

Business Paper

DEMERGER TRANSITION COMMITTEE MEETING

**ALBY SCHULTZ MEETING CENTRE,
COOTAMUNDRA**

10am, Wednesday 15th April, 2026

Administration Centres: 1300 459 689

NOTICE OF MEETING

A Meeting of The Demerger Transition Committee will be held in the Alby Schultz meeting Centre, Cootamundra on:

Wednesday, 15th April, 2026 at 10am

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.

2 APOLOGIES, LEAVE OF ABSENCE AND AUDIO-VISUAL ATTENDANCE REQUESTS**3 DISCLOSURES OF INTEREST**

4 CONFIRMATION OF MINUTES

4.1 MINUTES OF THE DEMERGER TRANSITION COMMITTEE MEETING HELD ON TUESDAY 10 MARCH 2026

REPORTING OFFICER	Teresa Breslin, Executive Assistant to Mayor and General Manager
AUTHORISING OFFICER	Roger Bailey, Interim General Manager
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	1. Minutes of the Demerger Transition Committee Meeting held on Tuesday 10 March 2026

RECOMMENDATION

That the Minutes of the Demerger Transition Committee Meeting held on Tuesday 10 March 2026 be confirmed as a true and correct record of the meeting.

Minutes

DEMERGER TRANSITION COMMITTEE MEETING

COUNCIL CHAMBERS, GUNDAGAI

4:02PM, TUESDAY 10th March, 2026

Administration Centres: 1300 459 689

**MINUTES OF COOTAMUNDRA-GUNDAGAI REGIONAL COUNCIL
DEMERGER TRANSITION COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, GUNDAGAI
ON TUESDAY, 10 MARCH 2026 AT 4:02PM**

PRESENT: Cr Abb McAlister (Mayor), Cr Rosalind Wight (Deputy Mayor), Cr Penny Nicholson, Cr Ethan Ryan, Cr Gil Kelly

IN ATTENDANCE: Peter Bascomb (Demerger Transition Manager), Roger Bailey (Interim General Manager)

1 ACKNOWLEDGEMENT OF COUNTRY

The Chairperson acknowledged the Wiradjuri people who are the Traditional Custodians of the Land at which the meeting was held and paid his respects to Elders, both past and present, of the Wiradjuri Nation and extended that respect to other Aboriginal people who were present.

2 APOLOGIES, LEAVE OF ABSENCE, AND AUDIO-VISUAL ATTENDANCE REQUESTS

2.1 APOLOGIES

That the apology received from Cr Graham be accepted.

2.2 LEAVE OF ABSENCE

Nil

2.3 AUDIO-VISUAL ATTENDANCE REQUESTS

Nil

3 DISCLOSURES OF INTEREST

Nil

4 CONFIRMATION OF MINUTES

4.1 MINUTES OF THE DEMERGER TRANSITION COMMITTEE MEETING HELD ON TUESDAY 24 FEBRUARY 2026

COMMITTEE RESOLUTION

Moved: Cr Gil Kelly

Seconded: Cr Penny Nicholson

That the Minutes of the Demerger Transition Committee Meeting held on Tuesday 24 February 2026 be confirmed as a true and correct record of the meeting.

CARRIED

5 GENERAL MANAGER'S REPORT

5.1 GENERAL MANAGER OFFICE

5.1.1 MODIFICATION TO THE COMMITTEE'S MEETING SCHEDULE

COMMITTEE RESOLUTION

Moved: Cr Penny Nicholson

Seconded: Cr Ethan Ryan

That the Committee modify its meeting schedule as follows:

- 1. The May meeting be held on Tuesday 5 May 2026 rather than the scheduled 12 May**
- 2. The June meeting be held on Tuesday 16 June 2026 rather than the scheduled 9 June.**

CARRIED

5.1.2 FINANCIAL SUSTAINABILITY PLAN

COMMITTEE RESOLUTION

Moved: Cr Gil Kelly

Seconded: Cr Penny Nicholson

That the Committee

- 1. Endorses the Request for Tender documentation attached to this report, including the Scope of Works and Tender Evaluation Procedure, for an updated Financial Sustainability Plan plus a Long-Term Financial Plan and Revenue Policy for each of the proposed successor councils**
- 2. Recommends that Council delegates to the Committee the authority to appoint the preferred consultant.**

CARRIED

5.2 ENGINEERING GUNDAGAI

5.2.1 LIME SPREADER BUSINESS CASE

COMMITTEE RESOLUTION

Moved: Cr Gil Kelly

Seconded: Cr Ethan Ryan

The Committee recommends that Council:

- 1. Note the report.**
- 2. Source a second-hand lime spreader up to a value of \$175,000 (ex GST) and report to Council for consideration, prior to purchase.**
- 3. Explore entering into a MOU with the neighbouring Council's to utilise Council's stabiliser at an agreed rate that ensures a commercial arrangement for the benefit of the parties.**
- 4. Explore a 'shared service' arrangement for the use of plant between the two future 'new councils'.**

CARRIED

SUPPLEMENTARY MOTION

COMMITTEE RESOLUTION

Moved: Cr Gil Kelly

Seconded: Cr Penny Nicholson

The Committee recommends that the Interim General Manager identifies and implements savings across the board, and reports savings achieved to the Council.

CARRIED

The Meeting closed at 4:41pm.

CHAIRPERSON

GENERAL MANAGER

5 REPORTS

5.1 GENERAL MANAGER OFFICE

5.1.1 SELECTION OF DISPUTE RESOLUTION PANEL CHAIR AND MEMBERS

DOCUMENT NUMBER	463992
REPORTING OFFICER	Peter Bascomb, Demerger Transition Manager
AUTHORISING OFFICER	Roger Bailey, Interim General Manager
RELEVANCE TO COMMUNITY STRATEGIC PLAN	<p>4. Collaborative and progressive leadership</p> <p>4.2 Proactive, practical Council leaders who are aligned with community needs and values</p>
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	<ol style="list-style-type: none"> 1. DTDRP Expression of Interest ↓ 2. Candidate A - Confidential 3. Candidate B - Confidential 4. Candidate C - Confidential 5. Candidate D - Confidential 6. Candidate E - Confidential 7. Candidate F - Confidential 8. Candidate G - Confidential 9. Candidate H - Confidential 10. Candidate I - Confidential 11. Candidate J - Confidential

RECOMMENDATION

The Committee recommends that Council endorses the following nominations for the Demerger Disputes Resolution Panel:

1. Candidate ____ as Chair
2. Candidate ____ and Candidate ____ as members.

Introduction

This report presents the Expressions of Interest received to enable the Committee to recommend to Council its preferred Chair and Members of the Demerger Transition Dispute Resolution Panel.

Discussion

The Committee, at its January meeting, recommended the establishment of a Demerger Transition Disputes Resolution Panel (DTDRP). This recommendation was adopted by Council at its February meeting.

At its February meeting the committee endorsed the Expression of Interest (Eoi) documentation for the DTDRP (attached). The Eoi was subsequently advertised with an initial closing date of 26 March 2026 but due to a delay in loading the complete Eoi documentation on Council's website the closing date was extended to 7 April 2026.

The Office of Local Government advises that the applicants are considered not personnel and consequently it is not possible to close the meeting to consider the applications. It is therefore suggested that during the meeting candidates be referred to as "Candidate A" *et cetera*. The candidate's expressions of interest are included as confidential attachments, but will ultimately have to be made publicly available, appropriately redacted, under section 11 of the *Local Government Act 1993*.

The following EOIs have been received (in order of receipt):

Candidate	Date Received	Eligible*	Comment
A	11 March 2026	Yes	
B	11 March 2026	Yes	
C	18 March 2026	Yes	
D	19 March 2025	Yes	
E	20 March 2023	Yes	
F	25 March 2026	Yes	
G	31 March 2026	Yes	
H	1 April 2026	Yes	
I	1 April 2026	Yes	
J	6 April 2026	Yes	

*1: Note: *Eligible means that the candidate has been assessed as meeting the independence criteria. The comment column is provided to allow committee members to make comments against each candidate.*

Financial

Costs associated with the panel would be funded from Council's allocated demerger budget.

OLG 23a Guideline consideration

N/a



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Cootamundra Office
81 Wallendoon Street,
Cootamundra NSW 2590

Gundagai Office:
255 Sheridan Street,
Gundagai NSW 2722

Expression of Interest Independent Chair & Members Demerger Transition Disputes Resolution Panel

Applications are invited from suitably qualified individuals for the appointment to the position of Chair for the Demerger Transition Disputes Resolution Panel (DTDRP) for Cootamundra Gundagai Regional Council (CGRC).

Expressions of interest are also sought from suitably qualified people who seek appointment as an Independent Panel Member.

The Minister for Local Government has accepted the recommendation of the Boundaries Commission and approved the demerger of CGRC back into its constituent councils, namely Cootamundra and Gundagai. The Minister has made it clear that the responsibility for all demerger planning and other matters rests with CGRC, including the resolution of any dispute.

The new Councils will commence operation on 1 July 2027.

CGRC has established a Demerger Transition Committee (DTC) to oversee the planning for the demerger and has appointed a Demerger Transition Manager (DTM) to assist with planning.

Given that there is no NSW template for demergers, and the sensitivity of some matters to be considered, CGRC has determined to establish a Demerger Transition Disputes Panel. The process for consideration of any dispute is outlined below.

There is unanimous Councillor support for the demerger backed by strong community support. It is therefore not anticipated that there will be many referrals to the DTDRP.

The selection of Chair and members will broadly follow the Office of Local Government's Guidelines for Risk Management and Internal Audit for Local Government in NSW (the Guidelines), with remuneration equivalent to the current ARIC Chair and members.

The DTDRP Chair and members should have no direct association with CGRC either in a professional or personal capacity.

The DTDRP will cease on 30 June 2027 after which the two successor Councils will determine any future dispute resolution process.

Appointment of Chair

The appointment panel will aim to ensure that the independent chair has recent and relevant experience in local government with particular emphasis on financial sustainability and operational effectiveness.

The Chair cannot be an employee of another local government entity, including a joint organisation.

The fees payable for the chair position will be \$1500.00, per dispute excl. GST (inclusive of all preparation time) plus expenses.

Appointment of Panel Members

Panel members will have extensive local government experience and be capable of making informed decisions regarding potentially detailed matters affecting the financial sustainability and operational effectiveness of the proposed Cootamundra and Gundagai councils.

Given that the DTDRP will meet on an “as needs” basis, Council may choose to appoint more than 2 members to ensure that there will always be 3 members (Chair and 2 members) available to consider a disputed matter.

The fees payable for the members will be \$750.00, per dispute excl. GST (inclusive of all preparation time). Employees of local government entities may be members but are not entitled to any payment other than expenses.

Superannuation and Insurances

Superannuation is paid in addition to the above set fee in accordance with the requirements of the *Superannuation Guarantee (Administration) Act 1992*. DTDRP members will be covered under Council’s insurance policies for public liability and professional indemnity.

Eligibility Criteria

The chair and all members of the DTDRP must be independent to ensure they have no real or perceived bias or conflicts of interest that may interfere with their ability to act independently and can provide the Council with robust, objective and unbiased decisions regarding any dispute.

The chair and independent voting committee members must not:

- i. currently be a Councillor of any NSW Council
- ii. be a non-voting representative of the board of the joint organization
- iii. be the chair or a member of CGRC’s ARIC or any other Council committee including s.355 committees
- iv. be a candidate at the last election of Cootamundra-Gundagai Regional Council
- v. be a person who has held office with CGRC during the previous term
- vi. be currently employed by CRGC, or been employed during the last 12 months
- vii. conduct audits of CGRC on behalf of the Audit Office of NSW
- viii. have a close personal or business relationship with a councillor or a person who has a senior role at CGRC that may lead to a real or perceived conflict of interest
- ix. currently, or within the last three years, provided any material goods or services (including consultancy, legal, internal audit and advisory services) to CGRC
- x. be (or have a close family member who is) a substantial shareholder, owner, officer or employee of a company that has a material business, contractual relationship, direct financial interest or material indirect financial interest with CGRC or a related entity which could be considered a real or perceived conflict of interest, or
- xi. currently or have previously acted as an advocate of a material interest on behalf of CGRC or a related entity which could be considered a real or perceived conflict of interest.

Current staff of another Council may serve as an independent member DTDRP but not as its Chair.

Please Note

- A criminal record and financial status (bankruptcy) check of preferred applicants will also be undertaken before an appointment is made.
- Council will appoint the chair and members after consideration of a report and recommendation by the selection committee, following assessment of applications.
- Members of the DTDRP are subject to the Council's Code of Conduct.

The Dispute Resolution Process

The 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 DTDRP Chair and members may request additional information.
 - c. The DTDRP 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.

Further Information

For further details, please go to Council's website at the following: www.cgrc.nsw.gov.au or contact Peter Bascomb, Demerger Transition Manager on 0418 690 030 .

How to Apply

Suitably qualified individuals are invited to submit an Expression of Interest by providing a letter outlining their qualifications and relevant experience together with a current résumé.

Expressions of Interest are to be addressed to the Demerger Transition Manager and should be submitted by **11.59 pm on Tuesday 7 April 2026 by post to Cootamundra-Gundagai Regional Council, PO Box 420, Cootamundra NSW 2590, delivered to Council's offices at Cootamundra or Gundagai or by email to mail@cgrc.nsw.gov.au**



5.1.2 APPOINTMENT OF GENERAL MANAGERS DESIGNATE

DOCUMENT NUMBER	463680
REPORTING OFFICER	Peter Bascomb, Demerger Transition Manager
AUTHORISING OFFICER	Roger Bailey, Interim General Manager
RELEVANCE TO COMMUNITY STRATEGIC PLAN	4. Collaborative and progressive leadership 4.4 Recognised as a premier local government Council that represents and advocates for community needs
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**1. The Committee recommends that Council:**

- a. Establish the positions of:
 - i. General Manager Designate Cootamundra
 - ii. General Manager Designate Gundagai
- b. Seek to employ both GMs-Designate by 30 April 2027 at the latest, initially as an award-based employee with remuneration package equivalent to that of the relevant GM position.
- c. Seek to have the Proclamation refer to the appointment of the GMs-Designate as the Interim General Manager of the Council for which they were recruited.
- d. Determine that the GMs-Designate's role will include:
 - i. Review the draft structure of the organisation for which they are recruited.
 - ii. Recruit as many vacant positions as possible by 1 July 2027.
 - iii. Working with the other GM-Designate and the Interim General Manager, ensure that all new staff a properly inducted and trained.
 - iv. Progress the Demerger Transition Project to ensure that both successor Councils are fully operational on 1 July 2027.
 - v. Working with the other GM-Designate and the Interim General Manager, finalise the draft IP&R and other plans and policies for the Council for which they are recruited.
 - vi. Assist the CGRC Interim GM as required to ensure the continued operation of CGRC and the smooth transition to the new organisations.

- 2. The Committee recommends that Council, to facilitate the recruitment of the two GMs-Designate:**
- a. Establish two Committees of Council, being:**
 - i. GM Cootamundra Recruitment Committee, comprising Councillors Wight, Kelly, Ryan, Collins, Cooper and Syed.**
 - ii. GM Gundagai Recruitment Committee, comprising Councillors McAllister, Graham and Nicholson.**
 - b. Require the Committees to follow the *Guidelines for the Appointment and Oversight of General Managers* issued under Section 23a of the Local Government Act 1993**
 - c. Authorise each Committee to:**
 - i. Elect the Committee Chair.**
 - ii. Appoint a recruitment agency to assist with the recruitment process for each successor Council.**
 - iii. Select the preferred candidate for each successor Council for referral to Council for formal appointment.**

Introduction

Having the General Managers Designate employed well ahead of the commencement of the two successor Councils is essential to ensure that the final stages of the demerger planning is completed and staff are employed ready for 1 July 2027.

Discussion

Both the Demerger Transition Plan and the Financial Sustainability Plan allow for the recruitment of GMs and other staff prior to the commencement of the successor Councils.

Consultation with a currently active recruitment consultant suggests that the recruitment process should commence early 2027 to ensure that the preferred candidates commence employment by 30 April 2027. This is because it typically takes 6 – 8 weeks for the successful candidate to complete their notice period and, if having to relocate, to prepare for the move.

This suggests that the timetable for the recruitment could be:

Date	Activity
11 August 2026	DTC endorses recruitment consultant RfQ documentation for distribution
8 September 2026	Recruitment committees separately choose their preferred recruitment consultant (may be different)
13 October 2026	Recruitment committees meet with their preferred recruitment consultant (in person meeting) to begin preparation of the recruitment collateral. If the two committees share the recruitment consultant, then this could be a joint meeting.
October 2026 – December 2026	Recruitment consultant(s) liaises offline with recruitment committee to complete collateral. It will be the responsibility

	of each Committee Chair to ensure the consultant(s) receive timely feedback.
Week beginning 4 January 2027	Consultant(s) place advertisements for GMs-Designate
January-March 2027	Recruitment processes continue, culminating in short lists to be interviewed by the recruitment Committees
9 March 2027	Recruitment Committees conduct final interviews and selection of preferred candidates.
23 March 2027	Council formally confirms the GMs-Designate. To give the appointees security they would receive two letters of offer. One would be as GM Designate until 30 June 2027 and the other would be as GM from 1 July 2027.
March – April 2027	Advertise vacant positions to ensure that the GMs-Designate can interview, appoint and new staff commence in time to be inducted and trained prior to 1 June 2027.
No later than 30 April 2027	Appointed GMs-Designate commence.

This timetable provides no allowance for slippage in the process. The Committee may wish to consider commencing the process a month earlier, resulting in the recruitment advertising commencing early December.

Current advice is that with the advent of social media advertising and potential candidates typically always online, the impact of the Christmas / New Year period on recruitment is far less than it's traditionally been.

The risk of commencing the recruitment process earlier is that, if everything goes smoothly, then the appointees may commence earlier – say late March earlier April – increasing the cost to the demerger budget.

An additional benefit of completing the recruitment of the GMs-Designate earlier is that they would have more time to recruit, induct and train new staff.

It is expected that the Proclamation would name the appointees as Interim General Manager of the relevant council, and that the new councils would meet on 1 July 2027 to, *inter alia*, confirm the appointment of its GM and authorise the signing of the standard GM contract.

As this is not a standard process, the Office of Local Government was asked, via 18 March email, to review the process. At the time of writing, the OLG had not responded.

Financial

The cost of employing additional staff for the successor Councils is included in the cost estimate for the transition project and therefore included in Council's adopted budget.

OLG 23a Guideline consideration

N/a

5.1.3 PROCESS TO SPLIT RESERVES

DOCUMENT NUMBER	460270
REPORTING OFFICER	Peter Bascomb, Demerger Transition Manager
AUTHORISING OFFICER	Roger Bailey, Interim General Manager
RELEVANCE TO COMMUNITY STRATEGIC PLAN	4. Collaborative and progressive leadership 4.2 Proactive, practical Council leaders who are aligned with community needs and values
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	1. Restricted Assets Policy ↓

RECOMMENDATION

The Committee recommends that Council:

1. Approves the methodology for allocating Council's reserves detailed in this report.
2. Authorises the engagement of a contractor, selected by the Interim General Manager and the Demerger Transition Manager, to undertake the work of splitting the reserves according to the approved methodology so that the successor council reserves can be provided to the consultant engaged to prepare the updated Financial Sustainability Plan.
3. Consistent with Council's adopted Restricted Assets Policy, establish a reserve to retain the Financial Assistance Grants (FAGs) paid in advance with the reserve plus interest to carry forward to the actual year for which the FAGs were paid.
4. Acknowledge that the reserve established in part (c) above will further reduce the cash available for Council's internally restricted reserves.
5. Acknowledge that it is possible that the division of an Externally Restricted Reserves may result in one of the proposed successor Councils having a negative balance requiring that Council to borrow to repay the other successor Council.
6. Acknowledge that Council's Internally Restricted Reserves are not fully cash backed and require the balances of all such reserves to be reduced on a pro rata basis to the reserves are fully cash backed.
7. Require that the organisation record all future reserve transactions so that the successor council reserve balances are accurately known on 30 June 2027.

Introduction

As part of the demerger Council will need to divide its available cash between the new Councils. This report proposes a set of principles on which that division can be made. The forecast opening balances of all reserves will impact the long-term financial plan for each of the successor councils.

Discussion

There are number of ways that Council's cash reserves which might be applicable to different reserves.

Simple Proportional Split

The simplest, and therefore the quickest and cheapest, method is to allocate the reserves of the two successor councils based on relative proportion held by the two predecessor councils at the time the reserves were merged, which from an operational level was 2018.

The downside of doing this is it assumes that the movements in the reserve have occurred in approximately the same proportion as the starting position in 2018. By way of example, if the Cootamundra to Gundagai ratio was 2 to 1 when the reserves were merged, then this method assumes that the movement in and out of the reserve for the two successor council areas was in the same 2 to 1 proportion.

Where movements are small, this may be a suitable assumption, but for large movements – such as a new treatment plant or landfill – this methodology may advantage one area over the other. It is not recommended.

Transaction Trace

This method starts with the closing balances of the predecessor councils at the time a reserve was merged, then forensically reviews each subsequent transaction to allocate it to one of the successor councils.

It becomes quite specific when, for example, there was movement into the reserve from a harmonised fee, charge or rate. Such a movement would be allocated to the successor council based on the proportion of the fee, charge or rate raised in each successor Council area.

This method will provide the Committee with confidence that the opening balances for the successor Councils will be both fair and as accurate as can be possibly achieved.

There is potential for one of the successor councils to have a negative balance in an externally restricted reserve if the expenditure for that council was substantially greater than cash available from that council area. This in effect means that one successor council area was subsidised by the other. Funds cannot be moved from one restricted reserve to another. The General Fund also cannot be used to cover a shortfall in an Externally Restricted Reserve. To ensure equity, the successor council with the negative balance will need to borrow to repay the other successor council.

The transaction trace approach to reserve division will require the engagement of a contractor with significant ability to extract and manipulate data from Council's Civica Altitude ERP and preferably with experience with Council's data.

If this method is adopted it is suggested that the successor council balances be calculated as at 30 June 2026 allowing for the reserves to be demerged and all future reserve transactions allocated to the relevant successor council. This process will allow the opening balances of each successor council reserve to be available 1 July 2027 (subject to audit as usual), as well as providing a more solid basis for the development of the long-term financial plan for each successor Council.

A transaction trace is the preferred methodology for most reserves.

Grants

Most grants are project based and can be split based on the location of each project based on a project's unspent funds.

Plant

Plant is a little more complicated. The plant reserve should represent the funds accumulated to replace each item of plant. A new item of plant would have relatively little funding allocated for its replacement while an item due for replacement this financial year should have the bulk of its net replacement cost funded.

Given this, it is recommended that the plant reserve be divided up based on each successor council's difference between a plant item's net replacement cost minus its written down value. To clarify, the following hypothetical example illustrates the calculation:

- Estimated replacement cost: \$250,000
- Estimated trade in value: \$50,000
- Net replacement cost: $\$250,000 - \$50,000 = \$200,000$.
- Written Down Value (from asset register): \$30,000
- Nominal plant reserve funding: $\$200,000 - \$30,000 = \$170,000$.

The Plant Reserve would be divided on a pro rata basis using each successor council's total nominal plant reserve funding.

Reserves Not Cash Backed

As noted in each monthly Restricted Cash Reconciliation report, Council does not have sufficient cash cover all its internally restricted reserves. This needs to be resolved and it is recommended that each internally restricted reserve be reduced by the percentage shortfall in cash.

The March restricted Cash Reconciliation report showed that there was a shortfall of \$784,138 cash shortfall from the internally restricted reserves total of \$7,801,666. This represents a 10.1% cash shortfall. It is recommended that this calculation be repeated based on the cash reconciliation as at 30 June 2026 and that the current internally restricted reserves be reduced by the resultant percentage.

General Purpose Grants Paid in Advance

Council currently does not restrict that component of financial assistance grants (FAGs) paid in advance. This is poor practice based on an unsound assumption that the Commonwealth will continue to pre-pay FAGs at a consistent amount. Council's Restricted Asset Policy does provide for such a reserve, although since that policy was adopted Council resolved not to "restrict" any FAG pre-payment.

It is recommended that Council establish a reserve to restrict pre-paid FAGs and the funding be distributed between the successor councils based on:

- General purpose component: based on estimated resident population of each successor councils
- Roads component: based on the total transport assets for each successor council

The creation of this reserve would further decrease the cash available to cover the internally restricted reserves. Failure to create the reserve risks leaving the successor Councils with a funding

shortfall in their first-year of operation if the Commonwealth ceases, or modifies, its approach to prepayments.

The FAG reserve would not be subject to a decrease as a consequence of adjustments made to balance available cash with internally restricted reserves.

The recommended method for each current reserve is summarised in the following table.

	Reserve	Recommended Method	Comment
Externally Restricted	Domestic Waste	Transaction Trace	
	Water Supply	Transaction Trace	
	Sewerage Service	Transaction Trace	
	Stormwater Infrastructure Renewal	Transaction Trace	
	Developer Contributions General	Transaction Trace	
	Developer Contributions – Sewer	Transaction Trace	
	General Funds Unspent Grants & Contributions (incl. Starry Nights)	Project Based	
	RERRF, SCF Rd1,	Project Based	SCF to be finalised this FY
	OLG Flood Unspent Grants	Project Based	Expected to be fully acquitted by 30 June 2026
Internally Restricted	Aerodrome Bitumen Resurfacing	Cootamundra	
	Bradman's Birthplace	Cootamundra	
	Cootamundra Caravan Park	Cootamundra	
	Heritage Centre	Cootamundra	
	Development – Land & Buildings	Transaction Trace	
	Employee Leave Entitlement	Based on staffing	
	Quarries & Pit Restoration	Transaction Trace	
	Plant Replacement	Special case	Proportional split based on difference between WDV and replacement cost.

	Cemetery	Transaction Trace	
	Southern Phone	Cootamundra	
	Waste Management	Transaction Trace	
	Dog on Tuckerbox Land	Gundagai	
New	Pre-Paid Financial Assistance Grants	Special case	Based on population or transport assets as appropriate

Financial

The cost of the external contractor has not been estimated and will be dependent on the number transactions that will need to be reviewed.

The expenditure will be funded from Council's allocated demerger budget.

OLG 23a Guideline consideration

N/a



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Restricted Assets Policy

Purpose

To establish what funds shall be placed into Council's reserves and the purposes for which those reserve funds shall be applied.

The objective of this policy is to detail what funds Council should be setting aside funding for and the desired level of funding to be set aside. The policy also details the rationale for the creation of each of Council's internally restricted assets.

Scope

This policy applies to all Council cash and investments.

Definitions

Restricted Asset	Restricted assets refer to funds that are kept restricted (ie can not be used for general purpose) as they are either subject to some form of external legislative or contractual obligation, or are kept for the purpose of covering Council commitments that are expected to arise in the future.
Internally Restricted Asset	Assets restricted by resolution of Council. Internal restrictions are developed by Council to cover commitments / obligations that are expected to arise in the future and where it is prudent for Council to hold cash in restrictions to cover those obligations.
Externally Restricted Asset	Restricted assets that relate to funds that are subject to external legislative or contractual obligations.

Legislative Framework

Local Government Code of Accounting Practice and Financial Reporting

Review Period

This document is to be reviewed every 4 years, and at any other time that Council may decide to review its internally restricted assets.

RESOLUTION NUMBER: 08/08/17
RESOLUTION DATE: 7/8/2017
CATEGORY: Finance
RELATED POLICIES: NA
RELATED PROCEDURES AND FORMS: NA

Policy Statement

Council, in the interest of good financial management will restrict funds from time-to-time to either meet external statutory obligations (such as restrictions relating to grant funding or developer contributions), or in order to set aside funding for future commitments.

Council will establish, utilise and maintain the following Restricted Assets.

1. Developer Contributions

This is an externally restricted reserve to hold the balance of contributions made by Developers to be used for the provision of infrastructure, services and amenities, in accordance with Council's Developer Contribution Plans.

2. Water Network Infrastructure

This is an externally restricted reserve to hold the balance of surplus funds from Council's Water Fund operations.

3. Sewer Network Infrastructure

This is an externally restricted reserve to hold the balance of surplus funds from Council's Sewer Fund operations.

4. Domestic Waste Management

This is an externally restricted reserve to hold the balance of surplus funds from Council's Waste Management operations.

5. Gundagai Town Improvement District

This is an externally restricted reserve established to hold the unspent balance of the annual Town Improvement District Special Rate. Funds are to be spent on services within the Gundagai town area. This includes contributions to the emergency services levy for services to the township by Fire and Rescue NSW, servicing costs of a TV translator providing coverage for black spot areas around the township, kerb and guttering, stormwater drainage, footpath reconstruction, playground equipment, street lighting, and a contribution to the main street upgrade.

6. Stormwater Infrastructure Renewal

This is an externally restricted reserve established to hold the unspent balance of the annual stormwater charge. Funds are to be spent on stormwater management activities.

7. Other Externally Restricted Assets

Other externally restricted reserves are created from time to time to hold funds that Council is contractually obligated to hold for a specific purpose, for example, the balance of unexpended grants and contributions.

8. Aerodrome Capital Works

The Aerodrome Capital Works Reserve is established to hold the balance of funds contributed upon

transfer of responsibility for the aerodrome to Council.

The reserve shall be used for the purpose of financing capital works at the Cootamundra aerodrome approved by the Civil Aviation Authority.

Interest earned by investing the balance of reserve funds shall be added to the reserve annually.

9. Bradman's Birthplace

Bradman's Birthplace Reserve is established to hold admission and donations income for the Bradman's Birthplace Museum. The reserve shall be used to finance improvements on the site.

10. Cemetery Improvements

The Cemetery Improvements Reserve is established to hold any surplus funds received by Council from the operation of the cemetery.

The reserve shall be used to finance improvements to the cemetery such as a new lawn section, roads, gardens and walking paths. It is also to fund any deficit that may occur from time to time from the operation of the cemetery.

11. Coolac Bypass

The Coolac Bypass Reserve is established to hold the balance of funds contributed by the RMS upon transfer of responsibility for the Coolac Bypass.

The reserve shall be used for the purpose of ongoing road maintenance and capital improvements at the Coolac Bypass.

12. Cootamundra Caravan Park

The Caravan Park Reserve was established to hold the balance of the proceeds received by Council from the sale of chattels upon leasing the Caravan Park.

50% of the pre-depreciation annual operating surplus on the Caravan Park shall be transferred to the Reserve.

The Reserve shall be used to fund capital works at the Cootamundra Caravan Park.

13. Council Election Reserve

The Council Election Reserve is built up in between election years, to assist with funding the cost of of the Council election every four years. Consideration shall be given in the annual budget to providing for a transfer to or from the reserve to spread the funding of estimated election costs evenly over each year within the four year period.

14. Depot Consolidation

The Depot Consolidation Reserve is established to hold all funds received as lease fees for the use of Council land adjacent to the Sewerage Treatment Works as a soil recycling hub.

The Depot Consolidation Reserve shall be used for either acquisition costs or loan repayments for a new workshop and Depot facility.

Interest earned by investing the balance of reserve funds shall be added to the reserve annually.

15. Development

The net proceeds and profits from the sale of land in Council subdivisions shall be transferred to Reserve as they arise.

The Reserve shall be used to assist with the acquisition or development of land and building assets for future economic development.

Interest earned by investing the balance of reserve funds shall be added to the reserve annually.

16. Employee Leave Entitlements

Council shall hold funds to cover its anticipated short to medium term liability to pay employee leave entitlements (ELE). The reserve amount will be recommended annually to maintain funding for an adequate proportion of the liability for accrued employee annual leave and long service leave which has been earned, but not yet paid, as at the last reporting date.

Reserve funding is to be based on current liabilities and age of employees, as follows.

Over 60 years	100% funding of ELE
55 to 60 years	60% funding of ELE
50 to 55 years	40% funding of ELE
45 to 50 years	20% funding of ELE
Under 45 years	10% funding of ELE

17. Financial Assistance Grant

The Financial Assistance Grant Reserve is established to hold the early payment of the Financial Assistance Grant.

The funds shall be used to fund general operations in the budget year for which the funding was intended.

18. Heritage Centre

The Heritage Centre Reserve is established to hold funds raised by the Cootamundra Heritage Centre Committee, which are not fully expended in the relevant period.

The funds shall be used for projects designed to benefit the Cootamundra Heritage Centre.

19. Incomplete Works

The Incomplete Works reserve is established to hold the balance of planned capital and project works that were unexpended at the reporting date. These funds will be restricted for use, ensuring that there is funding available to complete these works.

Unexpended budgets that are required for the completion of capital works and projects are transferred in to reserve at year end, on Council resolution.

The funds shall be used for the completion of the identified project and capital works in a subsequent financial year.

20. Plant Replacement

The Plant Replacement Reserve is established to hold the balance of Council's accumulated cash surplus relating to Council's general fund plant operation. Funds are to be used to fund Council's plant replacement in accordance with Council's plant replacement program.

Internal plant charge out rates are to be set to ensure that the full cost of plant operation is funded, and funds are set aside for all plant replacement.

Interest earned by investing the balance of reserve funds shall be added to the reserve annually.

21. Quarries and Pit Restoration

The Quarries and Pit Restoration Reserve is established to provide for future gravel pit restoration or future purchase of land.

A fixed rate per cubic metre of gravel won at the quarry is to be determined and charged to works and transferred to the Reserve annually.

22. Saleyards

The Saleyards Reserve is established to hold any surplus funds received by Council from the operation of the saleyards.

The reserve shall be used to finance improvements capital improvements at the saleyards.

The Cootamundra Saleyards and the Gundagai Saleyards form subsets of this reserve.

23. Special Projects

The Special Projects Reserve is used to hold the balance of proceeds received by Council upon the sale of the Cootamundra gasworks enterprise.

The Reserve is to be used for the purpose of financing capital works within the Shire as identified by Council. The Reserve funds are available for internal borrowings with repayment to the Special Projects Reserve of principal and interest.

Interest earned by investing the balance of reserve funds shall be added to the reserve annually.

24. Swimming Pool Pump and Equipment

This reserve is established to finance the acquisition of pool pumping and filtration system capital.

Council makes an annual reserve contribution of \$3,000, until a \$50,000 reserve limit is reached.