COOTAMUNDRA-GUNDAGAI REGIONAL COUNCIL

Demerger Transition Plan

Phase 1

Contents

Version Control

#	Date	Details	Prepared/Checked	Council Report	OLG Report
1.0	Dec 2023	Draft	Always Thinking Advisory		
2.0	Jan 2024	Revised Draft	Always Thinking Advisory		
3.0	Feb 2024	Final Draft	ATA - IGM CGRC		
4.0		Peer Review	IGM CGRC - OLG		
5.0	Mar 2024	Final	IGM CGRC	19 Mar 2024	

Executive Summary

In a meeting with Cootamundra-Gundagai Regional Council councillors and senior staff in October 2023, the NSW Minister for Local Government was clear – a demerger proposed by Council is expected to create two sustainable councils, is to be led by the councillors and to be funded by the councils.

This Demerger Transition Plan (DTP) proposes the path to separate Cootamundra-Gundagai Regional Council (CGRC) into Cootamundra Council and Gundagai Council. The accompanying Financial Sustainability Plan (FSP) outlines the decisions and discipline required of CGRC councillors to establish, and the new councils' elected members to pursue, to place those councils on a sustainable footing.

The *Local Government Act 1993* (s8) and guidance from the NSW Office of Local Government (OLG) promote the tenets of sustainability as balancing operating budgets, generating sufficient cash to fund renewal of assets, maintain suitable levels of working capital, borrow appropriately, place cash into reserves for future capital purposes, and attain relevant financial and asset benchmarks. A robust organisation should have maturing systems of asset and risk management, and transparent approaches to decision making, funding and performance reporting.

A demerger contrasts to a merger in that much of the administrative and legal activities precede the establishment of the new councils. The Demerger Transition Plan and accompanying Schedule of Tasks does not shrink from the enormity of the project and the financial and organisational impacts. The transition to a cloud-based shared technology model for example, is estimated by the supplier to consume nine months of resource effort.

The demerger will require temporary resources to undertake the tasks and specialist consultants to deliver the legal, service and asset foundations for the new councils. The final audit and wind up of CGRC will confirm the distribution of financial and physical assets and liabilities and provide the opening balances for the new councils.

Funding the demerger presents a challenge. The FY23 Financial Statements indicate CGRC does not have sufficient unrestricted cash to fund the scoping, planning and implementing a demerger at an estimated cost of $2.5-3m. The FY24 operating results may improve unrestricted cash which should be retained and shared between the new councils.

Notwithstanding the absence of financial sponsorship of Government, a demerger can be funded through reserves and delivered through a demerger project office. This DTP assesses the capacity of the organisation, nominates responsibilities, proposes a governance structure, observes risks, notes the importance of communications and change management, and highlights critical decisions to be made.

The new councils cannot necessarily return to their former mode of operation – expectations have grown, obligations have changed, asset costs have escalated and resourcing has diminished. Any former benefits of specialisations and scale will reduce. The new councils do not have adequate recurrent revenues to fund the duplicated management and specialist staff required for the new councils – appropriate interventions (financial and shared resources) are proposed in the FSP.

The new councils will improve representation, proposing seven councillors form Cootamundra Council and five councillors form Gundagai Council. Each will develop the organisation structures with their respective general managers, and progress the foundational service, asset and financial settings put forward by CGRC councillors. Embedding the sustainability principles proposed with the FSP, into their respective financial plans, will be imperative. It is anticipated the new councils would be reclassified as Group 9 Rural, from CGRC's Group 11 Large Rural.

A successful demerger is dependent on sharing resources or contracting services between councils – the most significant decision of which is the enterprise resource platform (ERP) contracted with Civica. Given the resource constraints on the councils, there is little sense in dividing CGRC into two entities if it means duplicating staff, technology and technical resources.

Without significant political and administrative collaboration and a measured approach to sharing resources and hosting services and facilities between the new councils, the recurrent costs of operations of the councils - and ongoing need for increased rates and other revenues - will necessitate a focussed review of services and asset standards to create two sustainable entities, and disciplined communication and management of expectations.

The FSP recommends funded scenarios for the new councils to accommodate growth in costs of maintenance and renewal of assets, dampen growth in non-asset services and absorb the duplication of key executive and specialist staff through sharing of resources, services and facilities, and increasing revenues.

CGRC will continue to operate and deliver services until the new councils are created following proclamation. Creation of the new councils will be prefaced by election of new councillors, the recruitment of new general managers and executive, endorsement of interim organisation structures, and the determination of a shared or hosted service and facility (including technology) model.

It is acknowledged the operating and capital budgets and staffing of the works and utilities group have continued to be structured to distinguish Cootamundra from Gundagai. However, the administrative support and development functions of CGRC have merged and require differentiation and division for a demerger. Appropriate investment in finance, asset, project and contract management, together with strategic planning is required to place and keep the new councils on a sound footing. Those skills are scarce in the market and likely to be supplemented by consultancies at a premium.

The community has advocated for a demerger for several years and would anticipate challenges and changes. While the merger caused many services to uplift and pricing to harmonise, a review and differentiation of service levels and asset standards between the new councils, as proposed, should be expected.

Key Points:

- If endorsed through the Local Government Boundaries Commission (LGBC) and the Minister's final determination, the planning and preparation for demerger comprises Phase 2, while the establishment of the new councils and implementation of key service, asset and financial principles, forms Phase 3
- An accompanying Financial Sustainability Plan has been prepared to:
    - appraise the financial health and performance of CGRC
    - apportion CGRC FY24 operational revenues and expenses to the new councils
    - establish sustainability principles for pursuit by the new councils
    - nominate discipline and priority settings for programs and projects
    - nominate revenue raising options, including those for Proclamation
    - contemplate several scenarios (financial, service, risk) to meet ratios and other parameters of sustainability required of OLG
    - forecast financial and asset results to demonstrate attainment of a 'moderate' sustainability rating by end of first new council term, with progression to 'sound' rating by the end of the first financial plan

- The preparatory work by CGRC to be undertaken before the effective date of the Proclamation creating the new councils includes:
  - refresh the asset plans to reflect current condition, useful life, valuation and renewals
  - catalogue the current service and asset offer, at current costs, to enable the new councils to differentiate levels of service to their own affordable settings
  - establish initial pricing policy settings and rates of return for non-critical public services
  - determine basis for distribution of physical, cash and staff assets, with values to be confirmed at final audit of CGRC financial statements
  - migrate technology systems into a cloud platform operated between the new councils
  - check or prepare relevant registers and reports to demonstrate governance/compliance
  - document agreements to bind the new councils to share the nominated resources, services and facilities (identified in the financial sustainability plan)
  - engage GM's-elect for the new councils, enabling time for the interim organisation structures to be formed and the process of transfer of staff into the structures
  - arrange elections for the new council
  - arrange final audit and wind up of CGRC
- A demerger task schedule, risk and cost plan are included with this Demerger Plan, indicating:
  - the scope of tasks and reliance on some specialties may require a preparatory and planning period of 9-12 months before the new councils commence
  - estimates in the order of $2.5-3m, including some contingency and a project office
  - the bulk of that cost rests with technology conversion and consultants to refresh asset and service settings, the demerger project office and staff transition
  - a mix of internal, secondments and temporary staffing is proposed, with the more complex service, asset and technology plans requiring specialist expertise
  - appropriate levels of unrestricted cash (working capital) should be maintained
- The costs of the demerger should be funded through:
  - de-restriction of several cash-backed internal reserves
  - a potential interest-free loan facility from Government
  - invoicing relevant establishment costs to the new councils (eg GM recruitment, elections)
- While noting elections could occur in September 2024, and the LGBC has yet to assess the DTP, given the scope of work to prepare for demerger, it is proposed:
  - the elections be deferred six to nine months to enable the demerger preparation and technology configuration to finalise
  - commence the new entities near or from the next financial year (July 2025)

1 Background

In May 2016 the NSW Government merged Cootamundra Shire and Gundagai Shire Councils into a single Cootamundra-Gundagai Regional Council (CGRC). The former Gundagai Shire Council and local community groups expressed strong opposition to the merger and lobbied for a demerger. Since then:

- An elector led process initiated under section 215 of the *Local Government Act 1993* was conducted around 2020 resulting in the NSW Local Government Boundaries Commission (LGBC) reporting to the then Minister for Local Government recommending the demerger proposal not be implemented. The Minister accepted the recommendation of the LGBC.
- Amendments were introduced to the Act in 2021 – including s218CC which seemed to provide a path for a newly merged Council to seek de-amalgamation within 10 years of a merger, and that the State would fully fund resultant de-amalgamations.
- CGRC lodged a demerger proposal in 2022 under section 218CC of the Act. This proposal was once again referred to the LGBC, a review and public inquiry held resulting in the LGBC issuing a report recommending that the Proposal be implemented. The then Minister for Local Government accepted the recommendations of the LGBC and in August 2022 issued correspondence approving the demerger of CGRC, effectively to form two new Councils, Cootamundra and Gundagai.
- In October 2023, the new Minister for Local Government, Hon Ron Hoenig MP, visited Cootamundra, met with the Councillors of CGRC and advised:
  - he is in receipt of advice from a barrister advising the Act does not provide a legal pathway to demerge under section 218CC of the Act;
  - a “pathway that will empower the Councils to take ownership of the demerger process”
    - will require a CGRC develop a detailed implementation plan creating two sustainable councils;
    - implementation plan is to be reviewed by the LGBC, including a further public inquiry;
  - if the LGBC is satisfied that the CGRC approach is sound, the Minister will proceed to dissolve CGRC (section 212 of the Act) by proclamation and create two new areas (section 204 of the Act);
  - no funding will be provided by the State Government to support CGRC for this process or any subsequent demerger.

The Office of Local Government (OLG) has outlined the primary elements expected of a demerger transition plan.

Since the above statements, a private member and Government Bill has been presented to the NSW Parliament, outlining a modified path to enable a demerger once several LGBC, public hearing and sustainability gates have been cleared.

2 Overview

A proclamation establishing the new councils does more than setting out the boundaries of the new council areas. It will also define the division of responsibilities/assets, as well as the transitional arrangements for operational and statutory policies. For example, it can identify that a council can continue to operate under the policies or plans of CGRC until the new councils are in a position to adopt new planning controls or governance documents. The purpose of an implementation plan is also to provide the detail from which a proclamation for a demerger can be created.

OLG advised a demerger could be effected by way of a transition manager and an 'allocation of assets' approach. The Minister for Local Government has made clear his expectations that councillors drive the demerger process as well as the arrangements for service delivery and asset allocations across the two councils. This work should ideally be undertaken prior to proclamation.

While there is experience with local government mergers, there is less experience in relation to demergers or divisions of councils - within a NSW context. In essence, much of the planning, decisions and resource effort occurs before demerger, in contrast to merging of councils.

Ironically, the principles of a demerger are similar to those of a merger:

- Service: focus on client and maintain seamless service delivery to communities
- Opportunity: improve services and infrastructure for communities
- Cohesion: build on the strengths of strategies, structures, staff and systems
- Integrity: ensure ethical, open and accountable governance and administration

This demerger means the original entity (CGRC) is to operate almost as normal until the day the new councils are established. This incurs additional costs in resourcing the establishment while continuing to operate Cootamundra-Gundagai Regional Council.

Planning for the demerger is proposed across three phases, and pending feedback from the LGBC:

1. a scoping phase followed by a demerger transition plan (DTP) proposing a high-level approach, timeframe and estimates, and a high level financial sustainability plan to present to the LGBC
2. a planning phase with a detailed DTP 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, liabilities 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 of council, then progressed over a 10 year horizon
3. with the relevant documentation and distributions identified, the implementation of the demerger is Phase 3, nominating tasks to be completed prior to and after the proclamation

This Phase 1 high-level Demerger Transition Plan (DTP) is premised on a significant collaborative approach to sharing resources or hosting and contracting services or facilities between the new councils, and by utilising the existing assets, technology and intellectual property of Cootamundra Gundagai Regional Council to its fullest extent.

The Minister has been clear - the demerger is expected to create two sustainable councils, led by the councillors and funded by the councils.

3 Objectives

OLG has previously advised the future financial sustainability of the two demerged councils will need to be considered through the four key elements that can be used to identify financial sustainability for local government:

- Council must achieve a fully funded operating position reflecting that it collects enough revenue to fund operational expenditure, repayment of debt and depreciation
- Council must maintain sufficient cash reserves to ensure it can meet its short-term working capital requirements
- Council must have a fully funded capital program, where the source of funding is identified and secured for both capital renewal and new capital works
- Council must maintain its asset base by renewing identified ageing infrastructure and ensuring cash reserves are set aside for those works yet to be identified

Under a 'division of assets' approach, the costs of demerger will be higher unless there is incentive to examine shared services. For example, creation of the new councils will require a duplication of the Executive staff and head of finance.

Any consideration of future sustainability needs to allow for adjustments for post-demerger events including the impact of:

- approved and expiring Special Rate Variation and rates
- increased staffing levels and wage harmonisation
- increased renewal expenditure, new capital projects and associated borrowings and grants
- flow on effect of gifted and grant funded assets
- availability and turnover of skilled staff
- availability of consultants to accelerate demerger activities and supplement skill gaps

Both new councils will need to consider either increasing their general rates and annual charges, reducing spending or a combination of both to fund their operations and maintain their assets. Gundagai in particular will require consideration of a review and implementing a different rating structure than what it would inherit from the merged council, noting Gundagai's ratepayers experienced a reduced rates burden compared to the increase in the rates in Cootamundra following harmonisation of the rating structure, and the expiry of the 2014 SRV which is only partially offset by the savings made from the expiry of the associated loan repayments.

CGRC is to remain operational through the demerger implementation period and continue for a period after proclamation to enable winding up and audit of its financial statements.

There is expected to be a measured reduction in the scope of operational and capital projects identified in the CGRC Delivery Program, to enable the release of some staffing and other resources to assist the demerger process.

4 Scope

As the matter of demerger has been the subject of lobbying from the community; public hearings and assessments by two LGBC inquiries; and the decision by the (former) Minister to permit the split of CGRC into two local councils – this DTP does not propose to cover ground that is already in the public domain. Indeed, as the demerger has progressed at the request of the community, the DTP does not propose to undertake any further stakeholder engagement, but rather CGRC will keep the community *informed* through council reports, media releases and a dedicated website presence.

The DTP includes the following – the detail of which will be embedded in the Phase 2 detailed DTP:

- electoral matters such as wards, number of councillors and the method of electing Mayor
- division and sharing of assets and liabilities
- allocation of staff, as well as management and organisational structures
- rate levels and charges
- service standards and shared service arrangements

This high-level DTP includes financial, asset, legal and workforce information extracted from the records of the former Cootamundra and Gundagai councils, and CGRC, to establish for the Demerger Project – key elements listed below. The accompanying Financial Sustainability Plan will provide depth.

- Proclamation
    - new LGA boundaries
    - elections and number of councillors for each new entity
    - indicative matters for reference in the proclamation
- Distribution of financial, asset and staff resources
    - value of infrastructure, building, plant and property assets
    - value of cash, investments and funded reserves
    - value of current and longer term debts and other liabilities
    - extent to which funded provisions are held to complete contract payments and staff entitlements
    - capacity of the current CGRC workforce to undertake demerger tasks
- Sharing of resources and facilities
    - opportunities for sharing resources or contracting between the new councils, to be detailed during the implementation phase. Margins may apply for the hosting council.
- Demerger implementation
    - options to downscale CGRC scheduled projects to release staffing resources to assist
    - indicative tasks to be undertaken by existing or seconded staff, temporary staff or specialist consultants
    - criticalities and responsibilities for delivery of those tasks
    - broad time and costs estimates for those tasks
    - availability and currency of various registers, policies and plans
    - registers, policies and plans to be scheduled for review by new councils
    - risks associated with planning and implementation of demerger

5 Variables

A project with the scale and scope of a demerger bears several risks (refer Section 12) and variables.

While the proposition of demerger is yet to progress through the final LGBC assessment, recent political manoeuvres has seen Bills introduced to Parliament to clarify the legal path to demerger. With that in mind, and with the advice of key contributors (Civica) to the demerger process indicating a period of 9 months is required to 'disentangle' the technology and financial systems of CGRC into two discrete entities, several steps and dependencies may change.

The figure below illustrates the path to demerger and parties involved:

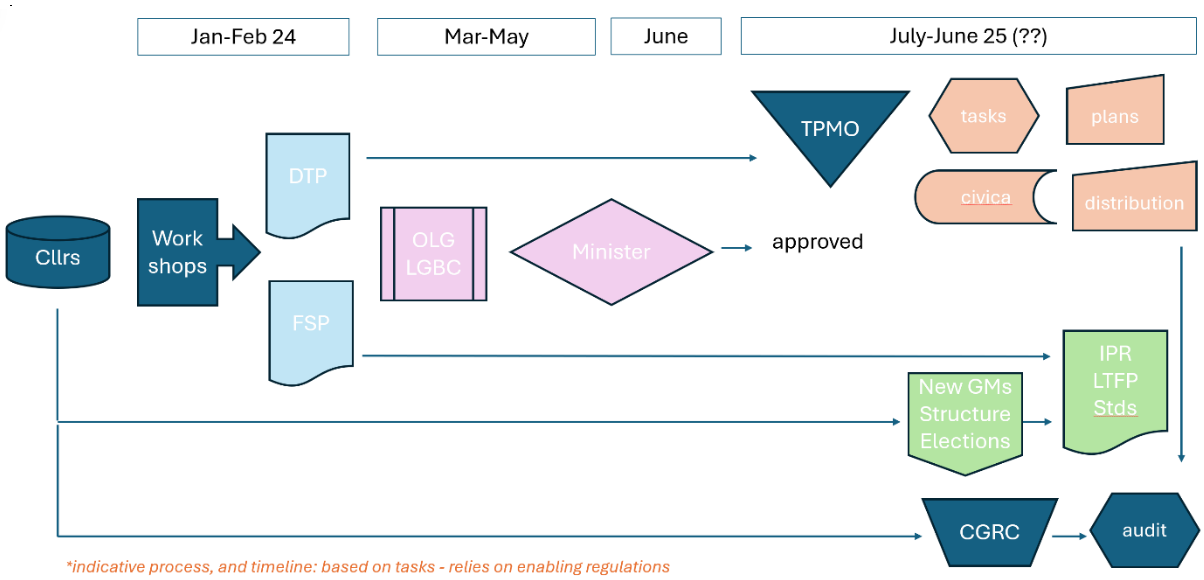


Figure 1

Pending the Minister's final decision on the demerger, CGRC would establish a Transition Project Management Office (TPMO) and engage appropriate resources to undertake the Demerger Transition Plan (DTP) tasks identified in the demerger schedule. Monthly cost and progress reports would be available for the Executive and councillors. The Audit Risk and Improvement Committee (ARIC) would provide some oversight of the progress and outcome of tasks.

Around three months prior to the effect of the creation of the new councils, CGRC would recruit the General Managers-elect for the new councils and endorse the interim structures for the new organisations enabling the transfer of staff. The councillor elections would shortly follow.

The Financial Sustainability Plan (FSP) principles and interventions then inform the financial plans of the new councils. With the new councillors, the GMs-elect prepare the necessary Integrated Planning and Reporting (IPR) documents.

CGRC continues to operate with an Interim General Manager (IGM) until the new councils commence, and oversees the wind down and audit of that organisation.

6 Electoral

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

Figure 2

Area	Area (sq km)	Population 2016 (a)	ERP 2022
Former Gundagai Shire	2,457	3,597	3,856
Former Cootamundra Shire	1,524	7,570	7,561
Existing Cootamundra-Gundagai Regional LGA	3,981	11,141	11,403

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

The proposed local government boundaries of the new Councils of Cootamundra and Gundagai local government areas, resulting from the demerger of Cootamundra-Gundagai Regional Council, have been the subject of two Local Government Boundaries Commission processes in the past, the first, an elector led process under s215 of the Act in 2021, and the second, a process initiated by CGRC under s218CC of the Act in 2022.

Under the two previous Local Government Boundaries Commission processes, the request has been for the boundaries between the former Cootamundra Shire and Gundagai Shire be reinstated exactly as they existed prior to Merger.

It is proposed that the boundaries as shown on the map referred to in the Table to clause 4(1) (PP4974) of the Local Government (Council Amalgamations) Proclamation 2016, kept in the register of public surveys on the 12th day of May 2016, be reinstated in their entirety.

Undivided or Wards

As the former Councils of the Shire of Cootamundra and the Shire of Gundagai, operated on the basis of undivided areas (i.e. no wards), it is proposed that the Proclamation should be framed such that the local government areas of the new councils have no wards – therefore both new council areas, Cootamundra and Gundagai, are to be undivided.

Number of Councillors

There are currently nine Councillors, inclusive of the Mayor and Deputy Mayor, for Cootamundra-Gundagai Regional Council. It is noted that prior to merger in May 2016, Cootamundra Shire Council had nine Councillors and Gundagai Shire Council had eight Councillors.

Section 224 of the *Local Government Act 1993* (the Act) provides that a council “must have at least 5 and not more than 15 councillors (one of whom is the mayor)”. This matter has been considered by Cootamundra-Gundagai Regional Council in the past and was referenced in earlier business cases submitted to the Local Government Boundaries Commission.

It is proposed that a new Cootamundra Council should have seven (7) councillors and a new Gundagai Council should have five (5) councillors, minimising the costs of additional councillors – but nonetheless increasing representation overall.

The current representation ratio for CGRC based on an ERP of 11,417 as at 30 June 2022, is 1,268 residents per councillor. The ERP as at 30 June 2022, for the new Cootamundra Council area is 7,561 and the new Gundagai Council area is 3,856. This results in representation ratios of 1,080 residents per councillor for Cootamundra Council and 771 residents per councillor for Gundagai Council. This compares to similar Group 9 councils average representation around 400 residents.

Method of electing Mayor

Prior to the merger in May 2016 Cootamundra and Gundagai Shire Councils both elected their Mayors by the councillors from among their number. Since the merger in May 2016, Cootamundra-Gundagai Regional Council has also continued to elect it’s Mayor by that method.

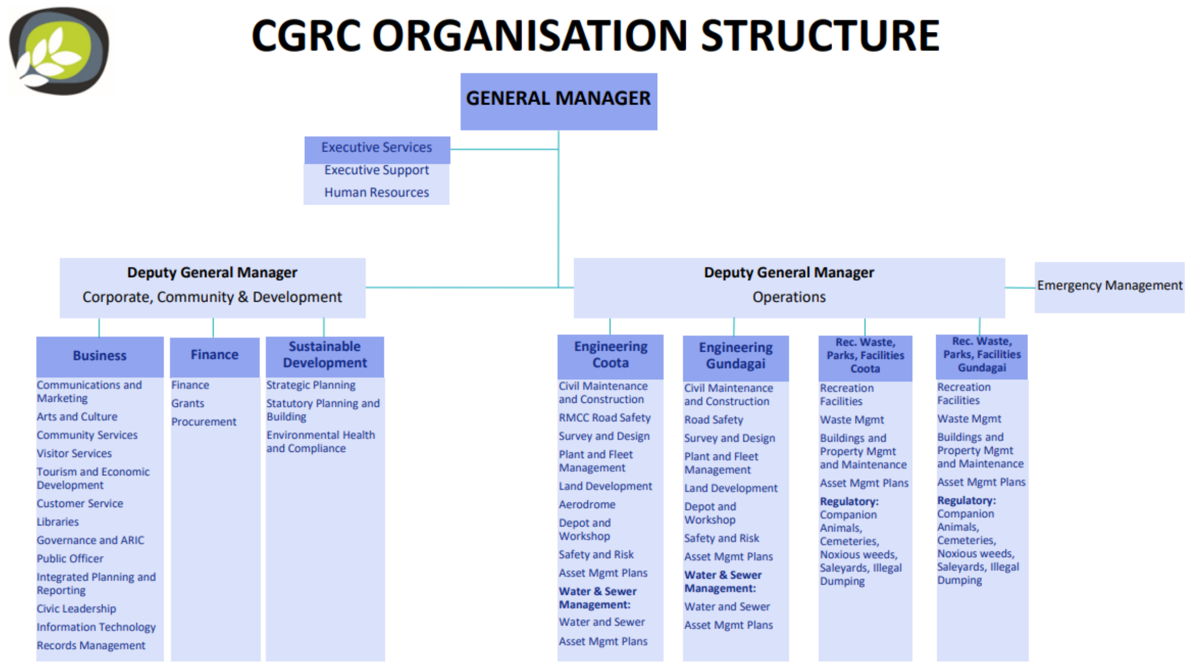
It is proposed that the new Councils of both Cootamundra and Gundagai elect their respective Mayors by way of the Councillors from among their number.

New council elections

While noting elections could occur in September 2024, given the scope of work to prepare for demerger, it is proposed the elections be deferred six to nine months to enable the demerger preparation and technology configuration to finalise, with a view to commencing the new entities near the next financial year.

7 Governance Structure

The CGRC organisation structure and operations is expected to remain intact during the transition phase until the proclamation takes effect. A governance structure to oversee the due diligence, planning and decision making for demerger is proposed below. Resourcing that structure through secondments, temporary staffing and specialists will be required. Involving staff through the proposed staff working groups (WG) should instil ownership in the demerger process and outcomes.



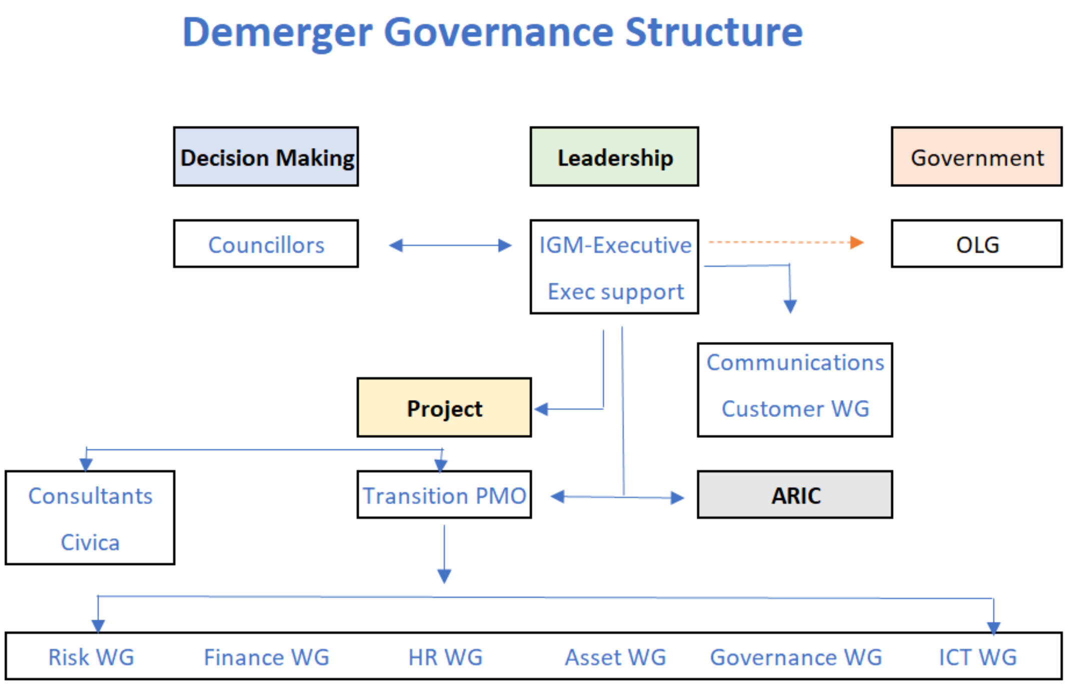


Figure 3

Delegations, process for decision escalation and meeting schedules will be determined by the IGM.

8 Demerger Themes and Tasks

The draft schedule of the CGRC demerger and transition tasks (separate Attachment 2) are arranged into themes of:

- financial
- human
- technology
- asset
- project
- utilities
- risk
- governance
- planning
- communications
- services and facilities

Within each of those themes are:

- tasks
- current organisational maturity of CGRC, if relevant (1-5)
- criticality of those tasks (H-M-L)
- current CGRC registers, policies and plans – or those requiring development for the new councils
- role of CGRC or the new councils to undertake those tasks; or as a shared task/resource
- relevant dependencies of that task on other tasks, decisions or events preceding it (if applicable)
- indicative timeframe to undertake the task, and (later) target date to complete task
- items for consideration with the proclamation
- the staff or functional lead for the task (collection of tasks)
- indicative staffing and consultancy resources estimated to undertake the task across the nominated periods
- estimation of staff, consultant and ERP reconfiguration costs
- status, issues reporting and sign off template

Guided by this DTP, when CGRC prepares its FY25 Operational Plan, the Revenue Policy (rates and annual charges), capital works plan and any location-specific operational projects should be delineated to the respective councils.

The Operational Plan should also accommodate the costs of two local elections and councillor expenses for the new councils. The Operational Plan should also signal which expense borne by CGRC are to be recouped from the new councils as a debtor (eg elections, general managers recruitment).

The Tasks are broadly assembled along the following lines, where estimates for the period of time to undertake tasks are grouped into weeks and quarters, with a target date assigned to each task by the Transition project management office (TPMO).

As outlined in section 8, estimates have been prepared based on the dedication of a part FTE resource per week, across the estimated time to complete the task. For example, finance task 39.02, 43.01, and 48.01 to establish grants, investment and loans registers for the new councils is estimated to consume a half day a week over a quarter; while asset task 7.01 to check and distribute physical and financial assets for scheduling at proclamation, is estimated to consume 2 days a week for a quarter.

Most of the higher level strategic tasks can be scheduled for the new councils to undertake.

Once the TPMO and relevant staff or consultants are identified to undertake the tasks, the estimates and due dates will be revised. The figure below illustrates the broad purpose of the tasks by timeframe.

	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	

Figure 3

9 Demerger Project Estimates

Subject to further due diligence during Phase 2, broad estimates of $2.5m and $0.5m contingency for staffing, consultants and reconfiguration of ERP for the purpose of demerger are outlined below. The estimates have been prepared on the following basis:

- tasks requiring staff effort of one week or less, can be absorbed in normal operations
    - no costs included
- tasks requiring particular and extended focus, may be resourced through temporary staff with appropriate skills
    - time estimated as part days per work, across the period (timeframe) expected to complete the task eg: half a day per week over 3 months = 0.1*12 weeks = 0.02 FTE
- tasks requiring specific expertise and focus, may be recruited through consultants, providing scope is briefed accurately and procurement process followed appropriately
    - costs estimated as days
    - staff support for briefing, data gathering etc
- tasks requiring ERP reconfiguration, licence extension, IaaS and SaaS options
    - to be scoped and quoted with assistance of Civica
- estimates then aggregated
    - FTE costs at average $80k per year
    - consultant costs at average $2500 per day
    - staff support-data gathering for consultants at 10% of FTE

($,000)	FTE~Period	Staff-Second	Staff-Temp	TPMO	Consultant	TOTAL
Asset-Plant-Project	2.19	20	197		125	342
Communications-Custome	0.68	6	61		25	92
Compliance	0.02	0	2		5	7
Executive Support-GM	0.23	2	21			23
Finance	1.82	16	164		75	255
Governance-IPR-Records	0.55	5	49		75	129
Human Resources	1.02	9	92		125	226
Recruit-Redund					200	200
ICT (incl Civica)	0.37	3	33		400	437
Planning	0.42	4	37		25	66
Risk	0.13	1	11		25	38
Transition PMO	3.62	33	326	250		608
Utilities	0.17	2	15		25	42
Elections (SEC)					80	80
Contingency (20%)						509
Table 1	**11.21**	**101**	**1009**	**250**	**1105**	**3054**

CGRC will need to identify reserves or budget savings to fund the above transition estimates, in addition to revision of asset, service and pricing settings in Phase 2 demerger phase, to demonstrate the financial sustainability of the new councils – before presenting both plans to the LGBC.

It is proposed the detailed DTP in Phase 2 will differentiate those tasks as 'must do' (eg asset redistribution) and 'should do' (eg asset condition assessment and revaluation) to narrow the cost of demerger.

CGRC will continue to bear operational costs, as well as preparation and recruitment costs for the new councils, which should be raised as an internal debtor to settle upon CGRC's final audit.

10 Capacity

An appraisal of the financial statements FY23 indicates CGRC *does not* have financial capacity to underwrite the demerger estimated ~ $2.5-3m (subject to technology scoping and cost updates). However, the Operational Plan FY24 predicts the unrestricted funds (reserves) may improve to ~$3m (noting use of those funds for demerger severely hampers future financial flexibility).

To fund demerger estimated costs of $2.5-3m, it is suggested CGRC:

a. retain the forecast improvement to unrestricted funds for future working capital
b. identify and resolve suitable internal reserves for de-restriction to fund one-off costs of demerger (eg plant, land development)
c. defer or remove operational projects from FY25 budget to release funds and staff resources to assist demerger planning and implementation
d. nominate the demerger project scope and funding in the FY25 Operational Plan and general ledger, and record the project outcomes in the annual report

However, the capacity of the workforce also needs assessment. The bulk of the demerger project tasks will fall on the corporate support sections of CGRC. It is understood some resources may be required to improve governance, records, HR and compliance – however CGRC has recruited into those areas and may be shared by the new councils. In addition to current vacancies (at time of report), there is some doubt CGRC can accommodate demerger scoping, planning and implementing tasks without the use of consultants and temporary staff indicated in Section 8.

Unfortunately, a demerger brings the risk that progress in securing staff and technology and expertise in a merged council like CGRC, may dissipate with the separation of those resources (or loss through staff turnover). A separate section of this DTP points to managing organisational stress.

With reference to the organisation schematic below, the works areas have retained their former LGA workforce structures, however the corporate areas (business, finance, sustainable development) have merged and will require some duplication to support the new entities.

It is important to retain workforce capacity in each new council to assist natural disaster responses.

For its size, CGRC schedules an expansive array of capital works on its infrastructure, as well as contracted works with Transport for NSW. However, the placement of carryover funds from annual budgets to the next, suggest there may be lesser capacity (or availability of contractors) to deliver some of those works. The change in employment/consultant cost mix is an indicator of capacity and capability. Further assessment may be required of the extent of annual capital works carryover, and the use of day staff engaged for disaster recovery funded works.

The CGRC Financial Plan 2022-32 acknowledges annual results fluctuate largely due to timing differences between the receipt of grant funding and the expenditure. Relying on financial statements to forecast future results therefore, can be problematic.

The Financial Plan notes the General Fund is not healthy. Even after the approved Special Rate Variation, the operating results and liquidity of the General Fund is of concern, with unrestricted cash projected to be exhausted in the 2025/26 financial year. Council is faced with the challenge of realising savings through operating more efficiently, reducing costs and maximising income.

Similarly, Council notes it relies heavily on external funding for operations and capital works renewal funding. If such grants reduce or are discontinued, Council will need to increase revenues from other sources, or reduce service levels.

COOTAMUNDRA GUNDAGAI REGIONAL COUNCIL
Long Term Financial Plan
Budget 2022-2023 to 2031-2032

	Delivery Program				Long Term Financial Plan			
Description	Budget 2022-2023	Estimate 2023-2024	Estimate 2024-2025	Estimate 2025-2026	Forecast 2026-2027	Forecast 2027-2028	Forecast 2028-2029	Forecast 2029-2030
Income								
Rates & Annual Charges	(18,190,000)	(18,927,900)	(19,131,675)	(19,633,100)	(20,147,700)	(20,676,100)	(21,218,400)	(21,775,100)
User Charges & Fees	(7,894,969)	(8,044,169)	(8,197,869)	(8,355,769)	(8,518,069)	(8,685,169)	(8,856,769)	(9,033,369)
Interest & Investment Revenue	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)	(140,900)
Other Revenues	(1,603,500)	(1,610,200)	(1,616,800)	(1,623,600)	(1,630,600)	(1,637,800)	(1,645,200)	(1,652,700)
Grants & Contributions - Operating	(8,518,922)	(8,653,493)	(8,796,697)	(8,946,190)	(9,107,790)	(9,273,390)	(9,443,190)	(9,617,090)
Grants & Contributions - Capital	(5,014,583)	(948,100)	(957,400)	(967,000)	(976,800)	(986,800)	(997,100)	(1,007,700)
Recovery of Corporate Overhead Expenditure	0	0	0	0	0	0	0	0
Net Gains from the Disposal Of Assets	0	0	0	0	0	0	0	0
Total Income from Continuing Operations	(41,362,874)	(38,324,761)	(38,841,341)	(39,666,559)	(40,521,859)	(41,400,159)	(42,301,559)	(43,226,859)
Expenses								
Employee Costs	13,123,700	13,610,500	14,107,300	14,627,400	15,158,700	15,657,200	16,175,400	16,712,800
Interest on Loans	182,781	147,491	116,637	88,795	71,694	53,740	35,759	17,331
Materials & Contracts	13,024,100	13,260,500	13,664,600	13,739,800	13,984,000	14,232,000	14,653,600	14,741,600
Depreciation	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700	10,535,700
Other Expenses	1,488,772	1,525,900	1,564,000	1,602,900	1,642,900	1,683,900	1,725,800	1,768,800
Total Expenses from Continuing Operations	38,355,053	39,080,091	39,988,237	40,594,595	41,392,994	42,162,540	43,126,259	43,776,231
Operating Result from continuing operations - (Gain)/Loss	(3,007,821)	755,330	1,146,896	928,036	871,135	762,381	824,700	549,372
Operating Result from continuing operations before Capital Grants/Contrib (Gain)/Loss	2,006,762	1,703,430	2,104,296	1,895,036	1,847,935	1,749,181	1,821,800	1,557,072
Capital Expenditure	15,104,883	8,743,956	8,128,500	6,674,688	6,953,833	6,692,335	6,172,651	6,439,903
Proceeds from Sale of Land	0	0	0	0	0	0	0	0
Loan Funds Utilised	0	0	0	0	0	0	0	0
Loan Principal repaid	1,315,250	1,159,937	1,190,793	850,523	867,625	885,579	903,560	921,988
Transfers from Restricted Assets (Reserves)	(10,008,561)	(9,061,917)	(8,479,261)	(7,058,949)	(7,373,394)	(7,145,696)	(6,661,212)	(6,965,164)
	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK	CHECK
Transfers to Restricted Assets (Reserves)	7,267,554	8,807,542	9,059,342	9,318,143	9,583,942	9,859,342	10,142,443	10,433,242
Depreciation Contra	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)	(10,535,700)
Net Unrestricted Cash Deficit/(Surplus)	135,605	(130,852)	510,569	176,741	367,441	518,241	846,441	843,641

Table 2

The above extract from the CGRC Financial Plan forecasts average rates income and employment expenses to offset each other and does not cater for staff FTE growth. Capital expenditure averages around $6-7m, and depreciation (as an indicator of asset renewals requirements) averages $10.5m. The capital expenditure is supported only by $1m in capital grants and contributions and the consolidated results remain in ongoing deficits. CGRC appears to rely on that underspend to support annual investment in unrestricted cash (working capital). As noted in recent audits, CGRC is drawing down on invested funds (reserves). That may be an appropriate action, if responsible decisions have been made regarding remaining useful life and obsolescence of assets.

It may be appropriate through the demerger transition to narrow the scope of the capital programs to the level of capital grants and associated restricted funds, and to the actual capacity of the workforce to plan, manage and undertake those projects. As alluded above, further assessment may be required of the extent of annual capital works carryover, and the use of day staff engaged for disaster recovery funded works to establish a regular pattern of annual capital works.

It is suggested an interim workforce plan be prepared to mitigate the capacity and capability risks (refer Section 12) and begin an approach to 'build-buy-borrow' for the new councils. It is noted one-third of CGRC staffing are above 55 years, while less than 10% are below 25 years.

11 Technology

The largest cost of demerger is likely to be the transfer of on-premise to cloud computing between the new councils. Discussions with Civica have nominated an appropriate solution to:

- distribute licences between users across the two councils
- expand those licences (duplicated, additional staff)
- migrate to a cloud infrastructure (IaaS) and/or software (SaaS) environment
- reconfigure modules to accommodate new councils
- strengthen cyber security

In addition, several other technology platforms are used for financial, asset and project purposes. Examples of previous estimates from consultants include to reconfigure general ledgers, reporting and budget ($60k), work orders ($40k), records ($45k) and data migration ($50k).

To an extent, the existence or status of preparation of the mix of registers outlined in the Demerger Tasks, may influence the assessment of organisation digital maturity and confidence in migration of reliable data.

It is understood Civica has recently established a methodology to create a 'Shared Services Model' where multiple councils are able to benefit from a single service-based resource to manage council operations. By partitioning each council's data, Civica may ensure that privacy and council specific requirements continue to be kept separate whilst meeting the combined operational needs of a demerged council. Civica estimate this model may cost $120k per new council per year.

Ultimately a SaaS-IaaS environment should be pursued, bringing both councils to the same level of technical operability (eg Civica Altitude product). Disentangling data and reporting structures is possible – for example the Rural Councils Corporate Collaboration (RCCC) Project in Victoria has enabled a single shared services SaaS product (Altitude) to service the needs of three local councils. This approach may avoid the need to duplicate the ERP into both new councils.

Civica have suggested a scoping study (~$70k) will provide the basis of an accurate business proposal – noting 'there is no short cut to this process and will need to be fully scoped and costed'.

Below is an outline for a possible approach to share the administration of the Civica ERP and other platforms, through a IaaS/SaaS or solution hosted by one council to the other:

- independently assess the digital maturity of CGRC and the impact of division of expertise and ERP from current on-premise facility (per scoping study)
- confirm status of configuration and operability of ERP modules
- leverage the experience of Civica in designing hosting solutions between councils in regional Victoria, and commission a scoping study
- initially implement a hosted ERP (say Cootamundra), enabling both new councils to independently access financial, workforce, customer, records and asset ledgers, tested prior to, then commencing at proclamation
- scope and plan for migration to IaaS and SaaS environment for both new councils, mitigating the need for duplicated ERP
- obtain quotes and progress revised contracts with Civica for above

Civica has estimated the demerger cost around $350k plus 'disentanglement' costs over 9 months.

12 Distributions

For detailing in Phase 2, the following principles for distribution of finances, assets and staff is proposed:

1. appropriate costs of demerger will be recorded in the general ledger, and reported monthly
2. physical and inventory asset, WIP, ICT, plant and other contract and liability separation
    a. generally based on a location (ie within respective new LGA boundary)
    b. AO advice on any financial adjustments following closure of CGRC financial statements
    c. ICT licencing distributed based on staff location
3. receivables and trust funds (including outstanding rates and grant prepayments)
    a. location of rateable assessments
    b. proportional population or road length between new LGAs (eg FAG)
4. cash and investments
    a. contributions and grants held by plans and purpose in respective LGA, per external restricted funds
    b. balance apportioned by cash and investments held at May 2016, including internal restricted funds
5. borrowings and payables
    a. location upon which works (eg purpose of loan) was undertaken
6. staffing
    a. generally undertaken on a locational basis (ie within respective new LGA boundary)
    b. modified with interim organisation structures proposed by new councils GMs
    c. FTE/1000 residents ratio expected to increase

Transparency may be provided through project reports, quarterly budget reviews and financial statements, including:

a. staff drafting or review of registers, policies and plans for the new councils
b. consultant reviews of financials, assets, services, technology and legal matters
c. reconfiguration of ERP to enable SaaS or hosted computer facilities
d. staffing and consultant expenses engaged through the transition project office
e. organisation restructuring, transfer, recruitment and redundancies

Assurance will be provided through:

a. referral of demerger project activities to ARIC, focussing at least one internal audit on a demerger activity
b. engaging independent audit expertise to validate asset and liability values proposed for transfer
c. engaging engineering expertise to assess the condition, useful life, risk and replacement values of infrastructure and operational assets to be transferred
d. NSW AO financial audit reconciliation and balancing of new councils' opening balances to the (former) CGRC closing balances

Utilising FY2023 information from CGRC financial statements and organisation structure, the following tables may be *indicative* of the values available for distribution to the new councils.

A more detailed distribution schedule would reflect the principles above, and the final audit of registers and CGRC financial statements following proclamation.

Cash, Investments, Assets, Liabilities

Cash, Investments, Assets, Liabilities FY2023	C%	G%	Cootamundra $,000	Gundagai $,000
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	46	54	- 3,239	- 3,756

Table 3

Restricted Funds (Reserves)

	June 23	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
Externally Restricted Reserves			
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 & Contribut	6,665,901	3,888,950	2,776,950
	21,637,568	16,030,895	5,606,672
TOTALS	**29,840,858**	**21,278,266**	**8,562,591**

Table 4

These distributions were used to inform the preliminary financial sustainability assessments of the new councils.

Fixed Assets FY23

IPPE *(distribution per asset location)*	C%	G%	Cootamundra $,000	Gundagai $,000	Total WDV FY23 $,000
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

Table 5

Workforce

Based on department, location and cost, the following table illustrates the distribution of current staff:

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

Table 6

Three-quarters of CGRC support staff (ie Executive, Business, Finance) are based in Cootamundra. It is understood OLG suggested a need for up to 10 additional staff to improve governance and compliance across the organisation – including 6 identified for Gundagai. That increase in staffing has been resisted by CGRC in its consideration of demerger.

Collectively, around two-thirds of CGRC staffing are allocated (physically and financially) into Cootamundra. That also potentially presents a mismatch in FTE expertise available to Gundagai:

Skill	Cootamundra%	Gundagai%
o by expertise (plant, trade, technical)	24.28	17.17
o by expertise (administrative)	11.53	4.66
o by expertise (supervisor)	6.13	4.29
o by expertise (specialist, professional)	5.08	1.23
o by expertise (management)	4.29	1.84

Table 7

In line with earlier commentary, it is apparent the new entities will require more staff FTE, in part due to some duplication of management and specialist staff, and in part due to speciality gaps.

The table below indicates ‘worst case’ should the duplication of Executive (three senior staff and executive assistant) and two specialist finance and IT managers be engaged, as well as up to 10FTE previously suggested by OLG (NB: employment includes overhead on cost of 41%).

The preferred scenario by CGRC is the governance and compliance exposures identified previously by OLG, have been suitably recruited into CGRC – hence the anticipated higher staffing costs should be limited to any duplicated executive and specialist staff (estimated at $1.2m shared between the councils).

That estimate assumes sharing expertise and hosting services such as development and human resources, or engagement of specialist consultants to supplement some services. Given the bulk of support and specialist staff reside in Cootamundra, much of that hosted/contract expense may lay with the new Gundagai council.

By Department	Cootamundra	Gundagai	Total	Cootamundra $	Gundagai $	additional FTE demerger	$,000
General Managers office	3.6	1.6	5.2	$ 572,392	$ 254,396	2	400,000
Directors	1		2	$ 332,000	$ -	2	600,000
Business	10.5	3.5	14	$ 1,229,652	$ 409,884	10	900,000
Finance	7.8	2	9.8	$ 976,436	$ 250,368	2	350,000
Sustainable Development	6.28	4	10.28	$ 920,842	$ 586,524		
Engineering Cootamundra	52		52	$ 5,443,682	$ -		
Regional Servcies - Cootamund	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**	$ 12,040,408	$ 6,358,923	16	$ 2,250,000

Table 8

The table above also illustrates suggestions to minimise employment costs through sharing of staff resources or hosting services between the new councils.

Decisions required on sharing of resources and facilities is outlined further in the Financial Sustainability Plan. Its is noted agreements would be prepared by CGRC to bind the new councils to those shared resources, services or facilities. That would be a matter for consideration with a Proclamation.

13 Risk

While an assessment of strategic and due diligence risk is proposed in further detail with Phase 2, the following preliminary risks have been tabulated into a PESTLE framework:

Political	• Minister revising terms or reversing decision to de-amalgamate • LGBC modifies recommendations following hearing • Community amplifies negative advocacy during transition phase or elections • Low commitment to collaboration and sharing resources • Low commitment to elevating rates, annual charges and pricing
Environmental	• Focus of new councils on maintenance and renewal of infrastructure assets may limit spend on environment assets and programs to grant funding • Natural disasters occur during demerger, disrupting transition • Lack of cross border collaboration on catchment and weed control
Social-Staff	• Services, facilities and service levels available for community are differentiated to some disadvantage between the new councils • Disruption to CGRC service BAU • Population and climate change profiles for the new councils may differ • Turnover of staff during transition and implementation phases • ELE provisions inadequate to fund turnover • Requirement to retain same staff FTE and terms of employment - USU • Salaries harmonised during merger, expected to continue • Communication and management of change for community and staff • Delays recruiting suitable GM and executive to form new council structures • Loss of key staff and corporate knowledge, including retirements • Difficulty recruiting fixed term specialist skills during demerger • Difficulty recruiting permanent staff to new councils • Services elevated and harmonised during merger, are expected to continue with demerger
Technological	• Difficulty retaining technology resources and technical expertise • Negotiations for bureau or hosted (shared) approach to ERP with Civica is problematic, with configuration time consuming and expanded licencing and administration expensive • Asset management, project management, risk management, contract management and development maturity remains low for the new councils
Legal	• Challenge to interpretation and application of s218CC and s620 LG Act is unsuccessful • Termination, award or transfer of panels, contracts and liabilities between councils are complex and expensive • Sharing resource or contracting services between new councils are complex and problematic
Economic-Financial	• Minister resists funding of demerger costs • CGRC required to fund one-off costs of demerger • New councils funding of recurrent duplicate costs • TCorp revises borrowing and investment risk ratings for new councils • Gundagai general rates reduced through harmonisation, yet will require SRV • New councils remain unsustainable beyond 10 year planning horizon

Table 9

The likelihood and consequence of these risks will be assessed in Phase 2, with key risks then monitored and reported through the Demerger Transition project.

CGRC has accepted 'moderate' and 'minor' risks as acceptable. The 'significant' and 'extreme' risks however will be reported through the demerger project, and monitored through Executive in accord with the escalation protocol below:

			Risk Rating		
Type		**Risk**	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

Table 10

Technological	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
Legal	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
Economic-Financial	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

escalations	**coordinators attend#**	minor
# managers informed	**managers attend^**	moderate
^ executive informed	**executive address***	significant
** councillors informed*	**council action***	extreme

14 Communications and Change Management

Putting councillors, staff and community through a demerger following the upheaval of the 2016 merger, will affect the people and operations of CGRC in differing ways, or generate misinformation or confusion if there is a void of clear communications. While councillors and staff set their minds to preparing for and transitioning to their respective new councils, CGRC is required to continue business as usual (BAU) until the proclamation takes effect.

CGRC should engage expertise to translate issues and communicate progress with the demerger from what is often technical jargon inside a local council, to a conversational and infographic style that can be comprehended by community, councillors and staff.

A discrete internet and intranet presence through the CGRC website should be established with content regularly updated. Together with appropriately posted and moderated social media, the community should be informed of progress, while staff can raise questions or ideas on the intranet for response by the Executive or TPMO.

It will be important to manage organisational change through Executive leadership and engage appropriate expertise and resources to:

- establish and engage through staff consultative committee
- create a change team to work with the TPMO - members from across the organisation including staff who have some influence to be conduits for two-way information.
- meet regularly with the Change Team (may be Staff Consultative Committee)
- communicate to all staff on a regular basis, using multiple channels of communication (written, verbal, face to face) about what is going to happen, why and when. This may include regular meetings at each depot and office.
- provide clear information about how the two councils will be reconstituted, what the interim management and leadership arrangements will be. Provide regular updates on progress.
- provide clear information about how staff will be transferred or recruited to the new councils.
- anticipate and identify roadblocks and issues causing friction.
- include manageable milestones in the change management plan – recognise milestones when they are achieved.
- maintain momentum throughout the process.
- sustain change to ensure the culture in the new councils is in line with their updated strategy.

15 Services and Support

The new councils would be expected to articulate their service offer and asset standards to their communities, to manage community expectations and inform pricing and affordability settings. Those services and assets then require organisational support.

While ‘engineering’ and ‘regional’ has been delineated between Cootamundra and Gundagai, the ‘organisational support’ (executive, business, finance) together with development services, has been merged in operational plans and other documents. It is the ‘support’ functions that will duplicate staff and increase staff. Traditionally, ‘support’ is often seen as unnecessary ‘overhead’ to ratepayers. Staff have provided some estimates of split corporate effort.

It is suggested councillors and Executive work through Phase 2 *prior to proclamation* to catalogue the service and assets for the new councils, to incorporate with the financial sustainability plan for the new councils. It is important that work be undertaken, to progress the required sustainable settings:

- clarify the scope (of assets) and deliverables (of services)
- outline the standards and useful lives (of assets) and levels (of service)
- define the performance and targets for those services

Documenting the services proposed for the new councils:

- prompts the councils to determine
  - their preferred or proposed role (as provider, funder, facilitator, regulator, advocate)
  - how important the asset or service is to operations and community (criticality)
  - which assets or services should be funded by taxes (ie public good or community service obligation) or fees (pricing principle)
- enables the councils to view services through lens of
  - quadruple bottom line (QBL) required of integrated planning and reporting (IPR)
  - criticality and acceptable outages (for risk/disaster and business continuity)
  - pricing recoveries (for shared, private, regulatory and market services)
  - risks to business as usual (BAU)
- assists new councils define their levels of service (using CGRC budgets/last year financial results), in turn enabling
  - assessment of additional costs (or savings) by altering levels of service or standards of assets
  - changes to FTE resourcing (pending decisions on mode of delivery)
  - community engagement and submissions to IPART/LGGC
- assists line of sight of staff responsibilities to proposed services and levels of service, and the design of the new council’s organisation structure
- encourages activity-based costing and attributions to reveal the real costs of service and assets to community, inclusive of the share of organisational support.
  - ideally, that principle should include indexing capital works to reflect asset, project and contract management costs for example

The 2018 Asset Management Plans document community and technical levels of service that should be revisited and embedded in the service catalogue proposed above.

It is also suggested CGRC commission community surveys (ideally arranged by response within each new LGA) to gauge trends and relevant satisfaction-importance ratings for services, support and assets – to be funded within the cost of demerger.

16 Asset Management

While many councils provide environmental, economic and social services with the financial sponsorship of government, the primary purpose of local government is to maintain, operate and renew infrastructure and other community assets, for which taxes (rates, annual charges) are levied on properties.

OLG has established several asset sustainability indicators for all councils including:

- IRR 100%: infrastructure renewal ratio (renewals/depreciation)
- IBR 2%: infrastructure backlog ratio (cost to bring assets to satisfactory standard/WDV)
- AMR 100%: asset maintenance ratio (actual expenditure/AMP required maintenance)

Generally, CGRC has maintained assets at around $7.5m per year, renewed assets in line with depreciation indications, and reduced backlog near the benchmark. Some years were influenced by natural disasters and elevated due to government grants to restore damaged assets or infrastructure stimulus post Covid. Only 8% of CGRC assets are nominated as requiring renewal or replacement (FY23).

The charts below illustrate CGRC assets condition and maintenance performance against OLG ratios.

Chart 1

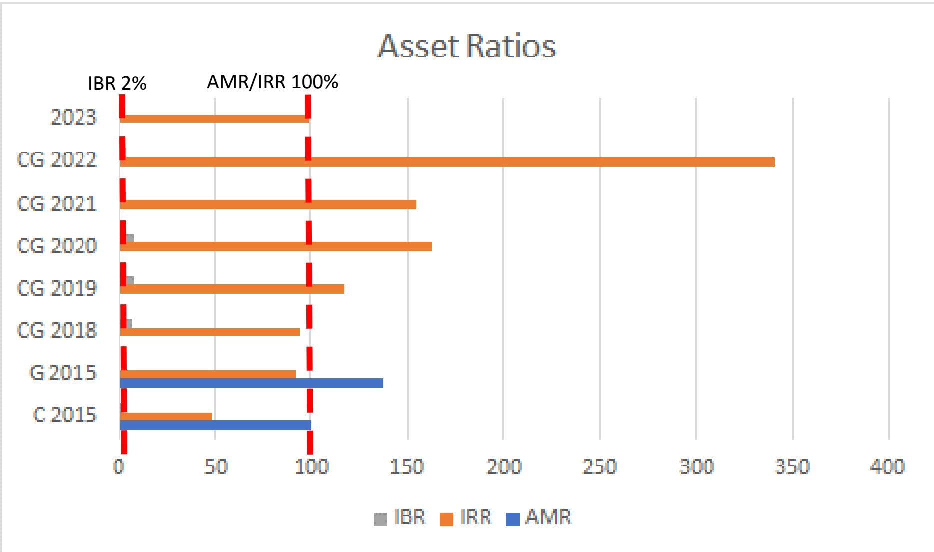
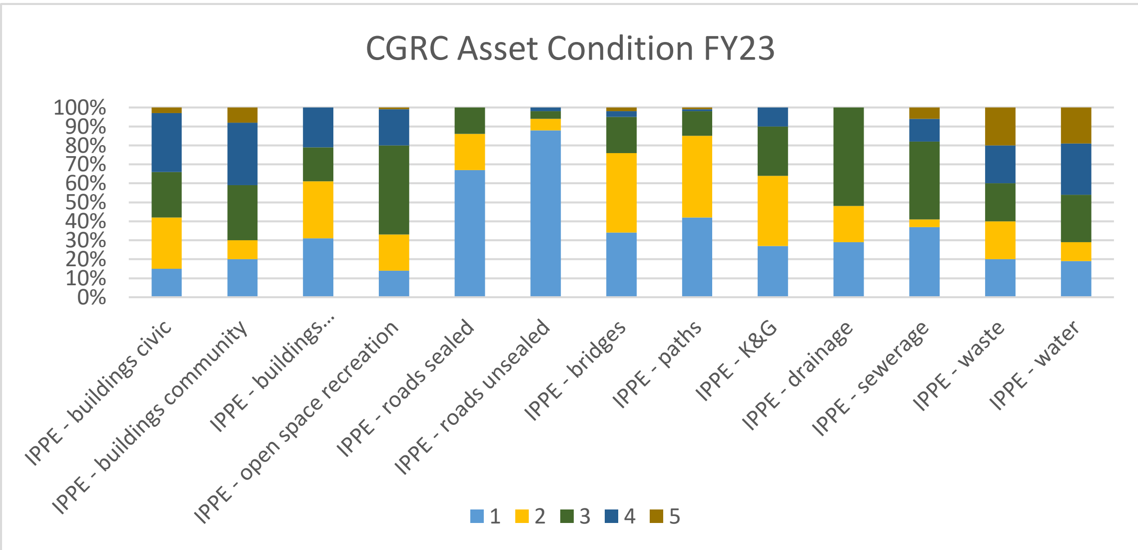


Chart 2



Utilising FY23 financial statements, the table below will require demarcation of Cootamundra and Gundagai assets (WDV and condition % rating) in Special Schedule 7 at FY24. Table 5 (Section 11) is a likely guide for the asset distribution between the new councils.

Cootamundra-Gundagai Regional Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance [a]	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	1	2	3	4	5
Buildings	Buildings - non-specialised	621	621	–	90	8,538	2,895	15.0%	27.0%	24.0%	31.0%	3.0%
	Buildings - specialised	461	461	–	260	24,297	49,019	20.0%	10.0%	29.0%	33.0%	8.0%
	Other structures	19	19	–	24	–	11,933	30.0%	18.0%	41.0%	9.0%	2.0%
	Sub-total	**1,101**	**1,101**	**–**	**374**	**32,835**	**63,847**	**21.6%**	**12.3%**	**31.0%**	**28.4%**	**6.7%**
Roads	Sealed roads	109	109	–	4,075	202,444	268,671	67.0%	19.0%	14.0%	0.0%	0.0%
	Unsealed roads	632	632	–	1,574	28,765	37,584	88.0%	6.0%	4.0%	2.0%	0.0%
	Bridges	1,851	1,851	–	68	63,718	77,426	34.0%	42.0%	19.0%	3.0%	2.0%
	Footpaths	44	44	–	–	6,639	8,031	42.0%	43.0%	13.0%	1.0%	1.0%
	Kerb & gutter	808	808	–	–	33,008	38,161	27.0%	37.0%	26.0%	10.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	171,878	227,503	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	**3,444**	**3,444**	**–**	**5,717**	**506,452**	**657,376**	**73.1%**	**15.7%**	**9.9%**	**1.1%**	**0.2%**
Water supply network	Water supply network	9,688	9,688	–	286	20,861	40,418	19.0%	10.0%	25.0%	27.0%	19.0%
	Sub-total	**9,688**	**9,688**	**–**	**286**	**20,861**	**40,418**	**19.0%**	**10.0%**	**25.0%**	**27.0%**	**19.0%**
Sewerage network	Sewerage network	7,519	7,519	–	525	50,735	73,483	37.0%	4.0%	41.0%	12.0%	6.0%
	Sub-total	**7,519**	**7,519**	**–**	**525**	**50,735**	**73,483**	**37.0%**	**4.0%**	**41.0%**	**12.0%**	**6.0%**
Stormwater drainage	Stormwater drainage	–	–	–	–	18,422	27,730	29.0%	19.0%	52.0%	0.0%	0.0%
	Sub-total	**–**	**–**	**–**	**–**	**18,422**	**27,730**	**29.0%**	**19.0%**	**52.0%**	**0.0%**	**0.0%**
Open space / recreational assets	Other	13	13	–	976	8,560	14,524	14.0%	19.0%	47.0%	19.0%	1.0%
	Swimming Pools	–	–	–	39	5,947	12,048	31.0%	30.0%	18.0%	21.0%	0.0%
	Sub-total	**13**	**13**	**–**	**1,015**	**14,507**	**26,572**	**21.7%**	**24.0%**	**33.9%**	**19.9%**	**0.5%**
	Total – all assets	**21,765**	**21,765**	**–**	**7,917**	**643,812**	**889,426**	**61.1%**	**14.6%**	**16.7%**	**5.6%**	**2.0%**

(a) Required maintenance is the amount identified in Council's asset management plans.

Table 11

While transport assets appear well placed (assuming accuracy of condition and useful life assessment in Special Schedule 7), the more significant backlog and renewal tasks for the new councils' rests with buildings and utility (water, sewer) assets. As those assets support or accommodate staff and community during emergency events, the new councils should give appropriate attention to their renewal or refurbishment.

The DTP task schedule suggests CGRC commission external expertise to assess condition and useful lives of infrastructure and operational assets, in a manner consistent with IPWEA/IIMM practice, and assign replacement values (where revaluations have not been undertaken since 2022, due to recent cost escalations).

It is understood the transport assets are due for revaluation in FY24, which in turn will alter asset values (for distribution), and likely increase the annual depreciation expense (based on anticipated cost escalations for road construction and maintenance).

It is suggested Special Schedule 7 be upgraded (and potentially audited) to reflect AMP and illustrate:

- Estimated cost to restore assets to good standard = from Condition 4 to 2 (Good)
- Estimated cost to retain assets to satisfactory standard = Condition 3 (Satisfactory)
- Gross replacement cost to replace assets to Condition 1 (Excellent)
- Renewal expense per class of asset compared to depreciation charge
- Replacement expense per class of asset (Condition 5 to Condition 1)

17 Shared Resources, Services and Facilities

A successful demerger is dependent on sharing resources or contracting services between councils – the most significant decision of which is the enterprise resource platform (ERP) contracted with Civica. Given the resource constraints on the councils, there is little sense in dividing CGRC into two entities if it means duplicating staff, technology and technical resources.

This high level DTP has provisionally identified the following opportunities for sharing resources, or one council hosting a facility or contracting a function to the other – such as, say, Cootamundra administering help desk, GIS, payroll or procurement to Gundagai for example. Alternatively, a joint organisation (Canberra or Riverina) or a larger neighbouring council (Wagga Wagga) might provide appropriate technical or administration support for both new councils.

The highest cost (and risk) will be negotiating a cloud solution with Civica utilising the same licences and modules of CGRC, with some minor expansion of licences for duplicated corporate functions in the new councils, and some uplift in technical support by Civica. A separate scoping study proposed by Civica will clarify how the CGRC modules may be 'disentangled'.

Several opportunities for shared or contracted services were considered with this DTP (refer list below). Councillors have nominated the following activities (black) to be explored during Phases 2-3, as contingent to a successful demerger. The remaining programs (red) would be subject to the new council's staffing or engagement of specialist consultants.

development assessment-building certification	strategic land use planning
environmental health	spatial mapping (GIS) administration
youth inclusion office	heavy plant
commercial waste	noxious weed, pest and catchment control
street cleansing	cemetery administration
integrated computer platforms (IaaS and SaaS)	civic-special events coordination
customer call centre and out of hours	web and content management
(CES) engagement for surveys and CSP	media-community liaison
grants coordination	rating and utility reading, billing and recovery
WHS, timesheet and payroll process	procurement coordination (panels, tenders, evaluation, probity)
recruitment process	records archive
cadet-trainee (rotation) program	asset management plans, designs and renewal schedules
ARIC, conduct review, compliance reporting and legal panels	scheduling MMS, condition assessment, revaluation of assets
internal audit and risk management drafting	

Table 12

It is similarly important the new councils collaborate to minimise duplication of facilities across the LGA boundaries, accessible by either council's communities. This in turn may require contributions from one council to the other, to offset some of the costs of maintaining and operating those facilities. The following were supported by councillors to explore in Phase 2:

- emergency services centre
- waste transfer station and landfill
- project management office and contract administration
- fleet management and workshop

Template agreements for shared services and hosted facilities will be developed in Phase 2, to oblige the new councils to continue sharing as a means to sustain their respective viability. The Minister may choose to embed this feature in a Proclamation.

18 Financial Sustainability

The Minister expects the councillors and staff to progress the demerger of CGRC into two sustainable councils. The four key elements that can be used to identify financial sustainability for local government:

- Council must achieve a *fully funded operating position* reflecting that it collects enough revenue to fund operational expenditure, repayment of debt and depreciation.
- Council must *maintain sufficient cash reserves* to ensure it can meet its short-term working capital requirements.
- Council must have a *fully funded capital program*, where the source of funding is identified and secured for both capital renewal and new capital works.
- Council must *maintain its asset base by renewing identified ageing infrastructure* and ensuring cash reserves are set aside for those works yet to be identified.

Any consideration of future sustainability needs to allow for adjustments for post-amalgamation events including the impact of:

- approved Special Rate Variation and rates
- increased staffing levels and wage harmonisation
- increased renewal expenditure, new capital projects and associated borrowings
- and grants

The CGRC Financial Plan acknowledges the 2021 SRV was to return the consolidated result to a surplus before capital grants in 2022/23, although the General Fund currently does not achieve an operating result before capital during the life of the Plan. While rates increased, fees and charges were modestly increased around the rate peg or 4%. Gundagai rates may need to be restored beyond premerger levels.

As noted previously, CGRC does not have adequate working capital (unrestricted cash FY23) to fund the demerger, requiring the declassification of some internal reserves (other than ELE which will be required for redundancies, and some plant replacement). A review of FY24 results may yield increased unrestricted cash to support the demerger, however de-restricting some reserves is preferred.

This DTP suggests it is vital to establish sound foundations for the new councils by engaging expertise to prepare, revise or progress the following for transparency, accountability, line of sight and efficiency:

- Registers (asset, contracts, disclosures, grants, donations, licence, investments, insurance, property, debt, local approvals, agreements, plant, policy, restricted funds, risk)
- Policies (investment, debt, grants, donations, property/rental, ICT, social media, pricing, revenue, debt recovery, privacy, working capital, risk, asset, renewals, procurement, WHS, employment)
- Plans (financial, asset, workforce, training, property, ICT, risk, rating, change management, community engagement, IPR, privacy, business continuity, ICT disaster recovery, resilience)
- Landuse (local environment plans, development control plans, contribution plans, plans of management)

Councillors have worked through a financial sustainability pathway (refer separate Financial Sustainability Plan), nominating principles and scenarios to achieve the sustainability ratios (financial and asset) required of Government. The new councils would utilise those principles to build their own scenarios and risk assessments in their respective financial plans. The Proclamation may insist on the targets and principles of the FSP to be retained in the new council's financial plans.

It is anticipated the new councils will need to differentiate their respective scope, roles and criticalities in delivering services, redefining their asset standards and levels of service, and reset their pricing policies.

The FSP deployed the following steps through workshops with councillors:

- established base year as FY24 Operational Plan
- apportioned relevant revenues and expenses to the new councils, noting 'regional' and engineering' services have been differentiated in operational plans for several years
- conversion of operational plan budget from income statement to operating and capital account format
- nomination of program and project criticality and pricing principle
- nomination of rates of return for regulatory, private, market and utility programs
- ringfenced the revenues and expenses of utilities (water, sewer, waste, stormwater and plant) through 'fund' accounting, to build reserves for future capital works and augmentation and strengthen ability to absorb shocks
- minimise growth in staff FTE
- nominate program and support areas to examine for resource sharing
- test acceptability of various sustainability scenarios

There were some confidence gaps in data, due to the incomplete migration to all Civica modules, the absence of several registers, low consistency in budget and reporting formats, incomplete planning, accounting and reporting for assets, and changes to reporting parameters in financial statements.

The Financial Sustainability Plan cautions a demerger may cause a currently 'moderate' sustainability rated council (CGRC) to deteriorate into one or two 'weak' rated new councils.

Councillors established a suite of sustainability principles and worked through several combinations of interventions and scenarios to raise revenues and cap expenditures to approach the financial and asset ratios required of OLG.

Ultimately, the 'adequate cash reserves' test applied by OLG to fund working capital and future asset replacement may require innovations to current annual charges and accounting arrangements.

19 People

Putting councillors, staff and community through a demerger following the upheaval of the 2016 merger, will affect the people and operations of CGRC in differing ways. CGRC, as an organisation, will be required to continue operations until the new councils are established, then wind down till the final audit closes its books.

That means staff, and councillors, will be required to share their focus on the new councils and CGRC for 9-12 months.

As the Demerger Task Schedule indicates, once a proclamation date is known, the CGRC councillors will recruit two (2) General Managers for the new councils, while the Interim General Manager (IGM) continues to operate CGRC. Definition of roles and delegations (ideally supported by updated regulations), will be required to enable the new General Managers to commence the organisation structure design, recruitment of the Executive, and in collaboration with the IGM, commence the process of staff transfer effective from the date of commencement of the new councils.

The new organisation structures, and associated resourcing requirements, would then be subject to the respective new council's endorsement of staff establishment and capability through their Resourcing Strategy. It would be the responsibility though of the current CGRC councillors, to appoint the new General Managers (irrespective of whether those councillors stand for the new council elections). The new General Managers would likely need at least three (3) months prior to commencement of the new councils (at estimated cost ~$200k) to enable recruitment of the management and transfer of staff. The new General Managers will need to design structures and resources to meet compliance obligations and share resources.

In essence, those new General Managers would be engaged as 'GM-elect' and potentially referenced in a Proclamation. CGRC should endorse the interim structures, to enable transfer and placement of staff into the new structures prior to commencement date. The new GMs will need to meet compliance obligations and share resources in good faith.

Similar Award and legislative protections may apply to a demerger (like a merger), including the following, however may cause some inefficiencies impacting future financial sustainability:

- three year preservation of terms of employment (including salary levels)
    - this means no employment costs savings may be anticipated in that time
- rights to remain in current 'place' of employment
    - this may mean travel costs (home to work) may be required for some staff induced to transfer to the different council
- process to transfer staff at level (based on position role and respective capability/skills)
- process to enable internal merit-based competitive recruitment where more than one individual possesses the requisite capabilities for a position
- process to enable external competitive recruitment for remining positions endorsed in the new organisation structures

It is anticipated the staff transfer and recruitment policies deployed by CGRC in its formation may be reapplied to the above process.

A separate section (14) outlines the engagement of staff in change management during the demerger.

In addition, it is suggested the CGRC employee assistance program (EAP) be escalated to enable staff to access mental health and other support during the demerger and transfer process.

20 Responsibility

A RACI (Responsible, Accountable, Consulted, Informed) matrix has been prepared for the demerger project (Attachment 7), to illustrate the demands on existing staff, requirements for supplementary resourcing and dependencies.

- The individual(s) with responsibility for the task or deliverable is typically responsible for developing and completing the project deliverables themselves (eg task lead)
- Accountable parties ensure accountability to project deadlines, and ultimately, accountability to project completion (eg councillors, IGM and TPMO lead)
- Consulted individuals' opinions are crucial, and their feedback needs to be considered at various steps. These individuals provide guidance that is often a prerequisite to other project tasks (eg councillors, staff, consultants, OLG)
- Informed persons are those that need to stay in the loop of communication throughout the project. These individuals do not have to be consulted or be a part of the decision-making, but they should be made aware of all project updates (eg community)

To assist the TPMO and staff responsible for various tasks track and record progress, it is suggested online project management software such as Monday.com be utilised.

RACI MATRIX

CGRC demerger

- R Responsible
- A Accountable
- C Consulted
- I Informed

			ROLES						
Deliverable or Task	**Status**	**Minister/OLG**	**Councillors**	**IGM/Executive**	**Transition Lead**	**Task Leads**	**Staff-Union**	**Community**	**Other Resources**
PHASE ONE									
Draft-endorse high level DTP		I	A	A	R	C	I	I	I
Establish Transition PMO				R	C	I	I	I	
Contract negotiations (eg Civica)				A	R	C	I		
Communications and Reporting			C	A	R	C	C	I	I
Temp staff-consultant engagement				C	I	R	C		
Draft proclamation		R							
PHASE TWO									
Draft-endorse detailed DTP		C	A	A	R	C	I	I	
Service-asset-pricing settings			A	A	R	C	I	I	R
Organisation structuring and distribution settings			C	A	I	C	C	I	R
Financial, asset distribution settings			A	A	R	C	I	I	R
CGRC BAU			A	R	I	I	R	I	
New councils IPR			A	R	C	R	I	C	R
PHASE THREE									
Implementation			A	A	R	R	C	I	
Elections		R	C	R	I	I	I	I	

Chart 3

The Executive, with councillors, will be largely accountable for progress of the demerger and business as usual. The table below delineates some preliminary responsibilities:

Role	Transition Responsibility	Responsibility
Elected body	Making decisions with the future in mind	• Overseeing the provision of business as usual services to the community • Maintaining ethical, open and accountable governance • Cataloguing service offer and asset standards • Setting rating and pricing principles • Adopting the operational plans • Communicating with communities • Recruiting new council general managers • Endorsing interim organisation structures • Monitoring progress of demerger plan
IGM--Executive	Lead, monitor and ensure the DTP achieves targets	• Ensuring business and service continuity. • Coordinating development of key plans (incl asset, risk, workforce) to help guide potential change. • Overseeing delivery of demerger tasks in respective Executive portfolios • Leading communication to staff, unions, communities and other partners. • Maintaining a positive work culture during a time of potential change. • Providing effective day to day management and leadership of the organisation throughout the initial period of change • Ensuring the operational plan is implemented with a focus on service continuity, reporting regularly to the governing body on progress and other significant matters • Overseeing financial management of the council • Managing council staff, ensuring that staffing decisions are aligned with the approved budget • Providing the governing body with information and ensuring it can make informed decisions and perform all governance and civic duties • Communicating with the community about service continuity, and demerger • Ensuring all statutory and proclamation requirements are met
Transition Lead	Planning, negotiating, recruiting and implementing DTP	• Overseeing preparation and delivery of the Implementation Plan
Task Leads	Leading collection and analysis of data	• Coordinating through the Transition Lead, the staff and consultants to undertake nominated tasks with scheduled time and cost • Considering dependencies and reporting on issues and progress • Sign off on closure of tasks
	New councils	• Strategic and sustainable plans, policies, practice

Table 13

21 Proclamation

While the terms of the proclamation may be known in advance, it is suggested the date of effect be directed to the end of the financial year 2025 (preferred) or end of a calendar year to assist calculation and assignment of closing balances (CGRC) and opening balances (new councils); and the extent of tasks to prepare for two functioning entities on date of proclamation.

That timing pre-supposes the passage of this high level Demerger Transition Plan and accompanying Financial Sustainability Plan through the LG Boundaries Commission, any hearings and the views of OLG, should conclude by end June 2024. Those collective views would inform the Minister's decision to progress the demerger and set an effective date via proclamation.

Elections may precede that commencement date to enable onboarding of councillors, recruitment of executive and the first meeting to follow the proclamation.

Preliminary matters for consideration with a proclamation may include:

- number of councillors for each council
- timing of elections and process for election of mayor
- LGA boundaries
- distribution of physical assets, plant, ICT, property, liabilities, cash and investments
- nomination of CGRC interim general manager until new GM-elect recruits in place
- application of nominated strategies IPR, plans and policies
- application of LEP, development control plans, contribution plans, and relevant Ministerial directions
- nomination of respective councils as crown lands and other managers
- nomination of shared and hosted services and facilities
- enablers for new councils to receive or apply for SRV or special levies
- enabler for the authorisation of the money necessary to meet expenditure for any transition period following proclamation until the new councils' operational plan is adopted

22 Summary and Recommendations

Cootamundra and Gundagai Councils may be established from July 2025, following months of administrative, legal, financial, service and asset tasking. A demerger can be delivered through suitable resourcing of a project office, documenting services and asset standards, setting agreements for shared resourcing and facilities, and investment in auditable registers, reports and plans. Critical to success will be the transition of staff and the separation of accounts and migration to a cloud technology platform.

Dependencies and completion of task will be recorded on the Task Schedule, with progress monitored or samples audited through ARIC. Risks will be checked through the project, noting some work arounds may be required should the technology transition not be complete.

The new councils will be guided by councillors (7 Cootamundra, 5 Gundagai) elected prior to commencement, who in turn will work with their respective General Managers-elect to confirm organisation structures and resourcing, progress the suite of IPR plans, and continue the service and asset settings and sustainability principles founded by the CGRC councillors.

Below is a summary of key recommendations referenced in this Demerger Transition Plan.

Phases

1. **planning for the demerger is proposed across three phases**, pending feedback from the LGBC:
    - a *scoping* phase which preceded this demerger transition plan (DTP) proposing a high-level approach, timeframe and estimates
    - a *planning* phase with a detailed DTP following documentation and delineation of the service and asset profiles proposed for the new councils
        i. from which *appropriate* distribution of assets, liabilities and staffing may be assigned
        ii. with which *acceptable* asset standards and levels of service may be modelled,
        iii. through which *achievable* options for utilising existing CGRC assets, systems and programs may be shared, and
        iv. to which *affordable* funding and resourcing for two sustainable councils over a 10 year horizon may be planned
    - with the relevant documentation and distributions identified, the *implementation* of the demerger is Phase 3, nominating tasks to be completed prior to and after the proclamation
    - through all Phases, the demerger project scope and funding should be recorded in the operational plan and general ledger, and the project outcomes in the annual report

Communication

2. engage expertise to **translate issues and communicate progress** with the demerger from what is often technical jargon inside a local council, to a conversational and infographic style that can be comprehended by community, councillors and staff
    - a discrete internet and intranet presence through the CGRC website should be established with content regularly updated
    - together with appropriately posted and moderated social media, the community should be informed of progress, while staff can raise questions or ideas on the intranet
    - the DTP does not propose to undertake any further stakeholder engagement, but rather CGRC will keep the community informed through council reports, media releases and a dedicated website presence

3. **engage change management** expertise for the organisation through the demerger

Resources

4. to **fund and undertake the demerger estimated costs** of $2.5-3m, CGRC should:
    - identify suitable internal reserves for de-restriction
    - apply a measured reduction in the scope of operational and capital projects identified in the CGRC Delivery Program, and defer or remove projects from FY25 operational plan to release funds and staff resources to assist demerger planning and implementation
    - nominate the demerger project scope, budget, costs and funding in the operational plan and general ledger
    - scoping study to provide the basis of an accurate shared ERP business proposal
    - establish and recruit staff for demerger transition project management
    - resource the project through temporary staff with appropriate skills
    - recruit specific expertise and focus through consultants, providing scope is briefed accurately and procurement process followed appropriately
    - include duplicated and temporary staff costs, with separation/transfer costs through ELE
    - accommodate two council election costs and additional councillor expenses
    - utilise online project management software such as Monday.com
    - raise a debtor for 'preparation costs' to the new councils to settle upon CGRC's final audit
5. identify reserves or budget savings to assist funding the above transition estimates, in addition to revision of asset, service and pricing settings in Phase 2 demerger phase, to demonstrate the financial sustainability of the new councils – ideally before presenting the plan to LGBC
6. seek an interest free loan facility from Government

Governance

7. **Transparency** will be provided through:
    a. appropriate costs of demerger will be recorded in the general ledger, and reported in monthly project reports, quarterly budget reviews and financial statements, including
        - staff reviews or drafting of registers, policies and plans for the new councils
        - consultant reviews of financials, assets, services, ERP and legal matters
        - reconfiguration of ERP to enable SaaS or hosted computer facilities
        - staffing and consultant expenses engaged through the transition project office
        - organisation restructuring, transfer, recruitment and redundancies
8. **Assurance** will be provided through
    - referral of demerger project activities to ARIC, focussing at least one internal audit on a demerger activity
    - engaging independent audit expertise to validate asset and liability values proposed for transfer
    - engaging engineering expertise to assess the condition, useful life, risk and replacement values of infrastructure and operational assets to be transferred
    - NSW AO financial audit reconciliation and balancing of new councils' opening balances to the (former) CGRC closing balances
9. **establish sound foundations** for the new councils by engaging expertise to prepare, revise or progress the following for transparency, accountability, line of sight and efficiency:
    - Registers (asset, contracts, disclosures, grants, donations, licence, investments, insurance, property, debt, local approvals, agreements, plant, policy, restricted funds, risk)

- Policies (investment, debt, grants, donations, property/rental, ICT, social media, pricing, revenue, debt recovery, privacy, working capital, risk, asset, renewals, procurement, WHS, employment)
- Plans (financial, asset, workforce, training, property, ICT, risk, rating, change management, community engagement, IPR, privacy, business continuity, ICT disaster recovery, resilience)
- Landuse (local environment plans, development control plans, contribution plans, plans of management)

10. **CGRC Operational Plan FY25** should
    a. adjust its formatting from a Department structure to Service and Support groups
    b. convert Income Statement format to an Operating and Capital Account to articulate service, support and asset expenditures
    c. accommodate demerger phases estimates
    d. accommodate duplicated and temporary staff costs
    e. accommodate two council election costs
    f. accommodate additional councillor expenses
    g. delineate capital works plan and any location-specific operational projects to new LGAs
11. establish **demerger governance structure** to oversee the due diligence, planning and decision making is proposed
12. assessment of **strategic and due diligence risk** is proposed in further detail with Phase 2.

Representation

13. **Revenue Policy FY25** (rates and annual charges) should be delineated to the respective councils
14. **electoral boundaries** as shown on the map referred to in the Table to clause 4(1) (PP4974) of the Local Government (Council Amalgamations) Proclamation 2016, kept in the register of public surveys on the 12th day of May 2016, be reinstated in their entirety
    a. both LGAs remain undivided with no wards
    b. the 'leaps and bounds' provisions to define the new LGA boundaries of the former Cootamundra and Gundagai local government should be retained
15. **number of councillors** for each new council
    a. Cootamundra Council should have seven (7) councillors
    b. Gundagai Council should have five (5) councillors
16. **mayor should be elected by the councillors** in accord with the Act (ie two year term)
17. **election be deferred six to nine months** with a view to commencing the new entities in the next financial year 2025

Distribution

18. **principles for distribution of finances, assets and staff** is proposed:
    a. physical and inventory asset, WIP, ICT, plant and other contract and liability separation
        - generally undertaken on a locational basis (ie within respective new LGA boundary)
        - AO advice on any financial adjustments following closure of CGRC financial statements
        - ICT licencing and equipment distributed based on staff location
    b. receivables and trust funds (including outstanding rates and grant prepayments)
        - location of rateable assessments
        - proportional population between new LGAs (eg FAG)
    c. cash and investments

  - contributions and grants held by plans and purpose in respective LGA, per external restricted funds
  - balance apportioned by cash and investments held at May 2016, including internal restricted funds

d. borrowings and payables
  - location upon which works (eg purpose of loan) was undertaken

e. staffing
  - generally undertaken on a locational basis (ie within respective new LGA boundary)
  - modified with interim organisation structures proposed by new councils GMs
  - FTE/1000 residents ratio expected to increase

Services and Assets

19. **catalogue the service and assets** for the new councils (Phase 2) through councillors and executive:
    a. the scope (of assets) and deliverables (of services)
    b. the standards (of assets) and levels (of service)
    c. the performance and targets for those services
    d. their preferred or proposed role (as provider, funder, facilitator, regulator, advocate)
    e. how important the asset or service is to operations and community (criticality)
    f. which assets or services should be funded by taxes (ie community service obligation) or fees (pricing principle)
20. utilise (or procure) **community surveys** (ideally arranged by response within each new LGA)
    a. gauge trends and relevant satisfaction-importance ratings for services, support and assets
    b. test community appetite to changes to service levels and charging
21. **Asset Management Plans** (2018) that document community and technical levels of service should be revisited and embedded in the service catalogue, to
    a. assist preparation of financial plans for the new councils, and include proposed operations, maintenance, renewal and upgrade expenditures
    b. document condition, useful life, trends, performance, maximum allowable outages
    c. document critical assets in continuity plans– critical assets are specific assets which have a high consequence of failure but not necessarily a high likelihood of failure
    d. narrow expectations for upgraded or new assets (unless fully funded by grants and contributions), and to identify assets for downscaling functionality or disposing (due to change in demographics or poorest condition). That process may lead to modified useful lives – and depreciation expense
22. **assess condition of infrastructure and operational assets** through external expertise, in a manner consistent with IPWEA/IIMM practice, and assign replacement values (where revaluations have not been undertaken since 2022, due to recent cost escalations).
    a. require demarcation of Cootamundra and Gundagai assets (WDV and condition % rating) in Special Schedule 7 at FY24
23. Special Schedule 7 be upgraded (and potentially audited) to reflect AMP and illustrate:
    a. Estimated cost to bring assets to satisfactory standard = from Condition 4 to 2 (Good)
    b. Estimated cost to retain assets to satisfactory standard = Condition 3 (Satisfactory)
    c. Gross replacement cost to restore to Condition 1 (Excellent)
    d. Renewal expense per class of asset compared to depreciation charge
    e. Replacement expense per class of asset (Condition 5 to Condition 1)

24. **collaborate to minimise duplication of facilities** across the LGA boundaries, accessible by either council's communities. This in turn may require contributions from one council to the other (and may include margins), to offset some of the costs of maintaining and operating those facilities
    a. opportunities for shared and contracted or hosted services and facilities should be explored during Phases 2 and 3
    b. minimise duplication of technology, plant, staff and facilities
25. templates for **shared services and hosted facilities agreements** will be developed in Phase 2, to oblige the new councils to continue sharing as a means to sustain their respective viability

Workforce

26. new council General Managers would be recruited by CGRC and engaged as 'GM-elect'. CGRC should endorse the interim structures, to enable transfer and placement of staff into the new structures prior to commencement date
27. **interim workforce plan** be prepared to mitigate the capacity risks
    a. understand impact of ageing workforce, turnover and opportunities for hybrid work
    b. begin an approach to 'build-buy-borrow' for the new councils
    c. retain workforce capacity in each new council to assist natural disaster responses
    d. assess reliance on disaster grant funding to retain staff
28. appropriate **protections for staff employment conditions** be considered
29. CGRC **employee assistance program (EAP**) be escalated to enable staff to access mental health and other support during the demerger and transfer process
30. progress a **IaaS and SaaS enterprise computing platform**, leveraging recent experience in Victoria
    a. scoping study to estimate and schedule the migration from on premise to cloud

Sustainability

31. progress the **new councils' financial sustainability** in accord with the elements below:
    - *fully funded operating position* reflecting that they collect enough revenue to fund operational expenditure, repayment of debt and depreciation.
    - *maintain sufficient cash reserves* to ensure they can meet short-term working capital requirements.
    - *fully funded capital program*, where the source of funding is identified and secured for both capital renewal and new capital works.
    - *maintain their asset base by renewing identified ageing infrastructure* and ensuring cash reserves are set aside for those works yet to be identified
32. apply acceptable **principles for sustainability** for the new councils proposed in FSP.
    a. rate the sustainability of the new councils, utilising similar definitions utilised by TCorp, and the respective financial sustainability risk ratings
    b. target achievement of 'moderate' risk rating by end first term of new councils
33. CGRC recover costs of establishment of the new councils (elections, recruitment Executive, transfer of staff, contract prepayments etc) borne after proclamation and before commencement of the new councils

Proclamation

34. **terms for a proclamation** be established through Phase 2, following assessment of
    a. efficacy of registers, plans, projects and policies and their relevance to transfer to new councils
    b. modifications to division of cash, assets and liabilities following close of FY24

Glossary

AMP	asset management plan
ARIC	audit risk and improvement committee
CAPEX	capital expenditure
CGRC	Cootamundra Gundagai Regional Council
CSP	community strategic plan
DP	delivery program
DTP	demerger transition plan
FSP	financial sustainability plan
FY	financial year
IGM	interim general manager
IPR	integrated planning and reporting
LGA	local government area
LGBC	Local Government Boundaries Commission
LGCC	Local Government Grants Commission
LTFP	long term financial plan
OLG	Office of Local Government
OP	operational plan
OPEX	operating expenditure
Ratios	separately listed
TPMO	transition project management office
WFP	workforce plan

Attachment 1: NSW Minister for Local Government Demerger Roadmap February 2023

Office of Local Government

Update on the demerger of Cootamundra-Gundagai Regional Council

October 2023

In 2021, Cootamundra-Gundagai Regional Council (CGRC) submitted a business case to the previous Government. The business case was referred as required under 218CC of the *Local Government Act 1993* (the Act) to the Local Government Boundaries Commission (Boundaries Commission).

Following the recommendation of the Boundaries Commission to reinstate the shires of Cootamundra and Gundagai as separate local government areas, the former Government released a roadmap to demerger.

This roadmap was flawed, as the Act does not provide a legal pathway to demerge under 218CC.

Since coming to office, Local Government Minister Ron Hoenig has been working to determine a pathway that can achieve the demerger of CGRC under the Act.

The New Pathway Forward

The NSW Government will support CGRC to demerge providing two councils can be established that are sustainable and financially viable.

On 3 October 2023, Minister Hoenig met with CGRC and announced a pathway that will empower the Councils to take ownership of the demerger process.

The pathway will require CGRC to develop a detailed implementation plan which creates two sustainable councils. The implementation plan will be reviewed by the Boundaries Commission, with a further public inquiry to be held in the first half of 2024.

Should CGRC satisfy the Boundaries Commission that the Council's approach is sound, the Minister will proceed to dissolve CGRC and proclaim the creation of two new areas. This is possible under sections 204 and 212 of the Act.

Upon proclamation of the two new Council areas by the Governor of NSW, a date will be set for the election of the two new councils by their communities.

NSW GOVERNMENT

What does Council need to do now?

In preparing its implementation plan, CGRC will need to demonstrate that a demerger will create two sustainable councils. This includes plans for:

- where the boundaries should be;
- electoral matters such as wards, number of councillors and the method of electing Mayor;
- division and sharing of assets and liabilities;
- allocation of staff, as well as management and organisational structures;
- rate levels and charges; and
- service standards and shared service arrangements.

CGRC is being encouraged to start work on its plan as soon as possible. To complete the demerger and elect the new councils before the end of 2024, the implementation plan needs to be completed expeditiously.

How will the community have their say?

Provided the implementation plan to demerge is completed by CGRC in early 2024, the Boundaries Commission will conduct a public inquiry in the first half of 2024. The community will be invited to comment on the proposal at this time.

What was the problem with the roadmap released by the previous government?

Demerging CGRC using the roadmap announced by the previous government was never possible under section 218CC of the Act.

The section of the act explains how demerger proposals must be handled but it does not give the Minister the legislative power to prepare and recommend to the Governor a proclamation that would legally create the two new Councils.

CGRC develops a detailed implementation plan to demonstrate how two sustainable councils can be established

· Council must determine rates, service levels, and boundaries

The Boundaries Commission undertakes a public inquiry into the Council's plan

· The community will be invited to have their say in the first half of 2024

The Minister considers the report and makes a decision

· The Government must be satisfied the demerger proposal will achieve two sustainable councils

CGRC is dissolved and two new areas are proclaimed - Cootamundra and Gundagai

· Elections will be held for the two new council areas

NSW GOVERNMENT

olg.nsw.gov.au

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

NSW GOVERNMENT

Our Ref: A878046

His Worship the Mayor
Cr Charlie Sheahan
Cootamundra-Gundagai Regional Council
PO Box 420
COOTAMUNDRA NSW 2590

Dear Cr Sheahan,

I write in relation to the demerger proposal for the Cootamundra-Gundagai Regional Council (CGRC).

Since coming to government, I have been seeking to give legal effect to my predecessor's road map for demerger. Unfortunately, I have not been able to find a legislative path to give effect to the demerger in the way my predecessor had proposed.

The law does not enable me to progress the existing demerger process under section 218CC of the *Local Government Act 1993* (the Act).

I remain convinced of the conceptual merits of a demerger, recognising that it is the strong desire of the Council and was recommended by the Boundaries Commission. I am asking Council to expeditiously prepare for me an implementation plan that will demonstrate how it will create two sustainable new local government areas for assessment.

In preparing such a plan I am asking Council to be mindful of previous assessment by the Boundaries Commission and relevant best practice.

It is then my intention, should the plan demonstrate a financially sustainable path in this implementation program, to refer it for a concurrent Public Inquiry and as a proposal for examination by the Boundaries Commission under the relevant sections of the *Local Government Act 1993*.

Should a report be made by the Public Inquiry under section 212(2) of the Act, this would provide an available avenue for the proposed demerger to continue and to progress to detailed implementation. I will also ask the Boundaries Commission for an examination and report on the plan and the appropriate constitution of the two new councils.

I intend to appoint the current Commissioners of the Boundaries Commission to undertake the Public Inquiry, and for the Boundaries Commission to undertake any

Attachment 2: draft Demerger Transition Plan Task Schedule

See separate attachment.

Timeframe	Tasks	Due Date (target)
< 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	
> 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	

Attachment 3 – CGRC Financial Statements FY23

Cootamundra-Gundagai Regional Council

Income Statement
for the year ended 30 June 2023

Original unaudited budget 2023	$ '000	Notes	Actual 2023	Actual 2022
	Income from continuing operations			
18,190	Rates and annual charges	B2-1	**18,443**	16,687
7,895	User charges and fees	B2-2	**12,356**	9,528
1,604	Other revenues	B2-3	**919**	804
8,519	Grants and contributions provided for operating purposes	B2-4	**15,805**	11,230
5,015	Grants and contributions provided for capital purposes	B2-4	**7,357**	8,773
140	Interest and investment income	B2-5	**861**	152
–	Other income	B2-6	**208**	88
41,363	**Total income from continuing operations**		**55,949**	47,262
	Expenses from continuing operations			
13,124	Employee benefits and on-costs	B3-1	**14,124**	12,223
13,024	Materials and services	B3-2	**24,189**	15,542
183	Borrowing costs	B3-3	**317**	262
10,536	Depreciation, amortisation and impairment of non-financial assets	B3-4	**12,149**	11,194
1,488	Other expenses	B3-5	**1,470**	1,186
–	Net loss from the disposal of assets	B4-1	**122**	3,059
38,355	**Total expenses from continuing operations**		**52,371**	43,466
3,008	**Operating result from continuing operations**		**3,578**	3,796
3,008	Net operating result for the year attributable to Council		**3,578**	3,796
(2,007)	**Net operating result for the year before grants and contributions provided for capital purposes**		**(3,779)**	(4,977)

Cootamundra-Gundagai Regional Council

Statement of Financial Position
as at 30 June 2023

$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	**1,064**	8,225
Investments	C1-2	**28,006**	14,048
Receivables	C1-4	**6,521**	5,488
Inventories	C1-5	**477**	446
Contract assets and contract cost assets	C1-6	**2,709**	5,559
Total current assets		**38,777**	33,766
Non-current assets			
Receivables	C1-4	**25**	58
Inventories	C1-5	**824**	824
Infrastructure, property, plant and equipment (IPPE)	C1-7	**686,981**	657,499
Intangible assets	C1-8	**48**	87
Total non-current assets		**687,878**	658,468
Total assets		**726,655**	692,234
LIABILITIES			
Current liabilities			
Payables	C3-1	**1,814**	3,830
Contract liabilities	C3-2	**6,666**	4,969
Borrowings	C3-3	**1,167**	1,315
Employee benefit provisions	C3-4	**3,457**	3,486
Total current liabilities		**13,104**	13,600
Non-current liabilities			
Borrowings	C3-3	**5,828**	6,995
Employee benefit provisions	C3-4	**340**	341
Provisions	C3-5	**4,907**	4,259
Total non-current liabilities		**11,075**	11,595
Total liabilities		**24,179**	25,195
Net assets		**702,476**	667,039
EQUITY			
Accumulated surplus		**415,967**	412,389
IPPE revaluation reserve		**286,509**	254,650
Council equity interest		**702,476**	667,039
Total equity		**702,476**	667,039

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period						At 30 June 2023		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals [1]	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital WIP	5,448	–	5,448	6,521	451	–	–	(1,035)	–	11,385	–	11,385
Plant, equipment, furniture and fittings	21,023	(11,142)	9,881	5	698	(1)	(1,609)	–	–	21,481	(12,508)	8,973
Land	14,736	–	14,736	–	–	(168)	–	–	4,932	19,788	–	19,788
Land improvements	693	(263)	430	–	–	–	(11)	–	–	10	(1)	9
Infrastructure:												
Buildings and other structures	63,847	(34,592)	29,255	108	66	(1)	(1,970)	83	5,171	69,392	(36,557)	32,835
- Roads, bridges and footpaths	429,873	(162,652)	267,221	1,401	90	(61)	(5,652)	501	15,513	447,317	(168,304)	279,013
- Other road assets (incl bulk earthworks)	227,503	–	227,503	–	–	–	(64)	–	–	227,503	(64)	227,439
– Stormwater drainage	27,730	(9,996)	17,734	–	–	–	(340)	–	1,028	28,758	(10,336)	18,422
– Water supply network	40,418	(20,526)	19,892	–	–	–	(568)	–	1,537	41,955	(21,094)	20,861
– Sewerage network	73,483	(25,376)	48,107	–	–	–	(1,050)	–	3,678	77,161	(26,426)	50,735
– Open space/recreational assets	26,572	(12,368)	14,204	77	41	–	(266)	451	–	27,141	(12,634)	14,507
Other assets:												
- Other Assets	40	(23)	17	–	–	–	(12)	–	–	40	(35)	5
– Tip assets	4,233	(1,162)	3,071	505	–	–	(567)	–	–	4,738	(1,729)	3,009
Total infrastructure, property, plant and equipment	935,599	(278,100)	657,499	8,617	1,346	(231)	(12,109)	–	31,859	976,669	(289,688)	686,981

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Cootamundra-Gundagai Regional Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard $ '000	Estimated cost to bring to the agreed level of service set by Council $ '000	2022/23 Required maintenance [a] $ '000	2022/23 Actual maintenance $ '000	Net carrying amount $ '000	Gross replacement cost (GRC) $ '000	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Buildings	Buildings - non-specialised	621	621	–	90	8,538	2,895	15.0%	27.0%	24.0%	31.0%	3.0%
	Buildings - specialised	461	461	–	260	24,297	49,019	20.0%	10.0%	29.0%	33.0%	8.0%
	Other structures	19	19	–	24	–	11,933	30.0%	18.0%	41.0%	9.0%	2.0%
	Sub-total	**1,101**	**1,101**	**–**	**374**	**32,835**	**63,847**	**21.6%**	**12.3%**	**31.0%**	**28.4%**	**6.7%**
Roads	Sealed roads	109	109	–	4,075	202,444	268,671	67.0%	19.0%	14.0%	0.0%	0.0%
	Unsealed roads	632	632	–	1,574	28,765	37,584	88.0%	6.0%	4.0%	2.0%	0.0%
	Bridges	1,851	1,851	–	68	63,718	77,426	34.0%	42.0%	19.0%	3.0%	2.0%
	Footpaths	44	44	–	–	6,639	8,031	42.0%	43.0%	13.0%	1.0%	1.0%
	Kerb & gutter	808	808	–	–	33,008	38,161	27.0%	37.0%	26.0%	10.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	171,878	227,503	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	**3,444**	**3,444**	**–**	**5,717**	**506,452**	**657,376**	**73.1%**	**15.7%**	**9.9%**	**1.1%**	**0.2%**
Water supply network	Water supply network	9,688	9,688	–	286	20,861	40,418	19.0%	10.0%	25.0%	27.0%	19.0%
	Sub-total	**9,688**	**9,688**	**–**	**286**	**20,861**	**40,418**	**19.0%**	**10.0%**	**25.0%**	**27.0%**	**19.0%**
Sewerage network	Sewerage network	7,519	7,519	–	525	50,735	73,483	37.0%	4.0%	41.0%	12.0%	6.0%
	Sub-total	**7,519**	**7,519**	**–**	**525**	**50,735**	**73,483**	**37.0%**	**4.0%**	**41.0%**	**12.0%**	**6.0%**
Stormwater drainage	Stormwater drainage	–	–	–	–	18,422	27,730	29.0%	19.0%	52.0%	0.0%	0.0%
	Sub-total	**–**	**–**	**–**	**–**	**18,422**	**27,730**	**29.0%**	**19.0%**	**52.0%**	**0.0%**	**0.0%**
Open space / recreational assets	Other	13	13	–	976	8,560	14,524	14.0%	19.0%	47.0%	19.0%	1.0%
	Swimming Pools	–	–	–	39	5,947	12,048	31.0%	30.0%	18.0%	21.0%	0.0%
	Sub-total	**13**	**13**	**–**	**1,015**	**14,507**	**26,572**	**21.7%**	**24.0%**	**33.9%**	**19.9%**	**0.5%**
	Total – all assets	**21,765**	**21,765**	**–**	**7,917**	**643,812**	**889,426**	**61.1%**	**14.6%**	**16.7%**	**5.6%**	**2.0%**

[a] Required maintenance is the amount identified in Council's asset management plans.

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

$ '000	Amounts 2023	Indicator 2023	Indicators 2022	Indicators 2021	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses [1,2]	(3,657)	(7.53)%	(4.98)%	(15.31)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions [1]	48,592				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions [1]	32,787	58.60%	57.68%	49.62%	> 60.00%
Total continuing operating revenue [1]	55,949				
3. Unrestricted current ratio					
Current assets less all external restrictions	16,429	6.40x	6.47x	5.00x	> 1.50x
Current liabilities less specific purpose liabilities	2,567				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation [1]	8,809	5.40x	6.21x	4.55x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,632				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	652	3.33%	5.77%	5.91%	< 10.00%
Rates and annual charges collectable	19,572				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	29,070	8.25 months	8.50 months	9.08 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	3,523				

Cootamundra-Gundagai Regional Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) [*]

$ '000	Amounts 2023	Indicator 2023	Indicators 2022	Indicators 2021	Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals [1]	9,790	98.79%	340.36%	154.34%	> 100.00%
Depreciation, amortisation and impairment	9,910				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	21,765	3.32%	3.49%	4.26%	< 2.00%
Net carrying amount of infrastructure assets	655,197				
Asset maintenance ratio					
Actual asset maintenance	7,917	∞	∞	∞	> 100.00%
Required asset maintenance	–				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	21,765	2.45%	2.45%	3.08%	
Gross replacement cost	889,426				

Attachment 4 – Cootamundra Financial Statements FY15-16 (pre merger)

Cootamundra Shire Council

Income Statement
for the financial year ended 30 June 2015

Budget [1] 2015	$ '000	Notes	Actual 2015	Actual 2014
	Income from Continuing Operations			
	Revenue:			
7,269	Rates & Annual Charges	3a	7,008	6,832
3,615	User Charges & Fees	3b	3,959	4,004
472	Interest & Investment Revenue	3c	515	583
151	Other Revenues	3d	315	489
3,893	Grants & Contributions provided for Operating Purposes	3e,f	4,058	2,764 [2]
214	Grants & Contributions provided for Capital Purposes	3e,f	318	1,264
	Other Income:			
-	Net gains from the disposal of assets	5	167	22
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	-	15
15,614	Total Income from Continuing Operations		16,340	15,973
	Expenses from Continuing Operations			
5,490	Employee Benefits & On-Costs	4a	5,658	5,208
101	Borrowing Costs	4b	68	74
4,927	Materials & Contracts	4c	4,866	4,926
4,666	Depreciation & Amortisation	4d	4,354	4,299
-	Impairment	4d	-	-
1,759	Other Expenses	4e	1,794	2,207
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	15	-
16,943	Total Expenses from Continuing Operations		16,755	16,714
(1,329)	Operating Result from Continuing Operations		**(415)**	**(741)**
	Discontinued Operations			
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(1,329)	Net Operating Result for the Year		(415)	(741)
(1,329)	**Net Operating Result attributable to Council**		(415)	(741)
-	**Net Operating Result attributable to Non-controlling Interests**		-	-
(1,543)	**Net Operating Result for the year before Grants and Contributions provided for Capital Purposes**		(733)	(2,005)

The former Cootamundra Shire Council

Statement of Financial Position
as at 12 May 2016

$ '000	Notes	Actual 12/5/16	Actual 30/6/15
ASSETS			
Current assets			
Cash and cash equivalents	6a	1,264	1,301
Investments	6b	16,094	15,011
Receivables	7	3,072	866
Inventories	8	437	546
Other	8	4	17
Total current assets		**20,871**	**17,741**
Non-current assets			
Investments	6b	–	–
Receivables	7	5	14
Inventories	8	826	813
Infrastructure, property, plant and equipment	9	201,396	201,243
Investments accounted for using the equity method	19	212	212
Investment property	14	–	–
Intangible assets	25	270	300
Other	8	112	112
Total non-current assets		**202,821**	**202,694**
TOTAL ASSETS		223,692	220,435
LIABILITIES			
Current liabilities			
Payables	10	2,455	1,351
Borrowings	10	133	125
Provisions	10	2,015	1,922
Liabilities associated with assets classified as 'held for sale'	22	–	–
Total current liabilities		**4,603**	**3,398**
Non-current liabilities			
Payables	10	–	–
Borrowings	10	966	1,099
Provisions	10	28	59
Total non-current liabilities		**994**	**1,158**
TOTAL LIABILITIES		5,597	4,556
Net assets		218,095	215,879
EQUITY			
Retained earnings	20	85,718	83,862
Revaluation reserves	20	132,377	132,017
Council equity interest		218,095	215,879
Total equity		218,095	215,879

The former Cootamundra Shire Council

Notes to the Financial Statements
for the period 1 July 2015 to 12 May 2016

Note 9a. Infrastructure, property, plant and equipment

$ '000	as at 30/6/2015					Asset movements during the reporting period						as at 12/5/2016				
	At cost	At fair value	Accumulated depreciation	Accumulated impairment	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated depreciation	Accumulated impairment	Carrying value
Capital work in progress	553	–	–	–	553	–	504	–	–	(437)	–	620	–	–	–	620
Plant and equipment	–	9,873	6,873	–	3,000	677	27	(159)	(632)	–	–	–	9,898	6,985	–	2,913
Office equipment	–	776	605	–	171	–	77	–	(70)	–	–	–	843	665	–	178
Furniture and fittings	–	600	285	–	315	–	11	–	(41)	–	–	–	611	326	–	285
Land:																
– Operational land	–	5,424	–	–	5,424	–	–	–	–	–	–	–	5,424	–	–	5,424
– Community land	–	2,883	–	–	2,883	–	–	–	–	–	–	–	2,883	–	–	2,883
Land improvements – non-depreciable	–	30	–	–	30	–	–	–	–	–	–	–	30	–	–	30
Land improvements – depreciable	–	395	172	–	223	–	–	–	(10)	–	–	–	395	182	–	213
Infrastructure:																
– Buildings – non-specialised	–	671	150	–	521	–	–	–	(7)	–	–	–	671	157	–	514
– Buildings – specialised	–	39,389	26,159	–	13,230	17	5	–	(354)	85	–	–	39,496	26,513	–	12,983
– Other structures	–	15,854	7,242	–	8,612	3	–	–	(308)	–	–	–	15,858	7,551	–	8,307
– Roads	–	145,317	50,963	–	94,354	1,228	65	–	(1,498)	263	–	–	146,873	52,461	–	94,412
– Bridges	–	4,989	1,881	–	3,108	–	–	–	(43)	–	–	–	4,989	1,924	–	3,065
– Footpaths	–	1,976	823	–	1,153	18	–	–	(23)	–	–	–	1,986	838	–	1,148
– Bulk earthworks (non-depreciable)	–	34,444	–	–	34,444	–	–	–	–	–	–	–	34,444	–	–	34,444
– Stormwater drainage	–	8,982	2,736	–	6,246	–	31	–	(67)	34	–	–	9,046	2,802	–	6,244
– Water supply network	–	15,329	11,313	–	4,016	–	9	–	(175)	8	58	–	15,576	11,660	–	3,916
– Sewerage network	–	36,724	17,189	–	19,535	929	1	–	(382)	47	302	–	38,267	17,835	–	20,432
– Swimming pools	–	6,221	2,828	–	3,393	27	–	–	(66)	–	–	–	6,249	2,895	–	3,354
Other assets:																
– Heritage collections	–	40	8	–	32	–	–	–	(1)	–	–	–	40	9	–	31
– Other	–	23	23	–	–	–	–	–	–	–	–	–	23	23	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	553	329,940	129,250	–	201,243	2,899	730	(159)	(3,677)	–	360	620	333,602	132,826	–	201,396

The former Cootamundra Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance[a]	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Buildings	Buildings – non-specialised	60	60	11	–	514	671			80%	20%	0%
	Buildings – specialised	402	402	128	112	12,983	39,496	2%	36%	55%	6%	1%
	Sub-total	462	462	139	112	13,497	40,167	2.0%	35.4%	55.4%	6.2%	1.0%
Other structures	Other structures	100	100	290	–	8,307	15,858		10%	80%	10%	0%
	Sub-total	100	100	290	–	8,307	15,858	0.0%	10.0%	80.0%	10.0%	0.0%
Roads	Sealed roads	2,000	2,000	1,031	1,073	91,951	142,862	8%	75%	15%	1%	1%
	Unsealed roads	500	500	249	215	2,461	4,010		90%	10%		0%
	Bridges	200	200	–	–	3,065	4,989	6%	6%	88%		0%
	Footpaths	200	200	145	6	1,148	1,986	10%	14%	68%	7%	1%
	Bulk earthworks	–	–	–	–	34,444	34,444		95%	5%		0%
	Sub-total	2,900	2,900	1,425	1,294	133,069	188,291	6.3%	76.5%	15.6%	0.8%	0.8%

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance[a]	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Water supply network	Water supply network	725	725	280	317	3,916	15,576		5%	84%	10%	1%
	Sub-total	725	725	280	317	3,916	15,576	0.0%	5.0%	84.0%	10.0%	1.0%
Sewerage network	Sewerage network	585	585	365	337	20,432	38,267		15%	65%	20%	0%
	Sub-total	585	585	365	337	20,432	38,267	0.0%	15.0%	65.0%	20.0%	0.0%
Stormwater drainage	Stormwater drainage	30	30	36	19	6,244	9,046		10%	85%	5%	0%
	Sub-total	30	30	36	19	6,244	9,046	0.0%	10.0%	85.0%	5.0%	0.0%
Open space/ recreational assets	Swimming pools	50	50	25	48	3,354	6,249	45%	55%			0%
	Sub-total	50	50	25	48	3,354	6,249	45.0%	55.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	4,852	4,852	2,560	2,127	188,819	313,454	5.0%	54.5%	35.1%	4.9%	0.6%

Cootamundra Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014	Prior Periods 2013
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue [1] (excl. Capital Grants & Contributions) - Operating Expenses	(885)	-5.58%	-13.35%	-9.44%
Total continuing operating revenue [1] (excl. Capital Grants & Contributions)	15,855			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue [1] (excl. ALL Grants & Contributions)	11,797	72.94%	74.72%	68.31%
Total continuing operating revenue [1]	16,173			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions [2]	12,300	6.23x	4.61	4.87
Current Liabilities less Specific Purpose Liabilities [3, 4]	1,974			
4. Debt Service Cover Ratio				
Operating Result [1] before capital excluding interest and depreciation / impairment / amortisation	3,537	18.91x	18.43	6.63
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	187			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	271	3.69%	4.13%	4.21%
Rates, Annual and Extra Charges Collectible	7,341			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits (x12)	16,312	14.61 mths	13.05	12.38
Payments from cash flow of operating and financing activities	1,117			

Cootamundra Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014	Prior Periods 2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals (Building, Infrastructure & Other Structures) [1]	1,681	47.96%	31.04%	60.15%
Depreciation, Amortisation & Impairment	3,505			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	5,152	3.34%	5.70%	5.17%
Total value [2] of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	154,391			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	2,560	1.00	1.15	0.89
Required Asset Maintenance	2,560			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	2,434	0.56	0.90	0.70
Annual Depreciation	4,354			

Attachment 5 – Gundagai Financial Statements FY15-16 (pre merger)

Gundagai Shire Council

Income Statement
for the financial year ended 30 June 2015

Budget [1] 2015	$ '000	Notes	Actual 2015	Actual 2014
	Income from Continuing Operations			
	Revenue:			
3,995	Rates & Annual Charges	3a	4,167	3,636
1,680	User Charges & Fees	3b	1,473	1,240
250	Interest & Investment Revenue	3c	295	314
575	Other Revenues	3d	155	174
3,270	Grants & Contributions provided for Operating Purposes	3e,f	3,124	2,953 [2]
303	Grants & Contributions provided for Capital Purposes	3e,f	773	451
	Other Income:			
-	Net gains from the disposal of assets	5	9	-
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	-	-
10,073	Total Income from Continuing Operations		9,996	8,768
	Expenses from Continuing Operations			
3,826	Employee Benefits & On-Costs	4a	4,041	3,816
189	Borrowing Costs	4b	46	26
2,084	Materials & Contracts	4c	1,261	1,986
3,263	Depreciation & Amortisation	4d	2,886	2,891
-	Impairment	4d	-	-
1,706	Other Expenses	4e	1,316	1,250
-	Net Losses from the Disposal of Assets	5	-	146
11,068	Total Expenses from Continuing Operations		9,550	10,115
(995)	Operating Result from Continuing Operations		**446**	**(1,347)**
	Discontinued Operations			
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(995)	Net Operating Result for the Year		446	(1,347)
(995)	**Net Operating Result attributable to Council**		446	(1,347)
-	**Net Operating Result attributable to Non-controlling Interests**		-	-
(1,298)	**Net Operating Result for the year before Grants and Contributions provided for Capital Purposes**		(327)	(1,798)

The former Gundagai Shire Council

Statement of Financial Position
as at 12 May 2016

$ '000	Notes	Actual 12/5/16	Actual 30/6/15
ASSETS			
Current assets			
Cash and cash equivalents	6a	2,435	4,722
Investments	6b	7,900	5,250
Receivables	7	3,116	1,972
Inventories	8	635	599
Other	8	53	–
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		**14,139**	**12,543**
Non-current assets			
Investments	6b	–	–
Receivables	7	–	9
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	175,797	175,243
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
Total non-current assets		**175,797**	**175,252**
TOTAL ASSETS		189,936	187,795
LIABILITIES			
Current liabilities			
Payables	10	1,339	842
Borrowings	10	259	250
Provisions	10	1,543	1,621
Total current liabilities		**3,141**	**2,713**
Non-current liabilities			
Payables	10	–	25
Borrowings	10	2,493	2,752
Provisions	10	230	240
Total non-current liabilities		**2,723**	**3,017**
TOTAL LIABILITIES		5,864	5,730
Net assets		184,072	182,065
EQUITY			
Retained earnings	20	76,074	72,448
Revaluation reserves	20	107,998	109,617
Council equity interest		184,072	182,065
Non-controlling equity interests		–	–
Total equity		184,072	182,065

The former Gundagai Shire Council

Notes to the Financial Statements
for the period 1 July 2015 to 12 May 2016

Note 9a. Infrastructure, property, plant and equipment

$ '000	as at 30/6/2015				Asset movements during the reporting period						as at 12/5/2016			
	At fair value	Accumulated depreciation	Accumulated impairment	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At fair value	Accumulated depreciation	Accumulated impairment	Carrying value
Plant and equipment	5,902	2,334	–	3,568	105	566	(340)	(402)	–	–	5,884	2,387	–	3,497
Office equipment	632	392	–	240	–	2	–	(39)	–	–	634	431	–	203
Land:														
– Operational land	3,473	–	–	3,473	66	–	–	–	–	–	3,539	–	–	3,539
– Community land	2,642	–	–	2,642	8	–	–	–	(1,887)	–	763	–	–	763
– Land under roads (post 30/6/08)	136	–	–	136	–	–	–	–	–	–	136	–	–	136
Infrastructure:														
– Buildings – non-specialised	7,892	5,115	–	2,777	67	16	–	(80)	–	–	7,975	5,195	–	2,780
– Buildings – specialised	8,660	4,400	–	4,260	53	–	–	(107)	–	–	8,713	4,507	–	4,206
– Roads	148,065	33,920	–	114,145	1,531	–	–	(1,605)	–	–	152,192	38,121	–	114,071
– Bridges	36,612	18,269	41	18,302	19	2,018	–	(279)	–	–	36,053	15,993	–	20,060
– Footpaths	2,401	1,077	–	1,324	631	58	–	(32)	–	–	3,091	1,110	–	1,981
– Stormwater drainage	7,794	2,938	–	4,856	100	–	–	(64)	–	–	7,894	3,002	–	4,892
– Water supply network	18,050	8,697	–	9,353	25	–	–	(240)	–	141	18,347	9,068	–	9,279
– Sewerage network	15,141	6,728	–	8,413	66	–	–	(128)	–	127	15,435	6,957	–	8,478
– Swimming pools	1,047	808	–	239	–	4	–	(4)	–	–	1,051	812	–	239
– Other open space/recreational assets	646	246	–	400	3	207	–	(19)	–	–	855	264	–	591
Other assets:														
– Other	1,698	583	–	1,115	–	–	–	(33)	–	–	1,698	616	–	1,082
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	260,791	85,507	41	175,243	2,674	2,871	(340)	(3,032)	(1,887)	268	264,260	88,463	–	175,797

The former Gundagai Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance[a]	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings				9	6,986	16,635					100%
	Sub-total	–	–	–	9	6,986	16,635	0.0%	0.0%	0.0%	0.0%	100.0%
Other structures	Other Assets				12	1,082	1,698					100%
	Sub-total	–	–	–	12	1,082	1,698	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Other				693	136,112	150,466					100%
	Sub-total	–	–	–	693	136,112	150,466	0.0%	0.0%	0.0%	0.0%	100.0%
Water supply network	Water supply network				78	9,279	18,050					100%
	Sub-total	–	–	–	78	9,279	18,050	0.0%	0.0%	0.0%	0.0%	100.0%
Sewerage network	Sewerage network				160	8,478	15,141					100%
	Sub-total	–	–	–	160	8,478	15,141	0.0%	0.0%	0.0%	0.0%	100.0%

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance[a]	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage					4,892	7,795					100%
	Sub-total	–	–	–	–	4,892	7,795	0.0%	0.0%	0.0%	0.0%	100.0%
Open space/ recreational assets	Swimming pools				31	239	1,051					100%
	Other				9	591	855					100%
	Sub-total	–	–	–	40	830	1,906	0.0%	0.0%	0.0%	0.0%	100.0%
	TOTAL – ALL ASSETS	–	–	–	992	167,659	211,691	0.0%	0.0%	0.0%	0.0%	100.0%

Gundagai Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014	Prior Periods 2013
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue [1] (excl. Capital Grants & Contributions) - Operating Expenses	(336)	-3.65%	-19.57%	-7.93%
Total continuing operating revenue [1] (excl. Capital Grants & Contributions)	9,214			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue [1] (excl. ALL Grants & Contributions)	6,090	60.98%	61.18%	48.16%
Total continuing operating revenue [1]	9,987			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions [2]	4,693	3.34x	4.47	6.40
Current Liabilities less Specific Purpose Liabilities [3, 4]	1,406			
4. Debt Service Cover Ratio				
Operating Result [1] before capital excluding interest and depreciation / impairment / amortisation	2,596	55.23x	46.04	331.71
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	47			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	562	11.93%	12.03%	11.47%
Rates, Annual and Extra Charges Collectible	4,710			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits x12	9,972	15.26 mths	9.75	10.08
Payments from cash flow of operating and financing activities	653			

Gundagai Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014	Prior Periods 2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals (Building, Infrastructure & Other Structures) [1]	2,304	91.87%	51.06%	78.51%
Depreciation, Amortisation & Impairment	2,508			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	60	0.04%	4.50%	
Total value [2] of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	164,069			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	1,407	1.37	0.79	
Required Asset Maintenance	1,026			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	3,364	1.17	0.76	
Annual Depreciation	2,886			

Attachment 6 – Sustainability Rating Definitions

Very Strong	A local government with a very strong capacity to meet its financial commitments in the short, medium and long-term. It has a record of reporting operating surpluses and is highly likely to be able to manage major unforeseen financial shocks and any adverse changes in its business without revenue and/or expense adjustments. Its capacity to manage core business risks is very strong
Strong	A local government with a strong capacity to meet its financial commitments in the short, medium and long-term. It generally has a 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 in its business, with minor revenue and/or expense adjustments. The expense adjustments are likely to result in only minor changes to the range of and/or quality of services offered. Its capacity to manage core business risks is strong
Sound	A local government with an adequate capacity to meet its financial commitments in the short, medium and long-term. While it is likely that it may have a record of minor to moderate operating deficits, the local government is expected to regularly report operating surpluses. It is likely able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes in its business, with minor or moderate revenue and/or expense adjustments. The expense adjustments are likely to result in some changes to the range of and/or quality of services offered. Its capacity to manage core business risks is sound.
Moderate	A local government with an adequate capacity to meet its financial commitments in the short to medium-term and an acceptable capacity in the long-term. While it has some record of reporting minor to moderate operating deficits, the local government may also have recently reported a significant operating deficit. It is likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, with moderate revenue and/or expense adjustments. The expense adjustments are likely to result in a number of changes to the range of and/or quality of services offered. Its capacity to manage core business risks is moderate
Weak	A local government with an acceptable capacity to meet its financial commitments in the short to medium-term and a limited capacity in the long term. It has a record of reporting moderate to significant operating deficits with a recent operating deficit being significant. It is unlikely to be able to address its operating deficits, manage unforeseen financial shocks, and any adverse changes in its business, without the need for significant revenue and/or expense adjustments. The expense adjustments would result in significant changes to the range of and/or quality of services offered. It may experience difficulty in managing core business risks
Very Weak	A local government with a limited capacity to meet its financial commitments in the short and medium-term, and a very limited capacity long-term. It has a record of reporting significant operating deficits. It is highly unlikely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business without the need for structural reform and major revenue and/or expense adjustments. The expense adjustments are likely to result in significant changes to the range and/or quality of services offered and it may need the

	assistance from higher levels of government. It will have difficulty in managing its core business risks
Distressed	A local government with a very limited capacity to meet its short-term financial commitments and no capacity to meet its medium to long-term financial commitments. It has a record of reporting significant operating deficits. To be able to address its operating deficits, meet its medium and long-term obligations, manage unforeseen financial shocks and any adverse changes in its business, major revenue and expense adjustments and structural reform will be required. The local government is unlikely to have the capacity to manage core business risks and may need assistance from higher levels of government

Assessment of financial sustainability – risk rating

Risk Measure	Operating Surplus	Net Financial Liability	Asset Sustainability
Higher	Less than negative 10% (i.e. losses) • *Insufficient revenue is being generated to fund operations and asset renewal*	More than 80% • *Potential long-term concern over ability to repay debt levels from operating revenue*	Less than 50% • *Insufficient spending on asset replacement or renewal resulting in reduced service levels and increased burden on future ratepayers*
Moderate	Negative 10% to zero • *A risk of long-term reduction in cash reserves and inability to fund asset renewals*	60% to 80% • *Some concerns over the ability to repay debt from operating revenue*	50% to 90% • *Irregular spending or insufficient asset management practices creating a backlog of maintenance and renewal work*
Lower	More than zero (i.e. surpluses) • *Well positioned to fund operations and asset renewals*	Less than 60% • *No concern over the ability to repay debt from operating revenue*	More than 90% • *Likely to be sufficiently replacing or renewing assets as they reach the end of their useful lives*

Risk Level	Detail of Risk
High	Higher risk of sustainability issues arising in the short to medium term if current operating income and expenditure policies continue, as indicated by average operating deficits (losses) of more than 10 per cent of operating revenue
Moderate	Moderate risk of sustainability issues over the longer term if current debt financing and capital investment policies continue, as indicated by: • current net financial liabilities more than 80 per cent of operating revenue or • average asset sustainability ratio over the last 5 years is less than 50 per cent or • average operating deficits (losses) over the last 5 years of between 2 and 10 per cent of operating revenue or • realising 2 or more of the individual ratios for moderate risk assessments
Low	Lower risk of financial sustainability concerns based on current income, expenditure, asset investment and debt financing policies

Attachment 7 – RACI matrix

RACI MATRIX

CGRC demerger

- R Responsible
- A Accountable
- C Consulted
- I Informed

Deliverable or Task	Status	Minister/OLG	ROLES: Councillors	IGM/Executive	Transition Lead	Task Leads	Staff-Union	Community	Other Resources
PHASE ONE									
Draft-endorse high level DTP		I	A	A	R	C	I	I	I
Establish Transition PMO				R	C	I	I	I	
Contract negotiations (eg Civica)				A	R	C	I		
Communications and Reporting			C	A	R	C	C	I	I
Temp staff-consultant engagement				C	I	R	C		
Draft proclamation		R							
PHASE TWO									
Draft-endorse detailed DTP		C	A	A	R	C	I	I	
Service-asset-pricing settings			A	A	R	C	I	I	R
Organisation structuring and distribution settings			C	A	I	C	C	I	R
Financial, asset distribution settings			A	A	R	C	I	I	R
CGRC BAU			A	R	I	I	R	I	
New councils IPR			A	R	C	R	I	C	R
PHASE THREE									
Implementation			A	A	R	R	C	I	
Elections		R	C	R	I	I	I	I	