

Business Paper

DEMERGER TRANSITION COMMITTEE MEETING

COUNCIL CHAMBERS, GUNDAGAI

2pm, Tuesday 27th January, 2026

Administration Centres: 1300 459 689

NOTICE OF MEETING

A Meeting of the Demerger Transition Committee will be held in the Council Chambers, Gundagai on:

Tuesday, 27th January, 2026 at 2pm

The agenda for the meeting is enclosed.

Roger Bailey
Interim General Manager

Live Streaming of Meetings Statement

This meeting is streamed live via the internet and an audio-visual recording of the meeting will be publicly available on Council's website.

By attending this meeting, you consent to your image and, or, voice being live streamed and publicly available. Please refrain from making any defamatory statements.

Statement of Ethical Obligations

The Mayor and Councillors are bound by the Oath/Affirmation of Office made at the start of the Council term to undertake their civic duties in the best interests of the people of Cootamundra-Gundagai Regional Council and to faithfully and impartially carry out the functions, powers, authorities and discretions vested in them under the Local Government Act or any other Act, to the best of their skill and judgement.

It is also a requirement that the Mayor and Councillors disclose conflicts of interest in relation to items listed for consideration on the Agenda or which are considered at this meeting in accordance with Council's Code of Conduct and Code of Meeting Practice.

AGENDA

Order Of Business

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1 ACKNOWLEDGEMENT OF COUNTRY

Council acknowledges the Wiradjuri people, the Traditional Custodians of the Land at which the meeting is held and pays its respects to Elders, both past and present, of the Wiradjuri Nation and extends that respect to other Aboriginal people who are present.

ADJOURN MEETING FOR OPEN FORUM**2 APOLOGIES AND AUDIO-VISUAL ATTENDANCE REQUEST****3 DISCLOSURES OF INTEREST****4 REPORT**

4.1 GENERAL MANAGER OFFICE

4.1.1 CONSOLIDATING EXPECTATIONS FOR THE DEMERGER TRANSITION

DOCUMENT NUMBER	454529
REPORTING OFFICER	Peter Bascomb, Demerger Transition Manager
AUTHORISING OFFICER	Roger Bailey, Interim General Manager
RELEVANCE TO COMMUNITY STRATEGIC PLAN	4. Collaborative and progressive leadership 4.1 A clear strategic direction that is delivered upon
FINANCIAL IMPLICATIONS	There are no Financial implications associated with this report.
LEGISLATIVE IMPLICATIONS	There are no Legislative implications associated with this report.
POLICY IMPLICATIONS	There are no Policy implications associated with this report.
ATTACHMENTS	Nil

RECOMMENDATION

The Committee recommends that Council:

1. Confirms 1 July 2027 as the target date for the commencement of the two successor councils.
2. Confirms that the primary objectives of the Demerger Transition Project are:
 - (a) 6-months ahead of the commencement date for the new Councils, the project must have prepared documentation sufficient for the OLG to prepare the required Proclamation
 - (b) To enable the two successor councils to effectively commence operations the project must develop two separate suites of IP&R documents and other governance arrangements, including policies and organisational structure, that clearly demonstrate that the two councils will be operationally and financially sustainable in the long term.

Introduction

This report seeks to clarify the objectives and timeframes for the Demerger Transition Project (DTP).

Discussion

Project Objectives

The purpose of the Demerger Transition Project is to prepare for the demerger of CGRC subject to the requirements of the Minister for Local Government.

To achieve this, there are two fundamental parts:

- Proclamation: 6-months ahead of the commencement date for the new Councils, the project must have prepared documentation sufficient for the OLG to prepare the required Proclamation.

- Two Sustainable Councils: To enable Councils to effectively commence operations the project must develop two separate suites of IP&R documents and other governance arrangements, including policies and organisational structure.

Sustainable Councils

A fundamental difference between a merger and a demerger is that a demerged council cannot simply inherit the staff, organisation structure and delivery program and operational plan.

The 2024 FSP explains the concept of sustainability. The issue of what sustainability means was also canvassed in the earlier Drew reports, although there are differences in approach between Joseph Drew and Peter Tegar.

The 2024 FSP was the basis of Council's submission to the Public Inquiry and Boundaries Commission so is the most relevant as the basis for discussion. On page 7, the FSP sets four key elements that identify sustainability, namely:

The future financial sustainability of the two demerged councils will need to be considered through the following four lenses:

- I. Council must achieve a fully funded operating position reflecting that it collects enough revenue to fund operational expenditure, repayment of debt and depreciation
- II. Council must maintain sufficient cash reserves to ensure it can meet its short-term working capital requirements
- III. 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
- IV. 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

As with all plans, it involves several assumptions which will need to be tested as part of the DTP.

It would be a betrayal of community expectations if the successor councils did not start on sound operational and financial bases.

It is noted that currently CGRC does not meet these sustainability criteria. It would be beneficial for the successor councils if Council were to move towards improved sustainability while developing its FY26 Operational Plan.

Project Timetable

Council has yet to formalise a timetable, but current discussions have assumed that the new Councils will commence 1 July 2027. This means that this project will need to have completed a significant component of its work by December 2026.

The 2024 Financial Sustainability Plan (FSP) indicates that both successor Councils will require a Special Variation (SV) to be financially sustainable. Council has expressed an interest in SVs being included in the proclamation, although the OLG has not yet confirmed that it can or will be.

Whether or not the SV is to be included in the proclamation has a significant impact on the timing of some elements of the project. If the SV is to be included, OLG expects it to be supported by robust evidence, meaning an updated FSP will need to be completed by December 2026. This in turn brings forward issues such as staff structure that might have otherwise been completed in the first half of 2027 calendar year.

If the SVs are not included in the proclamation, then the new Councils will need to seek approval through the standard IPART process, meaning that the earliest the SVs could apply is 1 July 2028.

This will likely have a significant impact on one or both councils' ability to provide services to their community.

Financial

No additional budget allocation is required.

OLG 23a Guideline consideration

There is no specific 23a guideline, but the Minister has laid out specific requirements in his press release.

Both the Demerger Transition Manager and the Interim GM have sought greater clarity around the requirements, particularly the criteria that must be met to have the SVs included in the Proclamation.

4.1.2 DEMERGER DISPUTE RESOLUTION PROCESS

DOCUMENT NUMBER	454482
REPORTING OFFICER	Peter Bascomb, Demerger Transition Manager
AUTHORISING OFFICER	Roger Bailey, Interim General Manager
RELEVANCE TO COMMUNITY STRATEGIC PLAN	4. Collaborative and progressive leadership 4.1 A clear strategic direction that is delivered upon
FINANCIAL IMPLICATIONS	There are no additional financial implications associated with this report.
LEGISLATIVE IMPLICATIONS	There are no Legislative implications associated with this report.
POLICY IMPLICATIONS	There are no Policy implications associated with this report.
ATTACHMENTS	Nil

RECOMMENDATION

That the Committee recommends that Council:

- 1. Adopts the dispute resolution process as outlined in the report.**
- 2. Updates the Terms of Reference for the Demerger Transition Committee to include the dispute resolution process.**
- 3. Confirms that decisions of the Demerger Transition Dispute Resolution Panel (DTDRP) will be accepted and implemented by Council.**
- 4. Undertakes an expression of interest (Eoi) process to recruit suitable nominees for the proposed Demerger Transition Dispute Resolution Panel (DTDRP).**
- 5. Confirm that any costs associated with the DTDRP be met from the previously budgeted demerger funding.**

Introduction

When dealing with such a sensitive issue as the demerger, regardless of the best will in the world, there is potential for a dispute to arise, particularly given that there is no demerger template to follow.

This report seeks to provide a dispute resolution process.

Discussion

Consideration was initially given to referring disputes to the Audit Risk & Improvement Committee (ARIC) or to the Transition Manager. In both cases the consequent loss, or perceived loss, of independence and neutrality would damage their ability to continue to effectively serve Council.

It is therefore suggested that Council establish a dispute resolution process ahead of detailed consideration to ensure that the demerger transition project can continue in a transparent and equitable manner.

The suggested dispute resolution process is as follows:

1. Council establishes, after a public expression of interest (EoI) process, a panel of 3 independent local government specialists to form the demerger transition dispute resolution panel (DTDRP). It may be beneficial to also nominate 2 or 3 alternates. Council shall appoint 1 of the members as Chair.
2. Remuneration of the Panel Chair and members would be equivalent to that of ARIC Chair and members.
3. Council will accept and implement the decisions of the DTDRP. This will maintain the independence of the process.
4. A matter is automatically referred to the DTDRP if 3 or more Councillors indicate their opposition to any demerger transition matter being considered by either the Demerger Transition Committee or by Council.
5. Councillors, jointly or separately, will submit their opposition to any matter to the Demerger Transition Manager (DTM) stating:
 - a. Why they dispute a particular demerger matter and
 - b. Their preferred alternative outcome.
6. If a complying submission is received the following process will be followed:
 - a. The DTM will refer all relevant documentation to the Chair and members for their review.
 - b. The TRDRP Chair and members may request additional information.
 - c. The TRDRP Chair will convene a meeting of the Panel, which may be conducted either in person or by audio-visual link.
 - d. The panel may receive representations from Councillors for and against the matter(s) under consideration.
 - e. Staff and contractors involved in the matter will be available to answer members' questions.
 - f. The Panel will then adjourn to allow members to more fully consider the matter and prepare a report outlining the Panel's decision and its reasoning.
 - g. The DTM will prepare a report for the next scheduled Council meeting presenting the Panel's decision.

Financial

Every referral to the DTDRP will incur a cost, which will be funded from the already budgeted demerger costs.

Each referral to the DTDRP will incur the following costs:

- Chair: \$1,500 per day plus superannuation
- Member: \$750 per day plus superannuation

Consistent with ARIC guidelines, employees of other councils are eligible to nominate as members, but not as Chair, but will not receive sitting fees.

OLG 23a Guideline consideration

Given that the DTDRP Chair's and members' remuneration is tied to that of the ARIC's Chair and members the OLG's ARIC guidelines are relevant in as much as they refer to remuneration for members of ARIC.

4.1.3 CONFIRMATION OF PREVIOUS COMMITMENTS FROM COUNCIL SUBMISSIONS

DOCUMENT NUMBER	454437
REPORTING OFFICER	Peter Bascomb, Demerger Transition Manager
AUTHORISING OFFICER	Roger Bailey, Interim General Manager
RELEVANCE TO COMMUNITY STRATEGIC PLAN	4. Collaborative and progressive leadership 4.1 A clear strategic direction that is delivered upon
FINANCIAL IMPLICATIONS	There are no additional financial implications associated with this report other than the demerger costs already budgeted.
LEGISLATIVE IMPLICATIONS	There are no Legislative implications associated with this report.
POLICY IMPLICATIONS	There are no Policy implications associated with this report.
ATTACHMENTS	1. Extracts from Previous Plans ↓

RECOMMENDATION**The Committee Recommends that Council:**

- 1. Recommits to the Objectives and Interventions used in the preparation of the Draft Demerger Transition Plan and Financial Sustainability Plan.**
- 2. Acknowledges that adherence to the Objectives and Interventions may impact the development of the FY27 Operational Plan.**

Introduction

The Boundaries Commission's recommendation, and the Minister's acceptance, was based on information Council provided to both the Public Inquiry and the Boundaries Commission. It is important that Council honours the commitments made in its submissions to ensure the smooth progress of the demerger, particularly the development of the Proclamation.

Discussion

Attachment 1 includes the critical Objectives and Interventions from Council's financial sustainability plan (FSP) for the two proposed successor councils which was part of Council's submission to the Public Inquiry.

The Interim Report from the Public Inquiry, and the Boundaries Commission's subsequent recommendation, are predicated on Council's submission. The communities' support for the demerger will also have been influenced by Council's submission.

It is therefore incumbent on Council to honour the undertakings provided in its submissions unless subsequent overwhelming evidence to the contrary arises during the current phase of planning for the demerger. If such evidence arises, it will be vitally important to keep the communities, Minister, and OLG fully informed.

Financial

Council has budgeted for the estimated costs of the current phase of planning for the demerger.

OLG 23a Guideline consideration

There is no specific 23a guideline, but both the Transition Manager and the Interim General Manager have sought greater clarity of the Minister's, and OLG's, requirements to ensure the necessary Proclamation can be developed and the demerger can proceed smoothly.

Extracts from Previous Plans

There are many assumptions in the Peter Tegert reports, each of which will need to be reviewed before finalising the project work plan.

Objectives

Page 10 of the 2924 FSP 7 primary objectives. Are these still appropriate?

1. Improve liquidity, through
 - 1.1. building unrestricted cash (working capital)
 - 1.2. targeted asset or property sales
 - 1.3. building external and internal reserves (smoothing)
 - 1.4. building buffers for the utilities (water, sewer, waste, stormwater)
 - 1.5. smoothing capex through infrastructure reserves and debt
2. Improve cashflow, through
 - 2.1. generating a budget surplus, in turn releasing the value of depreciation for capital renewals
 - 2.2. growing revenues
 - 2.3. deferring projects, including incomplete works (carryovers) from previous years
 - 2.4. recycling assets (repurposing and lease returns)
 - 2.5. deriving dividends from eligible utilities
3. Improve resilience, through
 - 3.1. designing capacity (build back better) into renewals (in readiness for natural disasters)
 - 3.2. maintaining working capital as a buffer for natural disasters (and underwriting of works)
 - 3.3. building organisation maturity, including specialist skills and technology difficult to procure
4. Improve assets, through
 - 4.1. refreshing asset and contribution plans 5 yearly, with asset revaluations
 - 4.2. inserting contemporary replacement costs into those plans
 - 4.3. applying construction indices (PPI) between reviews
 - 4.4. aligning (or moderate) asset plans with contribution works schedules
 - 4.5. utilising IPWEA condition, maintenance, renewal and resilience technical standards
5. Align financials, through
 - 5.1. integrating asset, digital, development and workforce plans with financial plan
 - 5.2. moderating capex to external funding (grants, contributions, sales)
 - 5.3. monitoring renewal forecasts to depreciation values
 - 5.4. moderating renewal capex to net depreciation less deficit
 - 5.5. monitoring financial and asset ratios
6. Apply discipline, through
 - 6.1. establishing policies (grants, assets, donations, risk, pricing etc)
 - 6.2. cataloguing and scoping service and asset offer and hierarchies
 - 6.3. priority setting for programs and projects
 - 6.4. appraising and ranking current strategy findings and actions for funding
7. Leverage council capacity and specialisations, such as
 - 7.1. plant (private works)
 - 7.2. noxious weeds (spraying)
 - 7.3. cemeteries (planning)
 - 7.4. subdivision (construction)

High Level Interventions

Page 5 of the 2024 FSP lists the interventions proposed. It is proposed to briefly review each of these to test their ongoing relevance.

1. grow annual yields from regulatory, property, market and utility services
 - 1.1. disclose targets for rates of return (RoR) for those services, phased over several years
 - 1.2. differentiate the revenues, expenses and returns for these services in budgets
2. account for the utility (water, sewer, stormwater, waste) services as 'Funds'
 - 2.1. plan and publish funding and relevant programs and projects, the nett costs of which are balanced through respective restricted funds (reserves)
 - 2.2. build reserves to absorb shocks and match external funding for capital works
3. grow asset operations, maintenance (and depreciation) expenditure
 - 3.1. recognise recent cost escalations and focus on functionality of assets for benefit of community, economy and environment
4. cap non-asset service and support expenditures to the value of associated revenues raised (eg rate peg, FAG, CPI)
 - 4.1. rely in part on sharing of resources between the new councils to support services
5. exclude OLG-suggested additional staff
 - 5.1. CGRC has recruited suitable resources into areas of governance and compliance risk
6. include duplicated Executive and specialist staff costs (6FTE), and Civica technology SaaS cost
 - 6.1. shared between the new councils
7. assume no growth in other grants or service revenues
 - 7.1. if so, the value of those revenues will be absorbed in the associated increases to related expenditures
8. raise debt (Gundagai)
 - 8.1. smooth out the impact of annual asset renewals
9. raise rate revenues for both new councils
 - 9.1. enable (with the above measures) a balanced or modest annual surplus to the Operating Account, to attain key ratios
10. apply 'best practice' pricing for the utility services
 - 10.1. following their independent review, which may alter mix of annual charges and user charging