



**COOTAMUNDRA-
GUNDAGAI** REGIONAL
COUNCIL

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Tabled Documents

LATE REPORT ORDINARY COUNCIL MEETING

*STEPHEN WARD ROOMS
COOTAMUNDRA
12.00PM, MONDAY 26 June, 2017*

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Legislative Assembly Hansard – 21 June 2017 – Proof

STATE BUDGET AND COOTAMUNDRA ELECTORATE

Ms KATRINA HODGKINSON (Cootamundra) (17:00): It is with great pleasure that I highlight the profoundly positive impact that this week's budget has had on the electorate of Cootamundra and on regional New South Wales. Yesterday was indeed a red-letter day for the people of Cootamundra. Local roads, health, education and infrastructure were all given a welcome boost by the State Government. The largesse that flowed from Treasury included new ambulance stations for Cootamundra and Cowra as well as funding to complete new stations in Harden, Coolamon and Ardlethan. These new and updated ambulance stations will help provide better services and better emergency response times to locals when there is a crisis.

More than \$84 million will be ploughed into the region's roads. Major projects include \$19 million to continue the \$70 million Gocup Road improvements. This is absolutely crucial for the communities of Gundagai and Tumut, who rely on this road. Also included is \$7 million for the Newell Highway realignment at Grong Grong, \$4 million for the West Wyalong truck bypass, and \$2 million for Mid-Western Highway pavement upgrades plus many more projects. The tyranny of distance means that country people spend a lot of time on the road. Tragically, they are also over-represented in road fatality figures. This investment could well help save lives. New connected learning centres at Narrandera and Grenfell TAFEs are identified as being funded in the budget. This comes on the back of a flurry of construction at Young TAFE, with a \$10 million improvement program.

There has been confirmation that Junee's sewage treatment plant upgrade has been shortlisted for funding as part of the \$1 billion Safe and Secure Water Program in this year's budget. The upgrade will help cater for massive growth in the town—what equates to 22 years of organic growth—created by the sizeable expansion of Junee Correctional Centre. While the 480-bed expansion will generate hundreds of new jobs and welcome economic growth, it will also put pressure on the town's ageing underground infrastructure. This funding allocation has created a lot of commentary in the town and been closely scrutinised by local media. I was therefore pleased and somewhat relieved when I learned that the project had been shortlisted. Following completion of the requisite probity and accountability checks, I am supremely confident the project will be funded.

The Ardlethan wastewater network will receive \$3.3 million and Grenfell will receive \$8.8 million for its sewage treatment plant upgrade. Many local residents have previously been on septic systems and will welcome this new infrastructure. Young High School library is set to be upgraded to deliver better learning opportunities and educational outcomes not just for high school students but for local TAFE students too. The TAFE college is adjacent to Young High School. The library has undergone a significant redevelopment and is the toast of the town of Young. It has been confirmed that the towns of Cootamundra, West Wyalong and Narrandera will receive state-of-the-art Services NSW centres as part of this budget. In an increasingly busy world, this will make doing business with the Government a lot easier for residents. I welcome that announcement.

In the 2017-18 financial year \$753,000 will be allocated for the Youth on Track program, which involves the community of Cowra in my electorate. It is a terrific program; I cannot endorse it highly enough. The budget also delivered funding for the Linking Communities education van to tour the region and address issues of domestic and family violence. The rate of family violence casts a dark shadow across my electorate, and indeed over the whole State. Anything that can raise awareness about it can only be a positive. This budget is not just one of the most fiscally responsible in the history of New South Wales, but also one of the most evenly distributed. It will help turbocharge regional economies like those throughout the Cootamundra electorate and make a tangible difference to the quality of life of those who choose to live outside Sydney, Wollongong and Newcastle. Of course, it is not just projects announced specifically for my electorate that will impact on those people. The \$1.3 billion Regional Growth Fund will touch on many aspects of my constituents' lives.

Another funding announcement that I was particularly pleased about is the Active Kids Rebate. Sport is a staple of regional towns, providing important health and recreational functions and helping to bring communities together. Yet I often hear parents say that the cost of signing up their children to sport is getting beyond their reach. This \$100 rebate will help bridge that gap and make all our communities healthier and more connected. The Riverina region has one of the highest obesity rates in New South Wales, if not the entire country, so encouraging our kids to get involved in sport at an early age can only have positive effects on their health well into the future. I will continue to work very closely with the Cootamundra community to capitalise on the various funding programs and opportunities for regional New South Wales that are available as a result of the 2017-18 budget.

Cootamundra Gundagai Regional Council

CGRC AMALGAMATION PEER REVIEW REPORT

Glenn Inglis

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CGRC Amalgamation Peer Review

Introduction

The purpose of this report is to provide:

1. A high-level peer review of the CGRC consolidated financial accounts and Integrated, Planning and Reporting documents to enable the Administrator to gain an understanding of the need to maintain the integrity and spirit of the former Councils Integrated Planning and Reporting documents. In particular, relating to the maintenance of services and service levels and community infrastructure commitments identified in the adopted four (4) year capital works programs;
2. A high-level peer review of the Initial CGRC Amalgamation Transition Plan to enable the Administrator to develop an understanding of the current status of progress and develop a next phase Amalgamation Transition Implementation Action Plan;
3. A review of the funding options relating to construction of the Gundagai Sewerage Treatment Plant upgrade and other identified proposed major capital projects;
4. Based upon the outcome of these reviews undertake a mentoring role with specific staff involved in the amalgamation implementation process as required by the Interim General Manager.

Brief Background and Context

Cootamundra Gundagai Regional Council (CGRC) amalgamated 12th May 2016.

CGRC elections are scheduled for 9th September 2017 comprising 9 Councillors and no wards. Mayor to be elected by Councillors. It will be a three (3) year term with the next full ordinary elections scheduled in September 2020 to tie back into the usual four (4) year electoral cycle.

CGRC Integrated Planning and Reporting requirements:

- First Operational Plan adopted 1st August 2016.
- New Integrated Planning and Reporting strategies and plans due for adoption on 1st July 2018 for a three (3) year period to tie back into the usual four (4) year planning cycle.
- Rating structures to be reviewed in the first term of the new Council.

Statutory reporting requirements:

- Last audited accounts of the former Councils comprised the period 1st July 2015 to 12th May 2016.
- First Annual Report of CGRC to cover the period from 12th May 2016 to 30th June 2017.

Federal member for Riverina – Hon Michael McCormack MP Minister for Small Business (The Nationals).

State member for Cootamundra – Hon Katrina Hodgkinson MP (The Nationals).

CGRC Administrator Christine Ferguson resigned and replaced by Stephen Sykes.

CGRC Interim General Manager Ken Trethewey resigned 2nd June 2017 and replacement IGM Allen Dwyer commenced duties 5th June 2017.

CGRC caretaker period commences 12th August 2017 and future CGRC ordinary meetings prior to the elections 26th June 2017, 17th July 2017, 7th August 2017.

Financial sustainability assessments as part of the Independent Local Government Review Panel investigation in 2014 as follows:

Council	Pop	TCorp FSR	TCorp Outlook	DLG Assets	Rate Base
Cootamundra	7,501	Moderate	Neutral	Moderate	Medium
Gundagai	3,753	Moderate	Negative	Distressed	Low
Total	11,254				

Note: both Council populations predicted at the time to decline by 2031.

Caretaker Period

It is important to be aware of the constraints on Council's decision-making prior to the 9th September 2017 CGRC elections.

Clause 393B of the Local Government (General) Regulation 2005 limits Councils' ability to exercise some of their functions in the four weeks preceding the 9th September 2017 local government election (the caretaker period).

This basically means that Council is expected to assume a “caretaker” role during election periods to ensure that major decisions are not made which would limit the actions of the new incoming Council. Councils (the Administrator), the Interim General Manager or any other delegate of the Council (other than a Joint Regional Planning Panel) must not exercise the following functions during the caretaker period:

- Entering into any contract or undertaking involving an expenditure or receipt by the Council of an amount equal to or greater than \$150,000 or 1% of the council’s revenue from rates in the preceding financial year (whichever is the larger);
- Determining a “controversial development application”, except where a failure to make such a determination would give rise to a deemed refusal, or such a deemed refusal arose before the commencement of the caretaker period;
- Appointing or reappointing the Council’s General Manager (except for temporary appointments).

If necessary, in certain circumstances, these functions may be exercised with the approval of the Minister.

It is noted that “controversial development application” means a development application under the Environmental Planning and Assessment Act 1979 for which at least 25 persons have made submissions under section 79(5) of that Act by way of objection.

The caretaker period for the local government elections on 9th September 2017 commences on Friday 11 August 2017 and ends on Saturday 9 September 2017.

Electoral Matters

It is important to be aware of constraints regards the use of Council resources prior to the local government elections on 9th September 2017. Council officials (including Administrators) must not use Council resources, property (including intellectual property) and facilities for the purposes of assisting their election campaign or the election campaign of others unless the use is lawfully authorised and proper payment is made where appropriate.

In the 40 days preceding the election, Council needs to consider whether their publications could amount to an “electoral matter”.

Project 1 - Consolidated Accounts

A high level peer review of the CGRC consolidated financial accounts and Integrated, Planning and Reporting documents to enable the Administrator to gain an understanding of the need to maintain the integrity and spirit of the former Councils Integrated Planning and Reporting documents. In particular, as relating to the maintenance of services and service levels and community infrastructure commitments identified in the adopted four year capital works programs.

Executive Summary

The source documents for the analysis to assess the general integrity of the transfer of budget commitments of the former Councils into the CGRC 2017/2018 Draft Operational Plan, was the General Purpose Financial Statements as at 12 May 2016 of the former Councils, the December 2016 Quarterly Budget Review (QBR) (March 2017 QBR was not completed at the time), and the adopted Integrated Planning and Reporting documentation of the former Councils.

This QBR presents a summary of CGRC's financial position at the end of the December 2016 fiscal quarter, and was produced from the two individual financial systems of the former Councils.

CGRC's first Operational Plan was adopted on 25 July 2016, and included the two separate budgets of the former Councils.

The process for integrating the two former Councils budgets was to reorganise both budgets in to one template, grouping Council's functional areas based on the adopted organisational structure at the time. Line items have generally been transferred as they were adopted.

A detailed version of the QBR has been publicly available on Council's website. It includes numerical references to the two former Councils adopted budgets to allow for direct comparisons of all budget line items.

It should be noted that due to differences in the way the two former Councils prepared their budgets, the budget items do not always accurately align.

A single budget without any specific reference to the former Councils budgets has been the approach taken for the Draft 2017/2018 Operational Plan.

There is ample evidence that the integrity and spirit of the former Councils adopted financial commitments as contained in the Integrated Planning and

Reporting documents have essentially been maintained, particularly as relating to the maintenance of services, service levels and community infrastructure. There are cases where operational decisions have been made and changes implemented. This is to be expected and is part of the normal amalgamation process. A number of recommendations will be made to ensure the requisite degree of control in the short term is in place to maintain community confidence.

Notwithstanding, it is important to be mindful that the former Councils forecasted net operating deficits. It is also the case that grant applications were made when no budget provision had been authorised for Councils contribution, and some operational items were being funded by inappropriate transfers from restricted assets.

Importantly, an effective and detailed spreadsheet control system has been maintained by Council's Responsible Accounting Officer to enable a transparent and critical assessment of all transferred operational and capital line items.

Commentary

CGRC Draft 2017/2018 Operational Plan

The CGRC Draft 2017/2018 Operational Plan adopted for public exhibition on the 29th May 2017 was basically constructed by integrating the budgets of the former Councils with a view to maintaining all existing services, service levels and capital projects where specific budget provisions had been made. The Draft 2017/2018 Operational Plan essentially maintains the spirit and intent of the former Councils commitments, notwithstanding examples where practicable operational decisions needed to be made. Any members of the community with any concerns that a previous duly adopted budgeted commitment has not been carried forward, can contact CGRC staff as they have maintained detailed spreadsheets documenting by line item all transferred operational service level and capital commitments.

The following is particularly noted in the Draft 2017/2018 Operational Plan submitted to Council on 29th May 2017:

Land Rates

Rating policies meet the requirements of the Local Government Amendment (Rates-Merged Council Areas) Bill 2017 whereby the rating structures of the former Councils must be maintained.

It was noted that a 12.89% special rate variation was approved in 2008/2009 for the former Gundagai Shire Council to fund important projects for a period of ten years and expiring in 2017/18. The value of the special rate income is

estimated at \$263,530 pa. The former Council had been relying on the continuation of the special variation in their Long Term Financial Plan. In view of the current CGRC structural net operating deficit, CGRC should consider making an application to IPART to have the special variation made permanent.

Rating structures are to be reviewed in the first term of the new Council.

Annual Charges

Domestic waste management charges are a continuation of the former Councils, whilst the water and sewerage trading funds are stand-alone operations and continue to operate independently, and on a business as usual basis.

Fees and Charges

The fees and charges schedules are generally based on a continuation of the former Councils with duplicating fees removed. Where different charging systems existed, the simplest fee structure has been adopted. There are cases where the cost of providing the service has been reviewed, with some fees increased or decreased to more accurately achieve parity between revenue and the actual cost of service delivery.

The schedule includes a column indicating that where the fee has been based on an existing fee, the former Council is identified. New fees where different from the former Councils are labelled accordingly.

Reconciliation of Staff Costs

Staff have access to a number of statutory protections pursuant to the Local Government Act 1993 for up to three (3) years post amalgamation day. Staff have the right to maintain the same employment terms and conditions as applied immediately prior to amalgamation day, until another provision is duly made under an Act or law. Staff also cannot have their employment terminated without the staff member's agreement. Therefore, it is important to ensure that all staff costs have been maintained. Staff costs for the organisation structure incorporated into the Draft 2017/2018 Operational Plan have been appropriately reconciled back to the former Councils.

Operational Expenditure

Cross-referencing of all line items in the December 2016 QBR with the Draft 2017/2018 Operational Plan was completed. This proved to be difficult as many line items have been recategorized or merged with common line items as would be expected at this stage in the transition process. An effective and detailed spreadsheet control system has been maintained by the Responsible Accounting Officer to enable a transparent and critical assessment of all transferred operational line items.

It will be recommended that a service guarantee budget provision be established, to provide an immediate funding source if any duly authorised line item has been omitted.

Capital Expenditure

As with operational expenditure line items a cross reference of capital line items was also undertaken. Many budgeted capital projects remain incomplete. Again, an effective and detailed spreadsheet control system has been maintained to enable a critical assessment of all transferred capital line items.

It will be recommended that an incomplete capital works schedule be prepared and approved by Council.

Restricted Assets

Restricted assets (cash and investments) have been combined, except when the asset pertains to an approved specific purpose. The Responsible Accounting Officer is currently completing a reconciliation as part of adopting the Draft 2017/2018 Operational Plan. There is now an immediate need to adopt Purpose and Policy Statements for all restricted assets.

Future Focus: An Agenda to Build Fiscal Responsibility

It is clear from the pending adoption of the first fully integrated CGRC Operational Plan and Long Term Financial Plan that the Council will need to quickly focus on building an agenda of fiscal sustainability and responsibility.

The former Councils were both budgeting net operating losses prior to the amalgamation. CGRC adopted its Draft Long Term Financial Plan on 29th May 2017 which forecasts further net operating deficits over the longer term. The Draft 2017/2018 budget forecasts an adjusted net operating deficit excluding capital grants of \$1,764,000. Whilst this budget essentially ensures a continuation of previous services and infrastructure commitments it is clearly unsustainable.

CGRC must now focus on securing financial capacity and long-term sustainability as a fundamental pre-requisite. It is abundantly clear that CGRC must be able to demonstrate to the community that looking to the future:

- It will be sustainable
- It will be efficient
- It will effectively manage infrastructure and deliver cost effective services
- It will have the scale and capacity to engage effectively across community, industry and government.

The key for CGRC in achieving financial sustainability will be by becoming absolutely committed to adopting a wide range of financial policies and

governance frameworks. This commitment will require building technical knowledge and financial understanding of both staff and Councillors.

The Local Government Act 1993 section 8B prescribes principles of sound financial management.

CGRC must place an immediate focus on fiscal responsibility by considering the following:

- Break even annual operating positions;
- Rates and charges increases that must meet underlying costs as well as annual growth in expenditures;
- Medium term pricing paths for any on-going adjustments to rates and charges;
- Asset management planning prioritized and directly linked to the Long Term Financial Plan;
- Continuous professional development of Councillor and management capacity and expertise;
- Sound policies and guidelines around the use of restricted assets;
- Smart use of borrowings for infrastructure investments only when justified by a rigorous capital expenditure review;
- Good quality accounting and fully integrated financial and business information systems;
- Good quality performance reporting systems.

Soundly based, long term asset and financial plans are the essential building blocks for financial sustainability. CGRC should give consideration to introducing the following policy frameworks so that all future four (4) year Delivery Plans:

- Contribute effectively to progressive elimination of any operating deficits;
- Establish reasonable timeframes as a revenue path for all categories of rates linked to specific proposals for infrastructure and service delivery investments;
- Give full effect to long term financial and asset management plans prepared in compliance with all Integrated Planning and Reporting requirements;
- Rigorously justify any proposed increases in service levels or the creation of new assets and only based on community consultation to determine desired service levels;
- Constantly seek out all opportunities to increase funding for infrastructure maintenance and renewals particularly where backlogs have been identified;
- Ensure an equitable and reasonable distribution of the land rate burden across the categories of ratepayers;

- Always include measures to promote efficiency improvements, productivity gains and fiscal responsibility measures.

CGRC needs to establish and embed in Council's financial governance practices the following principles of sound financial management:

- Responsible and sustainable spending, aligning general revenues and expenses in accordance with the agreed goals and objectives set through Council's Integrated Planning and Reporting frameworks and strategies;
- Responsible and sustainable infrastructure investment;
- Achievement of rigorous revenue policies by applying principles of taxation such as equity, efficiency, simplicity, sustainability and consistency;
- Effective financial and asset management, including sound policies and processes for performance management and reporting, asset maintenance, enhancement and integration into financial systems, funding decisions and risk management practices;
- Achievement of intergenerational equity to ensure policy decisions are mindful of the impacts on future generations, and that the current generation funds the costs of its services.

To summarise, the benefits to CGRC in having sound governance and financial frameworks are:

- Guides the elected governing body and management regards legislative financial decision making.
- Identifies immediately the conflicts, inconsistencies and gaps in the current approaches to fiscal management.
- Publicly adopted policy statements contributes significantly to the credibility of and public confidence in the Council.
- Saves time and energy for both the elected governing body and management. For once certain policy decisions are made, the issues do not need to be discussed each time a decision needs to be made.
- Developing overall policy directs immediate attention to Council's total financial condition rather than single use areas. This in turn mandates thinking about linking longer term financial planning with day-to-day operations.
- Policy discussions around financial management is an education process itself. It greatly assists the elected governing body to be more aware of the importance of their statutory responsibilities and policy making role in the maintenance of sound financial condition.
- Greatly improves fiscal stability by ensuring longer term planning and strategies around revenues and expenditures.
- Explicit financial policies contribute to a degree of continuity in the management of Council's fiscal affairs. Whilst Councillors and

management change over time, the policies continue to guide whoever holds the respective positions.

Efficiency Service Reviews

CGRC is a new Council comprising the work practices and cultures of the former Councils. It is therefore necessary to undertake independent and systematic efficiency reviews of all service delivery functions both internally and externally.

Internal Efficiency Service Reviews

Corporate service functions provide critical information and services across Council to cultivate effective business processes and management. The quality of Council's performance is highly reliant on effective corporate services. Priority areas based on experiences from previous amalgamated Council's generally revolve around:

- Procurement;
- Information technology;
- Financial and corporate reporting systems;
- Records management;
- Risk management;
- Human resources;
- Customer services;
- Rates and billing management.

External Efficiency Service Reviews

CGRC needs to focus on the efficiency of its external service delivery. A set of principles to underpin Council's assessment of service quality and efficiency is as follows:

- Council will strive for best practice, best value by achieving continuous improvement in the provision of its services.
- All services provided by Council must meet defined and agreed performance outcomes and quality and cost standards as defined by the community and key stakeholders.
- Council as part of all service reviews will explore the potential for partnerships with other Councils, including public and private service providers.
- All service reviews must take account of the maintenance and where possible increase in levels of local employment.
- Council will regularly report to the community on its achievement in attaining these guiding principles.

An order of priority for the external efficiency service reviews could simply be based on the spend levels of Council's operational expenses from continuing

operations (including depreciation) for the various functional areas of Council's operations, as follows (based on Draft 2017/2018 Operational Plan):

- Local roads \$4.395 mil
- Water management \$3.338 mil
- Waste management \$2.007 mil
- Sewerage management \$1.975 mil
- Town and village streets \$1.968 mil
- Buildings and property management \$1.184 mil
- Parks and gardens \$807 k
- Swimming pools \$665 k
- Libraries \$606 k
- Development and building services \$587 k
- Noxious weeds \$303 k
- Saleyards \$296 k
- Stormwater management \$241 k
- Visitor information centre services \$230 k
- Cemeteries \$222 k
- Animal control \$ 215 k
- Sporting grounds \$211 k
- Public toilets \$198 k
- Regulatory services \$168 k
- Sports stadium \$165 k
- Aerodrome \$160 k

Capital Projects

The effective management of capital expenditure will be critical, due to CGRC's need to focus on assets and its limited capacity to absorb within existing operating budgets any variations in capital projects. Capital projects need to be properly scoped and delivered more effectively and efficiently than ever before.

CGRC therefore, as part of its fiscal responsibility agenda needs to introduce new capital projects policy and guidance procedures for the rigorous assessment of all major projects.

Internal Audit, Risk and Improvement Function

CGRC needs to consider planning for the establishment of a new internal audit, risk and improvement function.

Internal audit is an independent, objective assurance activity that adds value and improves Council's operations. Internal audit will greatly assist Council in achieving its fiscal responsibility objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This function would provide information to the Council to improve Council's performance. It would keep under review the following aspects of Council's operations:

- Compliance;
- Risk management;
- Fraud control;
- Financial management;
- Governance;
- Implementation of the Integrated Planning and Reporting strategies;
- Service reviews;
- Collection of performance measurement data.

The NSW State Government presented the Local Government Amendment (Governance and Planning) Bill 2016 to Parliament on the 30th August 2016 to provide amendments to the Local Government Act 1993. Whilst the Act has not yet been proclaimed, it is expected that every Council will be required to appoint an Audit, Risk and Improvement Committee.

The NSW Office of Local Government in correspondence to Council dated 7th June 2017 has recommended that Council establishes an internal audit function consistent with the 'Internal Audit Guidelines 2009', released pursuant to section 23A of the Local Government Act 1993. Council has been requested to report back to the OLG within three months regarding the implementation of their recommendations.

Council in considering its approach to the new fiscal responsibility principles and the requirements of the OLG, needs to consider all the linkages with the internal audit function, enabling alignment with section 428A of the Local Government Amendment (Governance and Planning) Bill 2016.

Recommendations

Recommendation 1

That consideration be given to including in the adopted 2017/2018 Operational Plan a statement signed by the Administrator, Interim General Manager and Responsible Accounting Officer that the spirit and integrity of the former Councils Operational Plans and Delivery Plans have essentially been maintained for previously approved fully budgeted expenditure commitments and that a Service Guarantee budget provision has been adopted.

Recommendation 2

Establish a Service Guarantee funding provision in the 2017/2018 Operational Plan for say \$85,000, with this funding to be accessed by Council if it believes

a previously approved fully budgeted expenditure commitment made by a former Council has not been carried forward.

Recommendation 3

That consideration be given to making an application to IPART to have the ten year SRV due to expire in 2017/2018 made permanent.

Recommendation 4

Establish an incomplete capital works schedule to document any 2016/2017 incomplete capital works and be submitted to Council for approval to be carried forward into the 2017/2018 Operational Plan.

Recommendation 5

Prepare Purpose and Policy Statements for all restricted asset accounts that clearly describe the specific purpose of the account and the income and expenditure requirements of the account.

Recommendation 6

That an accessible section be made available on Council's website where the 2016/2017 QBR's and 2017/2018 Operational Plan Budget are made available.

Recommendation 7

Adopt new policy and governance frameworks to institutionalize fiscal responsibility principles generally as described within this report.

Recommendation 8

Implement a Councillor and management professional induction and development program to ensure a sound working knowledge of the new fiscal responsibility principles and associated frameworks generally as described within this report.

Recommendation 9

Undertake a rolling program of internal efficiency service reviews of all corporate service functions generally as described within this report.

Recommendation 10

Undertake a rolling program of external efficiency service reviews of functional areas based on the highest operational expenses from continuing operations generally as described within this report.

Recommendation 11

Introduce a Major Capital Projects Policy and Guidance Procedures.

Recommendation 12

That Council in its approach to the internal audit function considers the implications of alignment with the internal audit requirements as prescribed in section 428A of the Local Government Amendment (Governance and Planning) Bill 2016.

Project 2 - Amalgamation Transition Plan

A high-level peer review of the Initial CGRC Amalgamation Transition Plan to enable the Administrator to develop an understanding of the status of progress and develop a next phase Amalgamation Transition Implementation Action Plan.

Executive Summary

The Department of Premier and Cabinet (DPC) required all amalgamated Councils to prepare an Implementation Plan (IP). The purpose of the IP is to document and prioritise the specific organisational development projects and activities that support the establishment of a strong and cohesive Council.

CGRC introduced its initial IP on 31st July 2016. This IP was assigned to a Project Management Office (PMO) to coordinate, guide, support and monitor the actions, with the Executive Team acting as a Steering Committee.

The importance of planning for and delivering a successful amalgamation process is considerable, as it impacts every aspect of CGRC's structures, systems, culture and people - both in the short and longer term. Ensuring that the transition is smooth, and that time critical milestones are achieved, does not just happen by accident. The task of amalgamation transitioning needs to be well thought out, planned and executed involving all stakeholders, specifically with all staff being engaged in the process and made fully aware of what is occurring, when, why and how.

The key to successfully and smoothly facilitating the amalgamation transition process is strong, clear and consultative leadership; the application of a robust, simple, effective and compliant framework; and staff being well prepared with communications and supportive training. Working together, these components will guide and support CGRC through the challenging and complex process of change, to ensure a thriving new Council best able to meet the needs of the community it serves.

The initial IP contained two phases. Phase 1 is all actions to be completed before the Council elections 9th September 2017. Phase 2 is all those actions ongoing post the election.

CGRC has recently created a dedicated position by appointing a new Executive Director PMO until the end of the year. The Executive Director and Council's Executive Team have reviewed the initial IP as a matter of priority and will report to the June 2017 meeting of Council. This report will document the necessary resource commitments and prioritise the specific projects and activities to support the merger transition, in effect developing the first stages of the next phase Amalgamation Transition Implementation Action Plan.

Commentary

Initial CGRC Implementation Plan

The initial IP adopted the following implementation principles:

- Council will balance 'Business as Usual', whilst establishing reform and engaging our community.
- Council will make decisions with the future success in mind. We will embrace opportunities to improve services and infrastructure for our community.
- Council will aim to deliver services of a higher standard than those provided by the former Councils.
- Council will aim to implement best practice in Local Government.
- Council will be adaptive to be able to respond rapidly to unexpected issues and new opportunities.
- Council will aim to deliver a single policy framework.
- Council will need to put processes into place so that we may operate as a single entity, even though we may be operating from more than one location.
- Council aim to achieve a high level of understanding amongst employees of the merger activities.
- Council aim to achieve broad community awareness of the merger activities.
- Council will be transparent and accountable.

The NSW Government identified 10 key results it expects all new Councils to have delivered by the end of Phase 1, being the 9th September 2017 elections:

- Service continuity with smart service improvements.
- Robust governance that delivers confidence to communities.
- Easy to do business with, in person and online.
- Engaged staff who understand their roles and how they contribute to the new Council.

- Involved communities who have their say.
- Communities can readily identify with their new Council.
- A shared vision and direction for the whole community.
- Rates maintained within existing pathways and resources used wisely to serve the entire Council area.
- Expected benefits which are clear, measurable and on target.
- A newly elected Council working for the whole community.

The CGRC Executive meets monthly to review the initial IP and assess progress. A Gantt Chart has been developed to monitor timelines against actions.

The Gantt Chart is not user friendly and has not been updated for some months so any current analysis is difficult.

The initial IP remains essentially unchanged with expenditure from the \$5 million Merger Implementation Fund at approximately \$800,000.

The CGRC assigned staff member to head up the PMO was required to incorporate all the PMO responsibilities into their existing substantive role at Council. This expectation was unreasonable. Council has recently corrected this arrangement and created a dedicated position by appointing a new Executive Director PMO until the end of the year. The Executive Director and Council's Executive Team have reviewed the initial IP as a matter of priority and will report to the June 2017 meeting of Council. This report will document and prioritise the specific projects and activities to support the transition, in effect developing the first stages of the next phase Amalgamation Transition Implementation Action Plan.

Discussions with the Executive Director PMO have indicated:

- That a component of his role, together with PMO activities, is to assist in managing a more positive and committed team environment. His immediate priorities will be to attend team meetings and any other opportunities that present to meet and develop relations with CGRC staff. This will enable him to obtain a clear and accurate understanding of events and status of activities to inform his work.
- Initial assessments of the initial IP, indicate that the process and quality of the information to inform the IP has generally satisfied what is required by DPC. The fact that limited funds have been expended from the \$5m Implementation Fund being an indication that the expected IP projects perhaps have not been adequately considered to date.

- Status comparisons on best practices have commenced on IP projects with other amalgamated Councils across NSW.
- There appears to be an attitude to limit spending from the Implementation Fund, thus providing an opportunity to allocate the unspent balance on infrastructure projects. Whilst this is technically possible, the implementation funding has been provided for good reasons. The priority must be to provide for governance harmonization, information technology systems, strategic planning, financial management systems, policy integration and any projects that will provide a stronger Council with high quality governance systems.

External Reporting of Initial Implementation Plan Progress

CGRC has number of very specific obligations to report on implementation progress. To provide clarity as to the status of external reporting on the initial IP, the last full status report provided to the NSW State Government by CGRC on progress in part stated:

Internal Council Operational Achievements and Successes

- All staff meeting held to inform staff of progress and projects underway. Incorporated testing of CSP engagement strategies. Very successful with 90% of staff participating and engaged in process.
- New corporate software system initiated and initial data entry and proofing underway.
- Development of new general ledger underway.
- Review and combining of LEPs underway with Village strategy commenced.
- Mapping and creation of electronic data base for all Gundagai cemeteries underway.
- Asset registers combined and asset management system needs finalising and plans being developed.
- Review and combination of water and sewer strategies being undertaken.
- Plant replacement programs reviewed and combined.

People and Culture Status of New Organisational Structure

- Structure in place and agreed earlier.
- Majority of vacant positions now filled permanently.
- Directors remain interim with plan to make permanent during March.
- Majority of Managers positions rewritten and made permanent.
- Work on new salary structure stalled over Christmas/New Year now underway again.

Organisational Culture

- All staff meeting held has helped the majority to recognise that we are making good progress.
- Majority of staff are pleased to be part of new and changing Council.
- Small number still in denial.

Organisational Culture

- Organisation health is ranked 7/10.
- Majority working well together and enjoying the introduction of new and improved work systems.

Communication

- Regular meetings and movements from office to office, offices to depots.
- Regular FAQs via intranet and attached to fortnightly payslips.
- Monthly Consultative Committee meetings, with minutes distributed to all staff.

Further, the last status report provided to the CGRC Consultative Committee on the initial IP progress in part stated:

One Finance System

- One new Authority, combining all our existing data.
- System improvements.

Note: new single Authority with a combined accounting system, combined payroll, and combined budget and financial reporting and combined property and rating system now live and being populated by staff and consultants. This should take 6-8 weeks to complete. During the input process systems, processes and data are being reviewed.

Community Strategic Plan, Delivery Program, Operational Plan

- Community Strategic Plan consultation plans nearing completion, based on the priorities raised in IAG discussions.

Note: First 'testing' at all staff meeting has allowed refining, with initial consultation being planned for March. This is being co-ordinated with all other consultation that will be taking place over the next few months using staff and consultants.

- Draft Delivery Program and Operational Plan preparation is underway in conjunction with new finance system population.

Note: This has been complicated by the sudden and unexpected resignation of a key staff member, however, measures to counteract this difficulty are being put in place.

IT System

- New single Council network, including new reliable equipment, to allow easy and smooth communication between sites, and access to the same information on all our devices is being installed.
Note: Gundagai office installation should be completed this week with Cootamundra to be completed over the next two weeks.
- Optic fibre is now connected to both the Cootamundra and Gundagai Offices, and wireless connections for all Council sites are in process. Following this will be a combined phone system, so that all calls between our council sites will be internal calls which will allow for efficient online communication. The electronic records management system has been rolled out to both offices, and we are looking for all opportunities to use technology to improve our communication.

HR Systems

- Salary Systems, Position Descriptions, Performance Review Systems Consultation

New position descriptions for all staff are being progressed, and work is underway on developing a new performance based salary system. Council is not rushing this process, but is progressing steadily, and consulting with all staff all along the way. The Consultative Committee is a key part of this process that ensures that all decisions are reported through the committee, before they are enacted, and allows any staff member to contribute or ask questions at any point.

Customer Communication

- Website
- Customer Service Charter

Council has reviewed the old and commenced developing a new website, thinking about what information customers would like to access, and how they would like to contact Council.

Note: Council has recently appointed a communications group to assist with this process

Council has invited all staff to be involved in a discussion about the best aspects of our Council's customer service, and is developing a new Customer Service Policy, and associated procedures.

Review and Combining of the existing LEPs, Villages Strategy

Council has commenced a villages and rural community's strategy study to define the best direction for villages to be included in the new LEP. Council has commenced a thorough analysis of existing strategic studies and development trends as a prelude to developing and drafting a new LEP/DCP after the September elections.

Mapping and Data Base for the Cemeteries

Work is underway to map all cemeteries in the new council area. This will include a new register for all burials and each cemetery being surveyed.

Disability Inclusion Plan

Public meetings have been held with interested persons to develop a Draft Disability Inclusion Plan.

Draft Economic Development Strategy

This Project, funded through a \$25,000 grant from the Energise Enterprise Fund, is progressing and is designed to develop an overarching Economic Development Strategy for the new amalgamated Council, referencing the existing strategies in place and incorporating these (as appropriate) into a new comprehensive strategy.

Asset Management

- Asset Registers combined.
- Asset Management Plans commenced and being developed in Civica.
- Water and Sewer Strategies being developed.

Note: New Asset Management program is now live and being populated by staff and consultants. Water and sewer re-valuations are underway using staff and consultants, allowing strategic plans to be reviewed and updated.

Operations Division

- Combining of Plant Replacement Programs.
- Waste collection improvements, particularly to rural areas.
- Improving work practices by combining best practice from former Councils.
- Integration of the Works Program.
- Overall move towards the new Operations Department, with improved communications.

Note: Waste collection proposals reported to Council in February and presently on exhibition. Plant replacement programs now combined.

Whilst it is clear that many projects have been commenced, many are not completed, and many not started. There is no doubt staff departures and resourcing priorities have contributed to the mixed outcomes. There is also little doubt that life has been difficult for some staff.

It is also clear the enormity of the implementation task has not been fully understood and appreciated. Insufficient detailed planning and the requisite allocation of resources has hampered progress. Amalgamations are not easy.

Looking ahead, Council needs to urgently prioritise development and resourcing for implementation of the next phase Amalgamation Transition Implementation Action Plan.

Council needs to urgently prioritise the development of a new comprehensive website and the closing down of the former Councils websites. This is an

essential component in maintaining service continuity and the provision of important community information. An emphasis needs to be given to the provision of online services.

Building a New Organisation

CGRC is a “brand” new organisation that needs to establish its own reputation and create its own destiny. It now has a truly unique opportunity for all concerned to build in partnership with the community a new and exciting modernising agenda. An agenda that is focussed on the future and one that aims to modernise governance arrangements, management structures and service delivery.

CGRC needs to focus on a more strategic view of its operations and develop a high capacity organisation to manage the challenges of a rural Council in the 21st century. CGRC needs to invest in knowledge, technology and innovation.

CGRC’s modernising agenda needs to focus on three (3) dimensions:

1. Modernising Governance – by ensuring strong, ethical civic and managerial leadership and smart decision making underpinned by real stakeholder and community engagement.
2. Modernising Management – by making senior staff more strategic and managers focused on operational outcomes. By encouraging working across organisational boundaries and always being focussed on community outcomes.
3. Modernising Service Delivery – principally by making it more responsive, tailored to localised and specific needs, and always striving for best value and best practice.

The modernising agenda for CGRC needs to be driven by a set of guiding principles:

- Facilitating CGRC – the task is to steer, not row the boat. Be good at making good things happen.
- Community Owned and Driven CGRC – the task is to empower with programs and services being owned by the people they are serving. Meet the needs of the community not the bureaucracy. Quality is only ever determined by the community.
- Competitive CGRC – the task is to inject competition into service delivery. The issue is not public versus private, it is competition versus monopoly.
- Mission Driven CGRC – the task is to transform from a rule driven organisation to one focussed on good outcomes. Tell people what you want them to achieve and they will surprise with their ingenuity.
- Results Orientated CGRC – the task is to focus on outcomes not inputs. Track results and you can dispense with red tape.
- Enterprising CGRC – the task is to earn as well as spend.

- Anticipating CGRC – the task is prevention before cure. It is better to prevent problems rather than delivering services to correct them.
- Teamwork CGRC – the task is to move from hierarchy to teamwork by everyone working together.
- Market Orientated CGRC – the task is to leverage change through the market by functioning more as facilitators and brokers and seed capitalists.

Consultative Committee

CGRC needs to establish a new single Consultative Committee (CC).

The CC has a central role to play in ensuring that the structural reform process runs smoothly and that all employees are able to adapt to the new organisational structure, policies and procedures.

The size and composition of the new CC needs careful consideration. Clause 32B of the Award prescribes the membership requirements. Over and above these minimum requirements consideration needs to be given to a membership structure that ensures effective workplace representation by enlisting a mix of employees from a range of different workplaces – and from the former Councils. An appropriately structured membership that is seen to offer sound representation across the entire organisation, coupled with an effective communications plan, will go a long way towards minimising the more negative aspects of workplace change.

A new CC Constitution needs to be adopted as soon as possible. The Local Government State Award prescribes the minimum requirements.

New Salary System

CGRC needs to introduce a new integrated salary system that meets the requirements of the Local Government State Award, and transition staff into the system, including the identification of any Current Occupant Only (COO) positions.

Rural Centre Staff

Gundagai is classified as a rural centre pursuant to the requirements of the section 218CA LGA. This requires that the number of ‘regular staff’ employed at the former Gundagai Shire Council is (as far as is reasonable practicable) maintained at the same level as were employed at amalgamation day.

It is important to note that notwithstanding this statutory imperative the need to maintain regular numbers does not over-ride the necessity for CGRC to make practical decisions. Any decisions to not replace a regular staff position should be supported by written documentation clearly stating the reasons for the decision. These documents should be placed in a public register (subject to

any legal restrictions). CGRC's Annual Report can also provide updates on the actual numbers of employed regular staff.

Organisational Structure

There is an immediate need to determine a new fit for purpose organisational structure, and preparation of a new Workforce Management Plan (staff numbers, skills needed, status and tenure of positions, employment conditions, training and development programs, cultural change strategies and so forth) and transition staff accordingly. This can be an exciting time for staff, with access to career and training opportunities not previously available.

Recommendations

Recommendation 13

That CGRC maintain a dedicated and resourced PMO position and immediately undertake a complete review of the Initial Implementation Plan and submit to Council for approval a next phase Amalgamation Transition Implementation Action Plan.

Recommendation 14

That the style and presentation of the Implementation Plan be such that it is easy to understand, easy to maintain and be accessible to all staff, and that regular progress reports be submitted to Department Premier and Cabinet, the Consultative Committee and Council.

Recommendation 15

That a new Consultative Committee be established in accordance with the requirements of the Local Government State Award.

Recommendation 16

That a new salary system and performance appraisals be adopted in accordance with the requirements of the Local Government State Award and staff transitioned.

Recommendation 17

That a Gundagai Rural Centre Staff Schedule be developed and be placed in a public register (subject to any legal restrictions), including CGRC's Statutory Annual Report to provide regular updates on the actual numbers of employed regular staff.

Recommendation 18

That a new organisational structure and Workforce Management Plan be determined and a process be developed to transition staff.

Recommendation 19

That priority be given to the development of a new comprehensive CGRC website and with a focus on the provision of online services.

Recommendation 20

That in consultation with Department Premier and Cabinet an analysis of best practice examples from other amalgamated Councils across NSW be undertaken.

Project 3 - Gundagai Sewerage Treatment Plant

A review of the funding options relating to construction of the Gundagai Sewerage Treatment Plant upgrade and other identified proposed major capital projects.

Executive Summary

Gundagai Sewerage Treatment Plant (STP)

CGRC has applied for Commonwealth funding towards replacement of the Gundagai STP under the Building Better Regions Fund.

Whilst the NSW Government is supportive of the project as a high priority, they have not committed to any funding contributions towards the project. CGRC has not submitted any formal applications for State funding.

It is highly evident that the existing Gundagai STP has reached the end of its useful asset life and needs to be replaced urgently. Catastrophic failure is a real risk. It is also evident that a better quality of effluent is necessary given the public health and environmental risks associated with continued reuse of treated effluent from the STP within the Murrumbidgee River catchment.

The Gundagai STP project is urgent and requires CGRC's highest infrastructure investment priority.

Other identified proposed major capital projects

CGRC has received \$10 million from the Stronger Communities Fund as part of the NSW Government's Fit for the Future reform program. CGRC needs to urgently seek an extension of time and finalise its projects in accordance with the programs criteria and ensure all funds are spent or committed by 30th June 2019 and fully acquitted before 31 December 2019.

Commentary

Gundagai Sewerage Treatment Plant

The current Gundagai STP has clearly reached the end of its physical life and needs to be replaced urgently. The STP is at significant risk of a catastrophic failure. It is highly likely that the STP will physically fail in the next major flood event. It could be expected that NSW Health would implement health protocols for such an event whereby the town of Gundagai would possibly need to be evacuated. The STP does not meet environmental reuse, work, health and safety standards.

The STP has also reached its treatment capacity. Therefore, limiting any expansion of existing businesses and the possible relocation of any new industries.

The total estimated capital cost to replace the STP in the absence of detailed concept and design plans ranges in various Council reports from \$6.5M to \$8.5M.

CGRC lodged a Building Better Regions Fund – Infrastructure Projects Stream application on 28th February 2017 (receipt no BBRF – IS – 719).

The project was described as:

“It is proposed to construct a new sewage treatment plant (STP) to overcome both the current concerns over plant condition as well as ensuring there is sufficient capacity for the town to capitalise on the new investment opportunities that are presenting themselves at this time. The current STP in Gundagai is in imminent danger of suffering a catastrophic failure, wherein critical treatment components are likely to physically break down, and lead to a forced evacuation of the town. There is a need to move as quickly as possible to sure up and capture new investment in the region by augmenting the STP at the earliest possible date or lose what have been identified as strong benefits for the region’s future.”

The project outputs were described as:

“A replacement Sewage Treatment Plant (STP) capable of operating in flood conditions. Includes, site civil works, new mechanical installations, upgrading of the power supply, full commissioning and plant proving trials, and removal of the old 1923 STP which is beyond reasonable repair. New operational manuals and training for the operators are included within this package. New Plant will have a minimum 50% increase in capacity. Rectification of feeder pumping stations (if funding permits), which includes replacement of the 1923 Royal Pumping Station which has suffered considerable flood damage and

structural degradation, and upgrading of Boys Club Pumping Station to ensure it remains fully operational under flood conditions”.

Letters of support with the application were provided by NSW DPI Water, NSW EPA, Regional Development Australia.

Project duration:

Start date 1/12/2017 and to be completed 1/10/19.

Budget summary:

2017/2018 \$ 900,000

2018/2019 \$5,000,000

2019/2020 \$1,100,000

Source of funding:

BBR Grant \$3,500,000

CRGC \$3,500,000

CGRC funding sources:

CGRC RA \$1,000,000 (\$450,000 16/17 \$550,000 18/19)

Stronger Communities Fund \$2,500,000

It remains unclear when funding approvals will be announced by the Commonwealth Government.

Whilst CGRC has not made any formal written applications to the NSW State Government, the CGRC Administrator has made direct representations to the State Government for urgent consideration in the NSW State Budget for funding of \$5.5M. Total project cost in these discussions have been based on \$8.5M with contributions from CGRC \$1M and the Stronger Communities Fund \$2M.

Other possible funding sources for CGRC to consider include:

- The NSW Government Country Towns Water/Sewerage Supply Scheme will cease on 31st July 2017. \$107 million has been allocated to the Regional Water and Waste Water Backlog Program for 2017/2018, specifically it would seem for existing commitments.
- A new program has been introduced in the recent NSW State Budget, the \$1 billion Safe and Secure Water Program (really \$500 million as \$500 million is already committed to the Broken Hill pipeline).

This new investment program is aimed at water and sewerage projects in regional NSW to ensure infrastructure meets contemporary standards for water security, public health, and environmental and safety outcomes into the future. The program will provide co- funding to successful

applicants such as CGRC for detailed planning and construction activities to install, augment or decommission water and sewerage infrastructure.

The Safe and Secure Water Program will be a multi- phased co- funding program. Focus areas will be initially identified using a new catchment- wide framework, based on security of supply, health and infrastructure risks and emerging issues that can impact on supply and demand. This framework allows for a strategic and long- term approach and ensures the funding is targeted towards critical projects. Eight shortlisted projects have already been assessed against this framework. The remainder of the program will follow an ‘applicant led’ process and will be implemented over several funding rounds.

Funding guidelines and Expressions of Interest under the new Safe and Secure Water Program are scheduled to open in July 2017. Funding will be determined on a competitive basis.

- Restart NSW has recently funded Councils for similar sewerage upgrade projects. The NSW Government established the Restart NSW Fund to enable a range of high priority infrastructure projects to be funded and delivered. Infrastructure NSW is responsible for assessing and making recommendations to the Government for use of the Restart NSW Fund.

The purpose of the Restart NSW Fund is to improve economic growth and productivity by investing in major projects that will improve public transport, roads and the competitiveness of the State, as well as local infrastructure in regional areas that are affected by mining operations, health facilities, and workplaces for frontline government staff. Restart NSW funds are used for major projects that will improve the productivity and competitiveness of the State across all sectors. They also support investment in local infrastructure in regional areas.

- CGRC financing through internal or external loans and restricted assets financing. The Local Infrastructure Renewal Scheme that provided interest subsidies is now closed. TCorp NSW offer loan facilities to Local Government at very competitive rates.

The Gundagai sewerage trading fund is a stand-alone scheme and operates independently. The proposed 2017/2018 charges for the Gundagai area is a residential sewer access charge of \$799.00 pa. For non-residential land a Sewerage Discharge Factor system is used with a per kilolitre charge of \$2.98. The minimum non-residential sewer charge is \$751.00 pa.

To put this in perspective, the NSW 2016/2017 state wide median for residential sewerage access charges was \$718.00 pa.

To assess the capacity of Gundagai residents connected to the scheme to finance loan borrowings (based on the assumption that the Gundagai trading fund remains as an independent trading scheme) we need to understand how the current sewerage access charge is structured. A portion of the annual sewer access charge is transferred to Restricted Assets to fund future asset replacement. The remaining balance of the access charge is to fund the cost of maintaining the scheme.

After allowing for \$1 million expenditure in 2017/2018 for detailed concept design and planning, the estimated balance in restricted funds as at 30/6/2019 is \$661,000. This has been forecast to build up to \$5.4 million in 10 years subject to there being no additional unbudgeted capital renewals.

Capacity to borrow whilst already constrained due to the very high current access charge can be considered as follows. For every \$1,000,000 borrowed over 20 years @ 4% = \$72,717 pa in principal/interest repayments are required. Therefore, based on the current user base this equates to an additional \$97 pa per property. To borrow \$4 million would add approximately \$387 pa per connected user.

CGRC needs to undertake detailed modelling to accurately determine financial strategies acceptable to the community. CGRC is clearly unable to fund these works without substantial external funding assistance.

Other Considerations

A detailed construction program based on the assumption of obtaining Commonwealth BBR funding has been submitted to NSW DPI Water on 22nd May 2017. In compiling the program CGRC whilst mindful of the enormity of the task is far too optimistic with the projected time frames. There are a range of approvals and processes that CGRC must attend to before any agreement on funding decisions and construction work can commence.

CGRC has engaged NSW Public Works to undertake the concept and detailed design work, including Council's Integrated Water Cycle Management (IWCM) Strategy. The IWCM Strategy addresses two key elements of the Best Management Framework. CGRC needs to work closely with NSW DPI Water to ensure that outcomes for the various stages of project implementation are appropriate and remain on track for Section 60 approval.

Section 60 Approval

CGRC has yet to obtain the requisite Section 60 approval. Under Section 60 of the LGA 1993, CGRC is required to obtain Ministerial approval for the construction or modification of sewage treatment works. Section 60 is a staged approval process that provides an independent assessment of the proposed works to ensure they are fit for purpose and provide robust, safe, cost-effective and soundly based solutions that meet public health and environmental requirements.

The proposed Gundagai STP project requires an options study, concept design report and detailed design. These need to be prepared by suitably qualified and experienced practitioners and submitted for review. The information provided must clearly define the proposed activity and detail how the environment will be protected.

NSW Best-Practice Management Sewerage Framework.

Whilst the Country Towns Water Supply and Sewerage Program is ending, it needs to be assumed at this point that the general principles and objectives of the program will be incorporated into the replacement program. The goal of the program is to provide appropriate, affordable, cost effective and well managed sewerage services in urban areas of country NSW. To be eligible for financial assistance from the NSW State Government, it is to be expected that CGRC will need to comply with the NSW Best-Practice Management of Water Supply and Sewerage Framework. It currently does not.

Works eligible for financial assistance would normally form part of an overall capital works program which would be set out in CGRC's Strategic Business Plan. Financial assistance will be determined on the basis of the proportion of capacity required to address the backlog.

Financial assistance is provided towards the backlog component of the capital cost of the option that provides the best value for money on a triple bottom line basis involving social, environmental and economic considerations.

Amalgamations of local water utilities

CGRC's annual revenue resulting from the amalgamation is well below the threshold revenue test and therefore will not be disadvantaged with respect to eligibility for financial assistance. The relevant annual revenue for such

utilities will be deemed to remain the same as that which would have applied prior to the amalgamation. This concession will apply for three years from the date of amalgamation.

Other Potential Community Infrastructure Projects

CGRC has received \$10 million from the Stronger Communities Fund. Council in allocating any funding must consult with the community through two (2) programs:

1. Community grant program allocating up to \$1 million in grants of up to \$50,000; and
2. Major projects program allocating all remaining funds.

It is noted that any surplus funds from the Implementation Fund can be invested in either of the above programs with approval.

The Stronger Communities Fund Guidelines provides full details on Council's obligations including requirements for consultation, prioritisation, governance and reporting.

Community Grant Program

Council has already approved 46 projects with the total allocated exceeding the approved budget.

Major Projects Program

Projects currently under consideration:

• Gundagai Sewerage Treatment Plant Replacement	\$2.5M
• Cootamundra Water Main Replacement Program	\$2.0M
• Dog on Tuckerbox Redevelopment – V.I.C.	\$2.0M
• Gundagai and Cootamundra Footpath Renewal Program	\$500k
• Cootamundra Stormwater Replacement	\$500k
• Gundagai Stormwater Replacement	\$500k
• Dog on Tuckerbox Redevelopment – Public Toilets	\$200k
• Water Supply to Nangus Village (\$1M grant)	\$1.5M
• Cootamundra and Gundagai Industrial Land Development	\$1.0M
• Gundagai Timber Bridge Replacement (3)	\$1.0M
• Cootamundra/Gundagai playgrounds	\$500k
• Water Supply to the Dog on the Tuckerbox (\$500k grant)	\$500k
• Gundagai Water Reservoirs Roof Replacement (3)	\$400k
• Cootamundra Pool Water Park	\$400k
• Cootamundra Cemetery Alternate Access Road	\$400K
• Gundagai Pool Tiling and Disabled Ramp	\$300k

• Gundagai Roundabout at Sheridan Street and West St	\$300k
• Cootamundra and Gundagai Pools – Splash Parks	\$240k
• Cootamundra – Ampol Site access and paths	\$200k
• Cootamundra – Steven Ward Rooms/Outdoor Area	\$200k
• Cootamundra/Gundagai Park Exercise Equipment	\$150k
• Cootamundra – Fisher Park Lighting Program	\$150k
• Gundagai Main Street Public Toilet	\$150k
• Cootamundra Flood Gates (6)	\$120k
• Gundagai Water Treatment Plant Telemetry System	\$100k
• Cootamundra Saleyards Lighting and Electrical Upgrade	\$100k
• Gundagai Dog Pound Redevelopment	\$100k
• Cootamundra Pool Shade Cloth	\$100k
• Cootamundra – Wallendoon Street to Railway footpath	\$100k
• Gundagai VIC Redevelopment – Ramp and Disabled Toilet	\$50K

Many of the listed projects do not demonstrate project feasibility and value for money, including full lifecycle costings. Capital cost estimates require greater validation and require greater consideration to the processes and procedures outlined in the capital expenditure review guidelines as issued by the Office of Local Government.

It is important to note that the major projects program is specifically for larger scale priority infrastructure and services projects, that deliver long term economic and social benefits to communities. It is important that Council completes a full due diligence review on selected projects to ensure compliance with the programs expectations.

Two projects that should receive strong support are the Gundagai STP and the Cootamundra water main replacement program. There is an urgent need to replace sections of old ductile and cast-iron water mains in the Cootamundra town area. The mains are showing serious signs of internal deterioration and loss of internal section due to mineralisation deposition. Failure rates are rapidly increasing and water quality is failing. Both projects target critical community infrastructure with a very high priority in Council's asset management plans and deliver long term economic benefits to the community.

Apportionment Ratio

Council in its deliberations on the selection of major projects, is required to consider the matter of equity across the broader community. In deciding on an equitable and practicable distribution formula for the major projects funding, it may be necessary to consider an apportionment methodology to provide guidance. For example, consideration could be given to percentage comparatives on four (4) key indicators as shown below:

Category	Cootamundra	Gundagai	Total
Assessments	4,020	2,455	6,475
	62%	38%	100%
Land Value	\$678,399,120	\$573,727,327	\$1,252,126,447
	54%	46%	100%
Rating Income	\$4,188,147	\$2,937,854	\$7,126,001
	58%	42%	100%
Population	7,501	3,753	11,254
	66%	34%	100%
Average	60%	40%	100%

Based on the above apportionment ratios about \$5,400,000 would be made available for projects that align with the former CSC area and \$3,600,000 for the former GSC area.

Council should immediately seek an extension of time from the NSW Government to finalise its major project priorities, and reduce the current list to those more significant projects that clearly meet the definition of larger scale priority infrastructure and services projects.

Recommendations

Recommendation 21

Prioritise the Gundagai STP upgrade as an urgent and significant project requiring additional external funding assistance from the NSW State Government, and undertake detailed modelling to accurately determine financial strategies acceptable to the community.

Recommendation 22

Work closely with the NSW Department of Primary Resources Water and NSW Public Works to ensure that outcomes for the various stages of project implementation for the Gundagai STP are appropriate and remain on track for Section 60 approval.

Recommendation 23

Seek an extension of time from the NSW State Government for allocating the Stronger Communities Fund Major Projects Stream, to enable CGRC to be fully appraised of current funding applications to part fund the Gundagai STP, and allow further assessments of project feasibility and due diligence assessments and community consultation.

Recommendation 24

Critically review all Stronger Communities Fund major projects currently under consideration by ensuring they fully satisfy the program criteria as described in the Stronger Communities Fund Guidelines, and further, ensure funding priorities meet the test of due diligence and are absolutely determined in a manner that ensures equity across the broader community, best value outcomes including full lifecycle costs, and that ensure maximum social and economic community benefits.

Recommendation 25

Prioritise the Cootamundra water main replacement program as an urgent and significant project.

Project 4 - Staff Mentoring

Based upon the outcome of these reviews undertake a mentoring role with specific staff involved in the amalgamation implementation process as required by the Interim General Manager.

Commentary

The requirements here will be a matter for the new Interim General Manager. The previous IGM indicated that it was a matter he believed would provide value for selected staff going forward.

Recommendations**Recommendation 26**

That the Interim General Manager determine any requirements.