowledges the logistical challenge that exists in order to establish two new councils. To achieve this, the Proposal sets out three phases of implementation:

*Phase 1* – The scoping phase with a demerger transition plan proposing a high-level approach, timeframe and estimates, a high-level financial sustainability plan to present to the Boundaries Commission.

*Phase 2* – A planning phase with a detailed demerger transition plan following documentation and delineation of the service and asset profiles proposed for the new councils, supported by an updated financial sustainability plan:

- (a) from which appropriate distribution of assets, liability and staffing may be assigned
- (b) with which acceptable asset standards and levels of service may be modelled;
- (c) through which achievable options for utilising existing CGRC assets, systems and programs may be shared, and
- (d) to which affordable funding and resourcing for two sustainable councils may be planned during the first term, then progressed over a 10-year horizon.

*Phase 3* – With relevant documentation and distributions identified, the implementation of the demerger, nominating tasks to be completed prior to and after the proclamation.

26. The Proposal is the high-level Demerger Transition Plan contemplated as Phase 1. The Proposal acknowledges that it is based on a significant collaborative approach to sharing resources or hosting and contracting services or facilities between the two new councils, and by utilising the existing assets, technology and intellectual property of

CGRC to its fullest extent. Precisely what these collaborations would look like are to be established as part of Phases 2 and 3 under the Proposal.

27. As a practical matter, once a decision is made regarding demerger, it is proposed that a Transition Project Management Office (TPMO) would be established within the existing CGRC. The TPMO would recruit 'General Managers-elect' for the new councils who would endorse interim structures for the new organisations enabling the proposed transfer of staff and the task of disentangling technology and financial systems to be established in anticipation of the formal demerge. The Proposal suggests that the councillor elections would occur before proclamation of the new area (see the further discussion about timing at paragraph 84(a)).

28. An interim General Manager would continue to oversee the day-to-day operations of the CGRC pending the creation of the two new councils and the Councillors would continue to carry out their roles in relation to CGRC.

29. Below is the proposed timeframe and task breakdown included in Figure 3 of the Proposal:

	Timeframe	Tasks	Due Date (target)
Prepare for Proclamation	< week	Administrative: appoint key advisors, change contacts, notify bankers/insurer/unions, endorse policies etc	
	< month	Statutory: transfer debts/investments, establish committees/meetings, reassign delegations, leases, contracts etc	
	< quarter	Establishment: general ledger, logo, website, comms plan, registers, distributions, legals, interim structures, recruit, etc	
	< 6 month	Interim: elections, specialist reviews, interim budgets, interim ICT, revise policies, property transfers, risk reviews etc	
New Councils	> 6 month	Strategic: revise IPR, revise AMP, refresh service and asset standards, reset pricing policy, migrate SaaS, trial resource share etc	
	> 1 year	Implementation: signage, LEP/DCP reviews, new IPR-LTFP, org structure, rating path, resource share/hosted facilities etc	

30. The tasks required are further broken down in the Proposal according to theme. The themes adopted were financial, human, technology, asset, project, utilities, risk, governance, planning, communications and services and facilities.

31. In considering these tasks, the Phase 1 DTP considers:

- (a) increases to rates that are likely to be necessary;
- (b) necessary increased staffing levels and wage harmonisation;
- (c) likely increased renewal expenditure, new capital projects and associated

- borrowings and grants;
- (d) gifted and grant funded assets;
- (e) impacts on existing capital programs and asset replacement schedules;
- (f) availability and turnover of skilled staff;
- (g) availability of consultants to accelerate demerger activities and supplement skill gaps;
- (h) opportunities for sharing resources and/or contracting between the new councils;
- (i) the logistics of disentangling technology and financial systems;
- (j) broad time and cost estimates;
- (k) prioritising of tasks;
- (l) risks and opportunities for the new councils.

32. These high-level matters were identified and detailed as a result of input from councillors and staff of CGRC.

33. One of the key conclusions arising from consideration of these matters is that, subject to further due diligence, the cost of demerger is estimated to be in the order of \$2.5M - \$3M. It is accepted in the Proposal that CGRC does not have sufficient unrestricted cash to fund the scoping, planning and implementation of a demerger at that level of cost. It was candidly accepted by Mr Tegart during oral evidence to the Inquiry that either funding from the State government or borrowings would be necessary to fund Phases 2 and 3 under the Proposal.

34. It is proposed that CGRC will continue to bear operational costs as well as preparation and recruitment costs for the new councils, with those costs raised as debts with the relevant new council to be settled upon the final audit of CGRC.

35. It is evident from the Financial Sustainability Plan submitted as part of the Proposal that CGRC's ongoing operational deficits are not sustainable. Without substantial changes to planned growth in revenues and limitations on expenditure, and because of additional staffing costs for the new councils (projected to be between 6 and 10 staff members), it is anticipated that the newly formed councils would also experience annual operating deficits. To address this outcome, several scenarios were prepared (with various adjustments to revenue and expenses being modelled) to lead to a projection of a fully funded operating position for each of the new councils.



36. Based on the 'Preferred Scenario' put forward in the Proposal via the FSP, the following financial interventions would, at least, be required to ensure financial sustainability of the new councils going forward to FY31:

- (a) planned growth in asset servicing, maintenance and depreciation would have to be limited to 2.5%pa, 5%pa, and 2.5%pa respectively;
- (b) planned growth of utilities assets (water, sewer, waste and stormwater) would be limited to 4%pa;
- (c) non-asset services and support services would need to be limited to the value of any CPI-rate peg indexation for respective revenues;
- (d) a \$1.2M one-off uplift in executive and specialist staff costs to be shared between the councils;
- (e) increases to rates of 7.5% x 2 years above the rate peg for Cootamundra;
- (f) increases to rates of 25% x 3 years above the rate peg for Gundagai;
- (g) planned fee growth of 2.5%pa for regulatory, commercial, property and contract services
- (h) planned fee growth of 5%pa for Cootamundra for utility services;
- (i) planned fee growth of 10%pa for Gundagai for utility services;
- (j) fees would need to continue to be indexed (CPI or rate peg) in addition to planned fee growth;
- (k) investment yields through planned improvement to utility funds annual returns would need to grow;
- (l) capital expenditure for renewal of existing assets would need to be limited (or funded with limited debt) with any new or upgraded assets to be fully funded by grants contributions or cash-backed reserves.

37. Even with those measures, the Proposal acknowledges that the new councils would have a rating of 'moderate' (Cootamundra) and 'weak' (Gundagai) if measured against the sustainability rating criteria adopted by Treasury Corp's previous model adopted when considering the merger program in 2014-2015. CGRC currently rates as 'moderate' using the same criteria.



<p>OLG</p> <p>Interventions required</p> <p>↑</p>	<b>Strong</b>	strong capacity to meet its financial commitments in the short, medium and long-term. record of operating surpluses and may occasionally report minor operating deficits. It is able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes likely to result in only minor changes to the range of and/or quality of services offered
	<b>Sound</b>	adequate capacity to meet its financial commitments in the short, medium and long-term record of minor to moderate operating deficits expected to regularly report operating surpluses able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes some changes to the range of and/or quality of services offered
	<b>Moderate</b> CGRC CC	adequate capacity to meet its financial commitments in the short to medium-term acceptable capacity in the long-term record of reporting minor to moderate operating deficits likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes number of changes to the range of and/or quality of services offered
	<b>Weak</b> GC	acceptable capacity to meet its financial commitments in the short to medium-term limited capacity in the long term. reporting moderate to significant operating deficits with a recent operating deficit being significant. unlikely to be able to address its operating deficits, manage unforeseen financial shocks, and any adverse changes will need significant revenue and/or expense adjustments significant changes to the range of and/or quality of services offered.

38.The Proposal also acknowledges and considers the Office of Local Government's benchmarks for sustainability which are as follows:

Measure	Performance indicator	Calculation and definition	Target benchmark
<b>Assets</b>	Asset sustainability ratio	<b>Capital expenditure on replacement assets ÷ depreciation expense.</b> This is an approximation of the extent to which the infrastructure assets managed by council are being replaced as their service potential is used up.	Greater than 90%
<b>Surplus/profit</b>	Operating surplus ratio	<b>Operating result as a percentage of operating revenue.</b> Indicates the extent to which revenues cover operational expenses only or are also available for capital funding. A positive ratio means that the surplus can be used for capital expenditures or debt repayments.	Between 0% and 10%
	Council-controlled revenue ratio	<b>Net rates, levies and charges and fees and charges/ total operating revenue.</b> Council's financial flexibility improves the higher the level of its council-controlled revenue. Greater reliance on external funding sources such as operating subsidies, donations and contributions reduces financial flexibility.	Higher the percentage = greater independence & flexibility to influence future results
<b>Level of debt</b>	Total debt service cover ratio	<b>(Operating result (excluding capital items) + depreciation and amortisation + gross interest expense)/(gross interest expense + prior year current interest bearing liabilities).</b> 2 times Indicates the ability to repay loan funds. A low cover indicates constrained financial flexibility and limited capacity to manage unforeseen financial shocks.	Greater than 2 times
	Net financial liability ratio	<b>(Total liabilities – current assets) ÷ operating revenues.</b> Indicates that net financial debt can be serviced by operating revenues. A ratio greater than zero implies that liabilities exceed current assets.	Not greater than 60%
<b>Liquidity</b>	Cash expense ratio	<b>Current year's cash ÷ ((operating expenses – depreciation – finance costs) ÷ 12).</b> Indicates the number of months council can continue paying its immediate expenses without additional cash flows.	Greater than 3 months

39.However, the Proposal also takes a simpler approach to assess the likely financial health of the proposed new councils by examining the financial data of the former

councils compared to CGRC. It states that “the basic indicator of sustainability is to regularly produce a balanced or surplus operating result, indicating resources are available to expend on capital (renewal/upgraded assets). In essence, the annual movement in cash and investments (and subsequent mix of reserves and unrestricted cash) is a reasonable barometer of the financial health of a council. The following table draws on the premerger financial statements and tracks comparative annual results, using data from the Cashflow Statement and other Notes”.

			Statement of Cashflows - Trends								
FY15	FY15	\$2023		(\$,000)	FY18	FY19	FY20	FY21	FY22	FY23	OP24
Cootamundra	Gundagai	C+G									
7,026	4,102	14,956		Rates and annual charges	11,996	13,022	13,884	14,550	16,588	18,269	19,264
4,529	1,553	8,174		User charges and fees	7,212	8,978	8,114	7,523	7,356	10,806	4,986
534	297	1,117		Interest received	1,103	900	537	144	117	697	1,245
4,767	4,237	12,101		Grants and contributions	11,354	17,019	11,658	20,947	25,666	27,564	20,970
766	1,046	2,435		Other income	2,556	3,474	1,311	881	528	1,563	1,301
17,622	11,235	38,784			34,221	43,393	35,504	44,045	50,255	58,899	47,766
5,550	3,842	12,623		Employee benefits and on-costs	12,469	12,099	12,430	12,286	13,175	13,922	14,709
5,640	1,919	10,159		Materials and services	14,615	13,988	13,678	13,693	14,642	25,956	19,824
68	28	129		Borrowing costs	148	131	111	230	222	184	146
2,022	2,050	5,473		Other expenses	3,793	3,964	3,609	3,097	2,146	903	1,572
13,280	7,839	28,384			31,025	30,182	29,828	29,306	30,185	40,965	36,251
	261	351		Sale of real estate assets	186	793	347	1,368	453	-	
305	168	636		Proceeds from sale of IPPE	663	1,208	1,223	1,188	1,728	109	
	3,000	4,032		Proceeds from borrowings			4,430	4,000			
305	3,429	5,018			849	2,001	6,000	6,556	2,181	109	
2,650	3,217	7,885		Purchase of IPPE	10,539	21,443	22,000	24,897	16,998	9,963	
165		222		Purchase of real estate assets	10	781	186	4	55	-	
119	1	161		Repayment of borrowings	410	428	414	1,052	1,275	1,315	
2,934	3,218	8,268			10,959	22,652	22,600	25,953	18,328	11,278	
- 733	- 122		Inc Stat	Nett operating result (excluding capital grants)	- 9,376	- 2,910	- 6,248	- 5,469	- 4,977	- 3,779	- 7,694
- 452	2,313			Net change in cash and cash equivalent	- 1,467	3,821	- 2,201	2,556	2,039	7,161	
16,312	9,972			Total cash, cash equivalents and investments	34,471	27,015	16,781	18,276	22,273	29,070	
5,132	6,989		C1-3	Externally restricted reserves	16,800	15,473	8,166	16,232	21,679	21,683	
6,647	2,504		C1-3	Internally restricted reserves	16,755	8,192	7,363	10,003	10,866	8,203	
4,533	479		C1-3	Unrestricted reserves	916	3,350	1,252	- 7,959	- 10,272	- 771	
4,354	2,886	9,731	Inc Stat	Depreciation, amortisation and impairment	8,072	8,941	9,344	10,600	11,194	12,149	10,536
-5.58%	-3.65%			Operating Performance Ratio	-29.61%	-5.79%	-19.47%	-15.31%	-4.98%	-7.53%	
72.94%	60.98%			Own Source Revenue Ratio	65.28%	54.93%	56.88%	49.62%	57.68%	58.60%	
6.23%	3.11%			Unrestricted Current Ratio	5.40%	3.27%	2.91%	5.00%	6.47%	6.40%	
18.91	55.23			Debt Service Ratio	0.66	12.67	5.26	4.55	6.21	5.40	
0.83%	0.00%			Asset Maintenance Ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
110.30%	104.57%			Infrastructure Renewal Ratio	112.60%	117.03%	162.48%	154.34%	340.36%	98.79%	
3.14%	0.00%			Infrastructure Backlog Ratio	6.95%	7.60%	4.10%	3.32%	3.49%	4.26%	

40. Analysis of this financial data resulted in a conclusion that while there was significant growth in revenues raised by CGRC compared to the former councils, there was also significant growth in expenses borne by CGRC. Notably, the annual investment in infrastructure by CGRC was significant (which then manifests in growth in depreciation) compared to the former councils. Further, assuming the near doubling

of materials costs in FY23 was an aberration, preceded by a similar doubling over three years of disaster and stimulus-led grant income, the normalised revenue and expenditure differences between the (indexed) former councils and CGRC would be acceptable.

41. The Proposal acknowledges that the new Gundagai council would bear the greatest change in financial circumstances from a demerger (pending final decisions about asset sharing and collaborations between the new councils) as it will be responsible for over half of the assets but only 40% of the revenue from rates, annual charges and the financial assistance grant. However, the DTP and the FSP identify opportunities for the new councils to streamline each of the new councils' offerings. These are matters that would be further explored in Phases 2 and 3 under the Proposal.

42. There is evidence in the FSP Addendum that the financial positions originally anticipated in the FSP are improved when CGRC's financial results for FY24 are considered such that the FSP Addendum concludes:

*the results indicate the new councils may meet the benchmarks expected of Government with budget discipline, shared resources and the interventions proposed. The matter of affordability should be tested with the community through the Integrated Planning and Reporting framework.*

43. As a preliminary projection, the overall split of cash, investments, assets and liabilities (based on FY23 financials) that inform the conclusions in the FSP (Initial Distribution Projection) are as follows:

<b>Cash, Investments, Assets, Liabilities FY2023</b>	<b>C%</b>	<b>G%</b>	<b>Cootamundra \$,000</b>	<b>Gundagai \$,000</b>
cash and investments	73	27	21,664	8,176
IPPE, equipment, plant and fixtures assets	57	43	359,686	327,196
contribution plans	50	50	519	519
employee leave entitlement liability	63	37	- 1,118	- 657
loan and lease liabilities	45	55	- 2,517	- 3,025

44. The preliminary proposed distribution of restricted funds which informs the first line item in the Initial Distribution Projection is as follows:

	FY23	Cootamundra	Gundagai
Aerodrome	165,588	165,588	
Bradman's Birthplace	94,337	94,337	
Caravan Park	172,553	172,553	
Heritage Centre	27,181	27,181	
Development - Land & Buildings	1,182,693	796,584	386,109
Employee Leave Entitlements	1,774,746	1,118,090	656,656
Quarries & Pit Restoration	570,207	285,103	285,103
Plant Replacement	3,026,533	1,573,797	1,452,736
Saleyards	0		
Swimming Pool	0		
Cemetery	102,989	57,674	45,315
Southern Phone	586,464	586,464	
Waste Management	500,000	370,000	130,000
	8,203,291	5,247,371	2,955,919
<b>Externally Restricted Reserves</b>			
Domestic Waste	806,958	597,149	209,809
Water Supply	7,462,014	4,402,588	3,059,426
Sewerage Service	5,402,866	6,429,411	- 1,026,545
Stormwater Infrastructure Renewal	262,011	193,888	68,123
Developer Contributions	1,037,818	518,909	518,909
General Fund Unspent Grants & Contributions	6,665,901	3,888,950	2,776,950
	21,637,568	16,030,895	5,606,672
<b>TOTALS</b>	<b>29,840,858</b>	<b>21,278,266</b>	<b>8,562,591</b>



45. The projected asset and staff distribution, which inform the second and fourth line items in the Initial Distribution Projection, is as follows:

	C%	G%	Cootamundra \$,000	Gundagai \$,000	Total WDV FY23 \$,000
<b>IPPE</b> <i>(distribution per asset location)</i>					
WIP	50%	50%	5,693	5,693	11,385
Plant	56%	44%	5,025	3,948	8,973
Buildings	66%	34%	21,671	11,164	32,835
Land	61%	39%	12,071	7,717	19,788
Roads	45%	55%	227,903	278,549	506,452
Stormwater	53%	47%	9,764	8,658	18,422
Water	56%	44%	11,682	9,179	20,861
Sewer	52%	48%	26,382	24,353	50,735
Recreation	61%	39%	8,852	5,660	14,512
Waste (landfill)	75%	25%	2,257	752	3,009
	48%	52%	331,300	355,672	686,972

By Department	Cootamundra	Gundagai	Total	Cootamundra \$	Gundagai \$
General Manager	3.6	1.6	5.2	\$ 572,392	\$ 254,396
DGM - Corp, Comm & Develop	0.8		0.8	\$ 212,627	\$ -
Business	10.5	3.5	14	\$ 1,229,652	\$ 409,884
Finance	7.8	2	9.8	\$ 976,436	\$ 250,368
Sustainable Development	6.28	4	10.28	\$ 920,842	\$ 586,524
DGM - Operations		1	1	\$ -	\$ 332,229
Engineering Cootamundra	52		52	\$ 5,443,682	\$ -
Regional Servcies - Cootamundra	26		26	\$ 2,565,404	\$ -
Engineering Gundagai		31	31	\$ -	\$ 3,256,963
Regional Services - Gundagai		13	13	\$ -	\$ 1,268,559
	106.98	56.1	163.08	\$ 11,921,035	\$ 6,358,923

46. The allocations relating to operational funding adopted when developing the Preferred Scenario under the FSP are:

Budget FY24 (QBRs)	Program	Coota %	Gundagai %
Overhead Expenses	Attribution	65%	35%
Internal Allocation of Overhead Costs	Attribution	65%	35%
Internal Allocation of Admin Overhead Costs	Attribution	65%	35%
Internal Allocation of Water & Sewer O/head Costs	Attribution	65%	35%
Community Donations	Community	70%	30%
Community Services	Community	50%	50%
Community Events	Community	50%	50%
Libraries	Cultural	60%	40%
Museums and Art	Cultural	65%	35%
Depreciation - General	Depreciation	45%	55%
Tourism & Economic Development	Economic	60%	40%
Visitors Information Centres	Economic	25%	75%
Financial Management	Financial	67%	33%
Procurement and Stores	Financial	67%	33%
Procurement and Stores	Financial	67%	33%
Executive Office	Governance	50%	50%
Civic Leadership	Governance	50%	50%
Governance and Business Systems	Governance	60%	40%
Customer Service	Governance	70%	30%
Communications and Engagement	Governance	60%	40%
Human Resources	Human Resource	65%	35%
Interest Income	Interest	67%	33%
Information Technology	IT	60%	40%
Operating Grants	Operating Grant Alloca	48%	52%
Financial Assistance Grant - General	Operating Grant Alloca	62%	38%
Financial Assistance Grant - Local roads	Operating Grant Alloca	47%	53%
Pensioner Rates Subsidy	Operating Grant Alloca	65%	35%
Regional Roads Block Grant - 900k, 250k capital	Operating Grant Alloca	50%	50%
Natural Disaster Declarations AGRN 1001 EPARW - Split	Operating Grant Emerg	67%	33%
Depreciation - Buildings	Property	66%	34%
Development and Building	Regulatory	67%	33%
Food Safety and Public Health	Regulatory	67%	33%
Depreciation - Sewer	Utility Sewer	52%	48%
Depreciation - Stormwater	Utility Stormwater	53%	47%
Depreciation - Waste	Utility Waste	75%	25%
Depreciation - Water	Utility Water	56%	44%
Section 7.12 Developer Contributions	Capital Contribution	50%	50%
Roads to Recovery Grant - Capital	Capital Grant Allocat	50%	50%
Infrastructure Renewal Scheme Subsidy	Capital Grant Competit	50%	50%

47. The Proposal identifies the following preliminary risks using the PESTLE framework:

<b>Political</b>	<ul style="list-style-type: none"> <li>Minister revising terms or reversing decision to de-amalgamate</li> <li>LGBC modifies recommendations following hearing</li> <li>Community amplifies negative advocacy during transition phase or elections</li> <li>Low commitment to collaboration and sharing resources</li> <li>Low commitment to elevating rates, annual charges and pricing</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>Focus of new councils on maintenance and renewal of infrastructure assets may limit spend on environment assets and programs to grant funding</li> <li>Natural disasters occur during demerger, disrupting transition</li> <li>Lack of cross border collaboration on catchment and weed control</li> </ul>
<b>Social-Staff</b>	<ul style="list-style-type: none"> <li>Services, facilities and service levels available for community are differentiated to some disadvantage between the new councils</li> <li>Disruption to CGRC service BAU</li> <li>Population and climate change profiles for the new councils may differ</li> <li>Turnover of staff during transition and implementation phases</li> <li>ELE provisions inadequate to fund turnover</li> <li>Requirement to retain same staff FTE and terms of employment - USU</li> <li>Salaries harmonised during merger, expected to continue</li> <li>Communication and management of change for community and staff</li> <li>Delays recruiting suitable GM and executive to form new council structures</li> <li>Loss of key staff and corporate knowledge, including retirements</li> <li>Difficulty recruiting fixed term specialist skills during demerger</li> <li>Difficulty recruiting permanent staff to new councils</li> <li>Services elevated and harmonised during merger, are expected to continue with demerger</li> </ul>
<b>Technological</b>	<ul style="list-style-type: none"> <li>Difficulty retaining technology resources and technical expertise</li> <li>Negotiations for bureau or hosted (shared) approach to ERP with Civica is problematic, with configuration time consuming and expanded licencing and administration expensive</li> <li>Asset management, project management, risk management, contract management and development maturity remains low for the new councils</li> </ul>
<b>Legal</b>	<ul style="list-style-type: none"> <li>Challenge to interpretation and application of s218CC and s620 LG Act is unsuccessful</li> <li>Termination, award or transfer of panels, contracts and liabilities between councils are complex and expensive</li> <li>Sharing resource or contracting services between new councils are complex and problematic</li> </ul>
<b>Economic-Financial</b>	<ul style="list-style-type: none"> <li>Minister resists funding of demerger costs</li> <li>CGRC required to fund one-off costs of demerger</li> <li>New councils funding of recurrent duplicate costs</li> <li>TCorp revises borrowing and investment risk ratings for new councils</li> <li>Gundagai general rates reduced through harmonisation, yet will require SRV</li> <li>New councils remain unsustainable beyond 10 year planning horizon</li> </ul>



48. These preliminary risks have then been rated with a view to them being managed as part of the Phases 2 and 3:

Type		Risk	Risk Rating		
			Likelihood	Consequence	Rating
Political	1	Minister revising terms or reversing decision to de-amalgamate	possible	major	significant
	2	LGBC modifies recommendations following hearing	possible	major	significant
	3	Community amplifies negative advocacy during transition phase or elections	possible	minor	moderate
	4	Low commitment to collaboration and sharing resources	likely	major	significant
	5	Appropriate candidates not attracted to stand for election to new councils; or less candidates to form	possible	minor	moderate
	6	Low commitment to elevating rates, annual charges and pricing	possible	major	significant
Environmental	7	Focus of new councils on maintenance and renewal of infrastructure assets may limit spend on environment assets and programs to grant funding	certain	minor	moderate
	8	Natural disasters occur during demerger, disrupting transition	unlikely	moderate	moderate
	9	Lack of cross border collaboration on catchment and weed control	unlikely	minor	minor
Social-Staff	10	Services, facilities and service levels available for community are differentiated to some disadvantage between the new councils	possible	moderate	moderate
	11	Disruption to CGRC service BAU	unlikely	minor	minor
	12	Population and climate change profiles for the new councils may differ	unlikely	minor	minor
	13	Turnover of staff during transition and implementation phases	certain	major	extreme
	14	ELE provisions inadequate to fund turnover	rare	negligible	minor
	15	Requirement to retain same staff FTE and terms of employment and location	certain	minor	moderate
	16	Salaries harmonised during merger, expected to continue	certain	minor	moderate
	17	Communication and management of change for community and staff	certain	minor	moderate
	18	Delays recruiting suitable GM and executive to form new council structures	likely	major	significant
	19	Loss of key staff and corporate knowledge	likely	major	significant
	20	Difficulty recruiting fixed term specialist skills during demerger	certain	major	extreme
	21	Difficulty recruiting permanent staff to new councils	certain	major	extreme



<b>Technological</b>	22	Difficulty retaining technology resources and technical expertise	possible	major	moderate
	23	Negotiations for bureau or hosted (shared) approach to ERP with Civica is problematic, with configuration time consuming and expanded	likely	major	significant
	24	Asset management, project management, risk management, contract management and development maturity remains low for the new	likely	major	significant
<b>Legal</b>	25	Challenge to interpretation and application of s218CC and s620 LG Act is unsuccessful	possible	major	moderate
	26	Termination, award or transfer of panels, contracts and liabilities between councils are complex and expensive	possible	major	moderate
	27	Sharing resource or contracting services between new councils are complex and problematic	possible	moderate	moderate
	28	Private members bill modifies demerger pathway and costs	possible	major	moderate
<b>Economic-Financial</b>	29	Minister resists funding of demerger	certain	major	extreme
	30	CGRC required to fund one-off costs on demerger	certain	major	extreme
	31	CGRC limits or neglects proposed demerger tasks	possible	moderate	moderate
	32	New councils funding of recurrent support and services duplicates costs	certain	moderate	significant
	33	Gundagai general rates reduced through harmonisation, yet will require SRV	certain	major	extreme
	34	TCorp revises borrowing and investment risk ratings for new councils	possible	moderate	moderate
	35	New councils remain unsustainable beyond 10 year planning horizon	possible	major	significant

49. The Proposal considers “minor” and “moderate” risks to be acceptable. “Significant” and “extreme” risks will be subject to a management and escalation protocol as part of Phases 2 and 3 of the demerger process.

50. The Proposal also considers where there is genuine opportunity for collaboration between the two new councils and that would be subject to service agreements that would be formulated by the TPMO in anticipation of the proclamation of the two new council areas. These are substantial and will be essential to the ongoing success of the new councils:

<b>Shared Services - demerger service agreements</b>	<b>Shared Services - other options: new councils</b>
development assessment-building certification	strategic land use planning (LEP, DCP, planning/rezone proposals)
environmental health	spatial mapping (GIS) administration
youth inclusion office	development contribution administration
street cleansing	heavy plant
customer call centre and out of hours	State/regional roads maintenance
(CES) engagement for community strategic plans	noxious weed, pest and catchment control
grants coordination	cemetery administration
WHS, timesheet and payroll process	civic-special events coordination
recruitment process	media-community liaison
cadet-trainee (rotation) program	integrated computer platforms (IaaS and SaaS) hosted by Civica
ARIC, conduct review, compliance reporting and legal panels	web and content management
internal audit and risk management drafting	rating and utility reading, billing and recovery
project management office and contract administration	procurement coordination (panels, tenders, evaluation, probity)
integrated computer platforms and applications (IaaS and SaaS)	records archive
<b>Shared Facilities</b>	asset management plans, designs and renewal schedules
emergency services centre	scheduling MMS, condition assessment, revaluation of assets
commercial waste	
waste - landfill and transfer station	
fleet management and workshop	

## Public Submissions

51. As noted in the Interim Report of the Public Inquiry, the Inquiry held public hearings in relation to the Proposal on 30 August 2024 in Sydney, 18 February 2025 in Gundagai and 19 February 2025 in Cootamundra. Consistent with the public hearings in relation to the First Demerger Request and the Second Demerger Request, the hearings in Gundagai and Cootamundra were very well attended by members of the local community. Approximately 400 people attended the two-day hearing of the Inquiry.

52. The following persons made oral submissions during those hearings:

- (a) Peter Tegart, Always Thinking Advisory (consultant engaged by CGRC to prepare the DTP, FSP and FSP Addendum);
- (b) Mayor Abb McAlister, CGRC
- (c) Roger Bailey, Interim General Manager, CGRC
- (d) Steph Cooke MP, Member for Cootamundra
- (e) Glen Moore, community member (Gundagai Council in Exile Inc.)
- (f) Cindy Smith, community member (employee, CGRC)
- (g) Cllr Penny Nicholson, CGRC
- (h) Cllr Rosalind Wight, CGRC
- (i) Leigh Bowden, community member (former Councillor of CGRC)

- (j) Charlie Sheahan, community member (former Mayor of CGRC)
- (k) Pip McAlister, community member
- (l) Cllr David Graham, CGRC

53. The twenty public submissions received in response to the Proposal were each in favour of the demerger of the Cootamundra-Gundagai Regional Council. Submissions received in relation to the First Demerger Request and the Second Demerger Request (of which there were 1399) were also overwhelmingly in favour of demerger.

54. A consistent and dominant theme of the submissions was the high degree of frustration felt by community members about the number and length of the processes that have been undertaken so far in relation to the proposed demerger. This sentiment was also clearly expressed in the often impassioned oral submissions made during the hearings of the Inquiry.

55. In addition to complaints regarding the process for demerger, the public submissions contained the following consistent themes which bear upon the practical issues put forward in favour of demerger:

- (a) the lack of common community between the former Cootamundra and Gundagai local government areas;
- (b) the increasingly antagonistic and territorial behaviours between members of the two communities both within the CGRC and in the communities at large;
- (c) the lack of financial efficiencies that have been able to be achieved due to the distance between the two primary townships;
- (d) the loss of ownership of decisions of the CGRC by the part of the community directly affected by those decisions;
- (e) disengagement of Council staff and the community generally because of the above matters.

56. It is evident from the submissions that there is substantial disjointedness between the Cootamundra and Gundagai communities. This includes the economic drivers and traditions of the communities with the Gundagai community being focussed on the Murrumbidgee River and the Hume Highway while Cootamundra is a railway town. There is also no overlap between sporting competitions – a key focal point for many (if not most) rural communities – or other cultural events (for example, the communities still have separate show days).

57. There is anecdotal evidence of mistrust between council employees that reside in the respective former local government areas, and this mistrust appears to have spilled over to non-council interactions and to businesses within the respective areas. This sense of mistrust seems to have only grown as each community has competed for funding for events or community projects and where a decision has been taken that 'the other' community would obtain that funding. This has left the other community frustrated and feeling 'short-changed'.
58. The submission from Mayor Abb McAlister regrettably describes the sentiment that has grown between the two communities since the merger as a "*terrible hatred*". It is evident from the public submissions, particularly the ardent oral submission of Mayor McAlister, that this has had a profound and adverse effect on the mental health of staff, councillors and community members.
59. While there are certainly strong feelings against the merger of the former Cootamundra and Gundagai local government areas expressed in the submissions, that sentiment does not appear to be founded on dissatisfaction with the concept of merger generally. Members of the communities of both the former Gundagai and Cootamundra councils, had they been required to amalgamate, appear to have been prepared to merge – just not with each other. Had Gundagai been merged with Tumut Shire and Cootamundra with Harden Shire, the feelings within the communities regarding their merger may well have been different. This issue appears to have materially influenced the apparent lack of ownership that the communities' feel over the CGRC.
60. Another strong theme of the public submissions is the view that any increase in services that was expected to follow the merger of the two council areas, particularly after the rates of many landowners increased following the harmonisation process, does not appear to have materialised. The particular complaints appear to depend on which community the submitter resides in and the degree to which their rates changed post-merger.
61. A number of the public submissions acknowledge that a likely outcome of the demerging of CGRC would be a change (an increase) in rates payable by rate payers. Without exception, the submitters accept that they would rather pay additional rates if their community was represented in accordance with the previous local government boundaries.
62. There was one submission in particular that was critical of the accuracy of the

Proposal. This was submitted by the Mayor of CGRC, Abb McAlister. Mayor McAlister submits that a number of assumptions made in the Proposal cause the Proposal to under-estimate the likely financial viability of the new councils, especially the proposed Gundagai council. In particular, Mayor McAlister identifies the following:

- (a) the proposed split of swimming pool costs does not reflect the nature of the asset (with Cootamundra's pool being much more substantial than the pool in Gundagai);
- (b) costs associated with the new councillors should not be assumed to be the same when the number of councillors proposed in the new councils are not equal;
- (c) the degree of additional staffing (estimated to be up to 10 staff) is inflated;
- (d) the costs savings that would arise from capturing currently unproductive staff time used for travel as well as vehicle maintenance and fuel is not reflected in the Proposal;
- (e) prospective income streams from future proposals within the proposed Gundagai local government area are not captured.

## The factors to be considered by the Boundaries Commission

63. As noted above at paragraph 5, section 263(3) of the Act requires the Boundaries Commission to have regard to a series of “factors” when considering matters referred to it that relate to the boundaries of areas. These factors are:

- (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 impacts 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.*

64. Each of these factors will be considered in turn in relation to the Proposal, noting that only Phase 1 of the Proposal has so far been completed and that Phases 2 and 3 will need to be completed before a final recommendation regarding the constitution of new council areas can be formally recommended.

*(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*

65. It is axiomatic that the demerger of CGRC will result in an increase in costs to be borne by the proposed new councils. Notwithstanding ambitious plans for shared services and collaboration between the two new councils, there will inevitably be a degree of duplication that cannot be avoided in order for each of the new councils to provide relevant services to their respective areas. However, it is also evident from the financial data provided in the Proposal that the financial benefits that were projected by merging Cootamundra and Gundagai Councils have not been realised as anticipated. As noted above, the Proposal indicates that CGRC is currently experiencing (and projected to continue experiencing) ongoing operational deficits.

66. The Proposal candidly accepts that without a series of financial interventions it is likely that the newly formed councils would also experience annual operating deficits. To



address this outcome, the Proposal recommends a series of financial interventions that would, at least, be required to ensure financial sustainability of the proposed new councils by FY31. These are:

- (a) planned growth in asset servicing, maintenance and depreciation would have to be limited to 2.5%pa, 5%pa, and 2.5%pa respectively;
- (b) planned growth of utilities assets (water, sewer, waste and stormwater) would be limited to 4%pa;
- (c) non-asset services and support services would need to be limited to the value of any CPI-rate peg indexation for respective revenues;
- (d) a \$1.2M one-off uplift in executive and specialist staff costs to be shared between the councils;
- (e) increases to rates of 7.5% x 2 years above the rate peg for Cootamundra;
- (f) increases to rates of 25% x 3 years above the rate peg for Gundagai;
- (g) planned fee growth of 2.5%pa for regulatory, commercial, property and contract services
- (h) planned fee growth of 5%pa for Cootamundra for utility services;
- (i) planned fee growth of 10%pa for Gundagai for utility services;
- (j) fees would need to continue to be indexed (CPI or rate peg) in addition to planned fee growth;
- (k) investment yields through planned improvement to utility funds annual returns would need to grow;
- (l) capital expenditure for renewal of existing assets would need to be limited (or funded with limited debt) with any new or upgraded assets to be fully funded by grants contributions or cash-backed reserves.

67. The effect of these interventions will be felt more acutely by those residents and ratepayers within the proposed Gundagai local government area. However, it is plain from the public submissions received throughout CGRC's attempts to de-merge that the local community is prepared to accept greater financial impost in exchange for separate councils.

68. As is identified at paragraphs 95 and 96 of the Interim Report of the Public Inquiry, which the Boundaries Commission Commissioners endorse and adopt, notwithstanding

that there will likely be greater financial cost to the community by the creation of the proposed new councils, there is sufficient warrant to anticipate that each proposed new council will be able to be viable with financial interventions and that the only way the financial fortunes of the CGRC will be improved is by its effective demerger. This is because it is evident that there is a fundamental impediment to CGRC's success and that is the community's overwhelming and consistent rejection of it. The Commissioners are optimistic that if CGRC were to be dissolved and the Cootamundra and Gundagai local government areas established, it is likely that the local communities would work very hard (including making necessary sacrifices) to ensure their council's success.

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

69. As noted in paragraph 56 above, there is little to no community of interest between the former Cootamundra and Gundagai local government areas.
70. Further, given the distance between the town centres and the physical separation of the areas caused by the Hume Highway, there is a distinct lack of geographic cohesion between the two areas. The public submissions speak of Gundagai being river town and Cootamundra being a rail town. This also indicates a lack of geographic cohesion.
71. By restoring the local government areas to the former Cootamundra and Gundagai local government areas and easing the division within the community caused by the merger of the former councils, the sense of community is likely to also be restored. This is an overwhelming advantage that would be gained by the creation of the proposed new council areas.

*(c) The existing historical and traditional values in the existing areas and the impacts of change on them*

72. As noted in the discussion regarding Public Submissions above, there is a disconnect within the community of the CGRC local government area. This disconnect arose from the merging of the former councils. It follows, particularly given the degree of community support for the demerging of CGRC and creation of the two new council areas that historical and traditional values within the areas will be restored and the sense of ownership over the local councils will re-invigorate community cohesion. The change proposed is likely to be overwhelmingly positive in terms of community values.

*(d) The attitude of the residents and ratepayers of the areas concerned*



73. As noted in the discussion regarding Public Submissions above, the local community is overwhelmingly in favour of the restoration of two separate council areas for Cootamundra and Gundagai.

*(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*

74. As presently constituted, CGRC is represented by nine councillors, inclusive of the Mayor and Deputy Mayor who are elected by the councillors (as opposed to being directly elected). It is proposed that the new Cootamundra Council would have seven councillors, and the new Gundagai Council would have five and that the Mayors and Deputy Mayors would continue to be elected by the councillors from within their respective number.

75. The nine councillors of the CGRC are fewer councillors than the former two councils (which previously had a combined 15 councillors) but the proposed number of councillors for the new councils would represent an increase in representation overall compared to the current circumstances. Further, the resultant rate of representation proposed (councillor per number of residents) is similar to the average rate of representation for similar sized rural council areas.

76. It is proposed that neither of the new councils will be divided into wards for the purpose of the election of representatives. This is consistent with the situation that existed prior the merger of Cootamundra and Gundagai councils and the merged area of CGRC.

*(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*

77. The Proposal outlines a series of service priorities and opportunities for service sharing and collaboration between the two new councils to ensure the continuation of services currently enjoyed within the community. While the detail of the services and facilities that will continue to be provided are to be finalised as part of Phases 2 and 3 under the Proposal, the Commissioners do not have any concerns regarding the ability of the proposed new councils to provide adequate, equitable and appropriate services and facilities in due course.

78. A more detailed consideration of this “factor” will be able to occur upon completion of

Phases 2 and 3, however, in principle, what is contained in the Proposal is directed to meeting an appropriate degree of service for these rural communities.

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

79. The public submissions made by staff members in response to the First Demerger Request, the Second Demerger Request, the Public Inquiry and the Proposal are particularly affecting. The pressures on staff to service the larger area of CGRC when Cootamundra and Gundagai Councils were merged and the loss in productivity experienced given the distances involved has taken a toll, as has the loss of a sense of community within the respective local government areas.

80. There will be additional staff required to meet the demands of new council areas. It is hoped and anticipated that the final settling of the demerger question will assist the new councils in increasing staff retention rates relative to the existing CGRC and will provide a positive and stable workplace for existing and new staff.

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

81. Both the Cootamundra and Gundagai areas are rural communities built around the two townships. Given each proposed new council will focus on re-building their area's sense of community, this will only be of benefit to the more rural parts of each area.

*(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*

82. Not applicable.

*(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*

83. Not applicable.

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

84. The Commissioners endorse the observations made at paragraph 97 in the Interim Report on the Public Inquiry regarding the implementation of Phases 2 and 3:

- (a) The Proposal anticipates that an election for new councillors will occur prior to the proclamation of the new council areas. There is no power under the Act to

facilitate such an election. Rather, an election can only occur following the proclamation of the new areas. It is possible that councillors may be able to be appointed to the new councils pursuant to section 257 of the Act if the Governor were minded, in the ultimate proclamation, to declare that the new councils were 'non-functioning' due to a lack of quorum. The new councils would, of course, be non-functioning due to a lack of quorum given their newness. It is expected that there may be some resistance to this course given that section 257 of the Act is typically used only when a council is failing rather than it simply being new. However, on a plain reading of the provision in its context, there does not appear to be any impediment to councillors being appointed in this manner. Further, the Act does not otherwise provide any guidance as to how a new council is to function once proclaimed but prior to an election being able to be held. It is recommended that Phases 2 and 3, if they are to be pursued, consider which, if any, of the existing councillors ought to be appointed to which of the new councils.

- (b) The Proposal anticipates the recruitment of two 'General Managers-elect' prior to the proclamation of the new local government areas. While the intent of this element of the Proposal is evident (to have General Managers for each new council ready to be appointed as part of the proclamation), the description is not appropriate. First, General Managers are not elected. Secondly, the role of a general manager is regulated by Chapter 11, Part 2 of the Act. It would be preferable to have two 'Transition Managers' appointed by CGRC as part of the TPMO with a view to each Transition Manager being tasked to negotiate, on behalf of one or other of the proposed new councils, the distribution of cash, assets, rights and liabilities, shared services, the vesting of existing contracts and staff. This would be undertaken with a view to the proclamation creating the new councils to be able to then appoint the respective Transition Managers to the role of General Managers of each council and to give effect to those distribution arrangements reached during transition.
- (c) The Proposal anticipates that CGRC will continue to exist post the proclamation of the new council areas so that a final audit and winding up may occur. Such an outcome is legally impermissible as an area of land may only be located within one local government area. Accordingly, if Phases 2 and 3 are pursued by CGRC, it will be necessary for all matters relating to the winding up of CGRC, including any result of a full audit of all assets and liabilities, to be addressed

in the proclamation and any assets, rights, and liabilities to be apportioned to the new councils. The proclamation will occur after Phases 2 and 3 are complete. It is the instrument that will legally dissolve CGRC and create the two new councils.

## Recommendations

85. For the reasons outlined above, the Commissioners endorse and adopt the recommendation of the Inquiry set out in the Interim Report of the Public Inquiry, that is, that the Minister give CGRC in principle support regarding the creation of two new areas aligned with the areas of the former Cootamundra and Gundagai councils. This recommendation is subject to the Minister being satisfied with CGRC's arrangements for the funding of Phases 2 and 3 under the Proposal being secured – via State government funding or otherwise. If that funding is secured, GCRC may then establish the TPMO to undertake Phases 2 and 3 under the Proposal. Once those phases are complete, the Proclamation can then be made addressing all matters necessary for the winding of CGRC and creation of the new councils.

86. It is further recommended that CGRC be given a timeline for completion of the tasks envisaged in Phase 2 and Phase 3 of the Proposal. Based on the time estimations provided in the Proposal, it is recommended that Phases 2 and 3 (including the drafting of a proposed proclamation) be completed by 31 May 2026, with a view to the proclamation (and the 'demerge') taking effect by 1 July 2026. As part of that proclamation, local council elections should be proposed to take place in September 2026 for a two-year term so as to align the subsequent election with the regular local government election cycle (the next regular election being due in 2028).

## Attachment 1 – Letter from Minister to the Boundaries Commission

**The Hon. Ron Hoenig MP**

Leader of the House in the Legislative Assembly  
Vice-President of the Executive Council  
Minister for Local Government



Our Ref: A899879

**Mr Peter Duncan AM**  
Chairperson  
Local Government Boundaries Commission  
Locked Bag 3105  
NOWRA NSW 2541

Via email: [EO@lgbc.nsw.gov.au](mailto:EO@lgbc.nsw.gov.au)

Dear Mr Duncan,

I have received a proposal made under section 215(1) of the *Local Government Act 1993* (the Act) from the Cootamundra-Gundagai Regional Council to create new local government areas from the Cootamundra-Gundagai local government area.

The Cootamundra-Gundagai local government area was created by Proclamation published in the NSW Government Gazette on 12 May 2016. It resulted from the amalgamation of the former Cootamundra and Gundagai local government areas. The effect of the proposal, if implemented, would be to reinstate the former local government areas of Cootamundra and Gundagai.

Public notice of the proposal was given by me in accordance with section 216 of the Act. The proposal to de-amalgamate is based on an implementation plan that sets out the process to split assets, liabilities and staff of the existing council and create two new financially sustainable Councils. Having considered the representations made by the community, I have decided to refer the proposal to the Local Government Boundaries Commission (Boundaries Commission) for examination and report under section 218(1) of the Act. I note that in considering this matter, the Boundaries Commission must have regard to the factors listed in section 263(3) of the Act.

To assist the Boundaries Commission, I will arrange for the Office of Local Government to separately provide to the Commission the following:

- a copy of the proposal dated 28 March 2024
- a consolidated spreadsheet of the elector and council representations received in response to the Public Notice.

I have appointed each of the members of the Boundaries Commission as commissioners to undertake a public inquiry under section 438U of the Act into the proposed de-amalgamation. Separate correspondence will be sent to members notifying of their appointment and providing the terms of reference.

Yours sincerely,



**The Hon. Ron Hoenig MP**  
Leader of the House in the Legislative Assembly  
Vice-President of the Executive Council  
Minister for Local Government

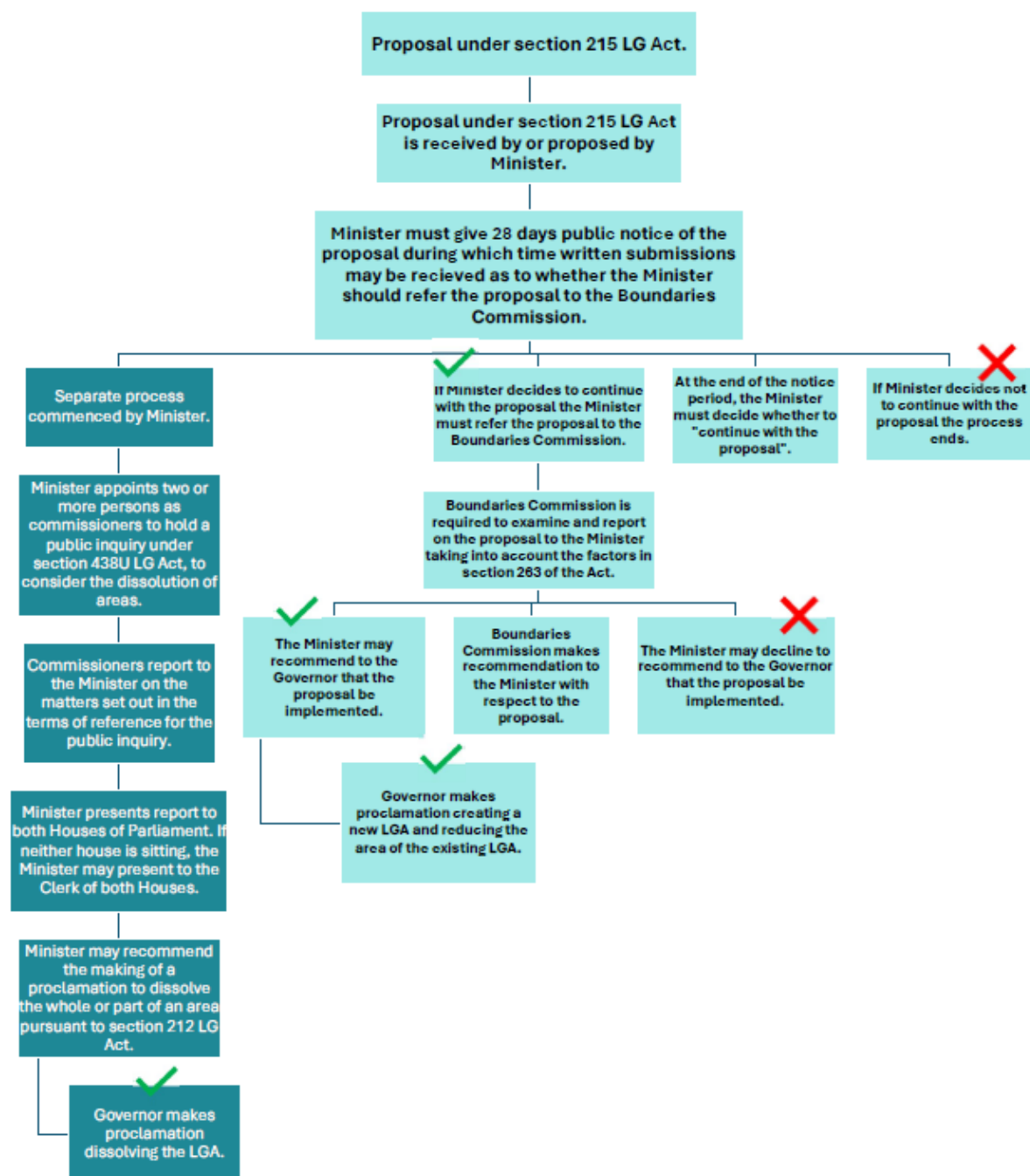
17 JUN 2024

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### Section 438U LG Act - Public Inquiry Process





### Attachment 3 - 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.