Queanbeyan-Palerang Regional Council

Extraordinary Meeting of Council

30 June 2016

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QUEANBEYAN-PALERANG REGIONAL COUNCIL

Council Meeting Attachment

30 JUNE 2016

ITEM 4.1 ELLERTON DRIVE EXTENSION FUNDING

ATTACHMENT 1 PERCY ALAN REVIEW FINANCIAL STRATEGY

Attachment 8 – Queanbeyan City Council: Financial Strategy

1. Background

Queanbeyan City Council commissioned an 'Asset and Financial Sustainability Review' undertaken by Prof Percy Allan and Associates in 2015/16. GHD reviewed the condition and standards associated with the management of Council's infrastructure assets.

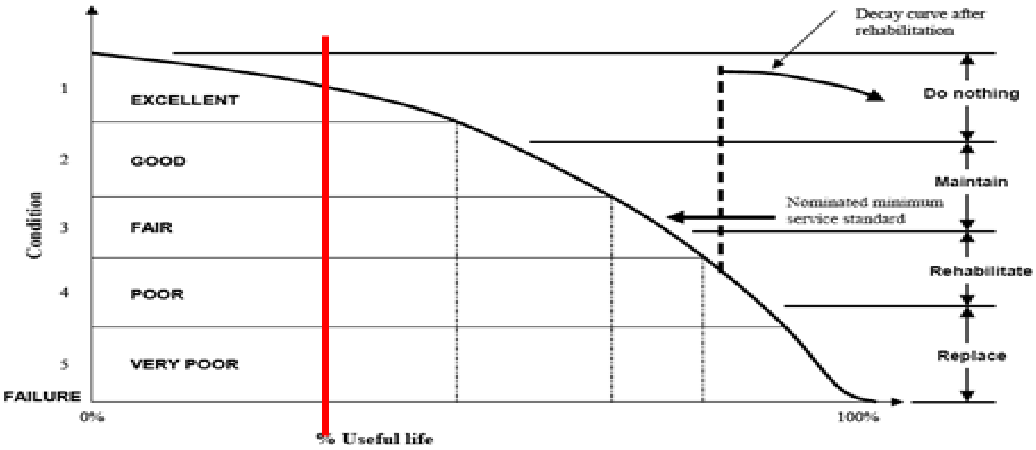
The Asset and Financial Sustainability Review recommended a shift from Existing Policy as outlined in the 2012 Long Term Financial Plan (LTFP), asset management plans (AMP) and revenue policies to a 'Responsible or Optimal Scenario' to achieve an acceptable compromise between Council's obligations to:

- achieve financial sustainability,
- manage the asset backlog to prevent an infrastructure crisis,
- preserve essential public services in line with population growth
- keep rates, fees and charges affordable
- borrow at acceptable levels in line with intergenerational equity and
- meet financial benchmarks to be fit for future (FFF)

A condition and maintenance intervention level scale (1-10) will be used to illustrate asset standards and forecast likely renewal and replacement schedules. Council's Asset Strategy will be updated to consider:

- Infrastructure condition, renewal and capacity needs,
- Rationalising and optimising existing assets,
- Properly size, site and schedule new assets,
- Prioritise assets on the basis of:
    - Asset condition, age, load, local geography,
    - Risks such as climate change, and
    - Demographic changes

Ideally infrastructure assets should be renewed at appropriate schedules to preserve their utilisation and ability to support agreed service levels, and to minimise the larger capital cost to replace those assets. The 'degradation curve' chart below illustrates the comparative life cycle of maintaining, renewing and replacing a sample asset.



RE 6: Typical condition decay curve for infrastructure assets

The Financial Strategy outlines the elements of the endorsed financial scenario, pricing policies and tools to minimise costs and optimise revenues.

2. Goals

The key financial sustainability goals for Queanbeyan general operations over 10 years is:

I. a minimum operating surplus ratio of 0%,

II. a maximum infrastructure backlog of 2% and

III. a maximum net financial liabilities ratio of 80%)

The key financial sustainability goals for Queanbeyan water and sewer operations over 10 years is:

IV. a minimum annual rate of return on capital of 1½%, a maximum infrastructure backlog of 2% and maximum gearing ratio of 30%.

3. Assumptions

The Financial Strategy has been drawn from the financial and asset reviews undertaken by Alan Tregiligas (April 2016) and GHD (March 2016) respectively, and the analysis of Prof Percy Allan (April 2016) recommending the Council consider a 'Responsible or Optimal Scenario'.

The Strategy is modelled on the following growth assumptions over the 10-year projection period:

- the average annual growth in Queanbeyan's resident population is 1.53%;
- the average annual growth in rateable properties is 1.25%; and
- the average annual growth in Canberra's CPI is 2.41% (2.7% in 2015-16 and 2.4% in the years thereafter).

Spending on assets is based on the following:

- Operational expense is providing the service supported by the assets, such as mowing grass on a sporting field or cleaning public toilets.
- Maintenance expense is the expenditure on existing assets which is periodically or regularly required to ensure that a council's existing assets achieve their economic life or period of service between renewal, such as filling potholes or grinding footpath surfaces.
- Enhancement capex is the cost of expanding the service capacity of a council's infrastructure assets beyond their current capacity. It usually involves extending or expanding the council's assets as the service requirements of its community grows, such as the duplication of lanes in an existing road or constructing a new regional sports facility.
- Renewals capex is the cost of restoring the condition (and service capacity) of a council's existing infrastructure assets to 'as new' standard when such restoration falls due at the end of these assets' useful/economic lives, i.e., when an asset degrades to its intervention condition level, being the condition level at which a council's asset managers consider an asset should be renewed/replaced. This includes resealing roads or replacing water mains.
- Rehabilitation capex is the cost of restoring the condition (and service capacity) of a council's existing infrastructure assets as a result of past deferrals of programmed maintenance and/or renewals. Rehabilitation capex means capital expenditure aimed specifically at reducing a council's existing infrastructure backlog

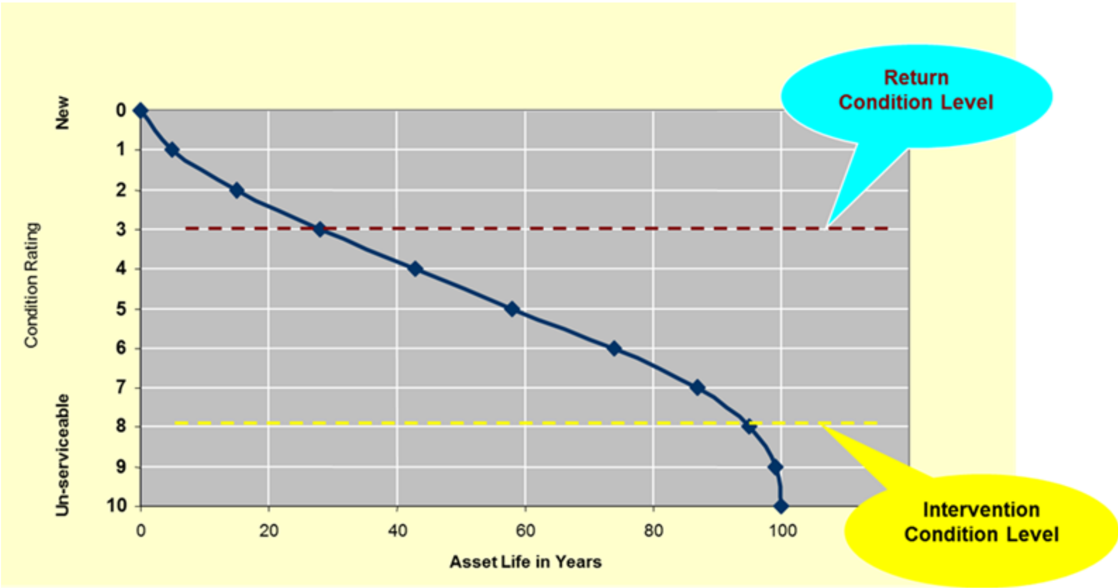
4. Optimal Scenario

Council will develop its rolling 10-year Long Term Financial Plan (LTFP) based on a revised version of the Optimal Scenario. The Plan aims to:

- Rehabilitate required infrastructure whose condition has fallen below an acceptable standard (i.e. the 'backlog');
- Renew required infrastructure when it falls below agreed minimum standards in future;
- Align the rate of asset renewal expenditure and/or placement into an infrastructure reserves, to the consumption or degradation of those assets (ie depreciation)
- Expand the total infrastructure stock by enough to cope with residential and business growth as informed by Council's asset strategy and demographic projections;
- Identify those core services that would be quarantined from any cost cuts to help fund infrastructure rehabilitation and renewal, or be subject to specific SRVs;
- Fund these initiatives through adequate revenue measures, operational savings, re-ordering spending priorities, asset leases or disposals and extra borrowings;
- Fund infrastructure maintenance and renewals from operating revenue and rehabilitation and enhancements from budget surpluses, capital revenues and borrowings in accordance with a 'narrowing the gap' strategy;
- Ensure that the outcome by year 10 complies with sustainable financial targets (e.g. the LGI recommended minimum surplus ratio and maximum broad debt ratio);

- Borrow sufficiently between now and 2024/25 to help fund infrastructure renewal under the Optimal Scenario;
- Use debt and movements in cash reserves to help 'smooth' large injections of assets renewal or upgrades across several years;
- Place cash surpluses following annual audit into an infrastructure reserve.

On this basis, asset renewals will be scheduled around the adopted Intervention Condition Levels (eg level 8 for footpaths) to return the assets to good condition and the ability to support agreed service levels.



5. Narrow the Gap

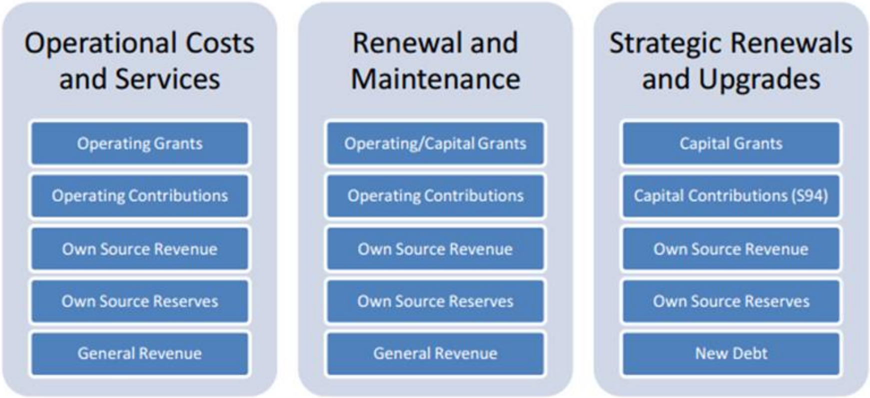
The 'Narrow the Gap' principle aims to progressively map and match asset and service expenses to related revenue sources, and to inform and influence opinion about council funding options, on the premise that:

a) All property taxes (rates, annual charges, development contributions, and asset specific grants) cover the cost of maintenance, renewal, upgrade and debt costs of assets, and the share of corporate attributed costs

b) All usage charges cover the costs of operating and administration costs for water, sewer, waste, and the share of corporate attributed costs

c) Other fees and charges, specific grants and specific SRVs cover the cost of non-infrastructure services (eg planning, environment, community etc), and the share of corporate attributed costs

d) Governance and corporate overhead costs are attributed across those asset and service areas, with balance of cost met by FAG and direct fees



In this way, the gap between those costs and revenues can be identified, and the policy levers to be utilised to have the costs and revenues align through a combination of:

a) Modifying rates, charges and fees revenues

b) Accessing more grants

c) Adjusting asset standards

d) Changing service levels

6. Financial Principles

The following key fiscal principles are proposed for the General Fund to achieve the fiscal sustainability goals for Queanbeyan's general operations (i.e., a minimum operating surplus ratio of 0% and a maximum infrastructure backlog of 2%) within 10 years:

- annual maintenance expense would be capped over the 10 years at an average around 87% of the annual required spend identified by GHD (rather than rise to well over 100% as proposed under continuation of existing policy);
- annual renewals capex would be capped at 90% of the annual required spend identified by GHD (rather than averaging less than 50% as proposed under continuation of existing policy). Renewals capex should be at least equivalent to depreciation expense;
- the average annual rates bill would need to increase by an average of 1.2% in real-terms each year beyond 2015-16;
- the operating fees cost recovery ratio would need to rise slightly more than the increase already planned under continuation of existing policy (by around one-half of a percentage point on top of the average 33% targeted over the next 10 years under continuation of existing policy);
- usage-based fees and charges would be increased, with the operating cost recovery ratio increasing by around 5% more than already planned under continuation of existing policy;
- dividend payments from Queanbeyan's W&S activities would need to be introduced, with a 50% dividend payout ratio (against net profit after tax) increasing general operations' revenue by an average of $1.7 million per year;
- annual per-capita spending on services would be cutback by an average of 2% per annum compared with the average cutback of around 1% planned under continuation of existing policy). This will be addressed as an annual efficiency or productivity dividend;
- higher levels of enhancement, renewals and rehabilitation capex over the coming 10 years compared with that proposed under continuation of Existing Policy;
- utilise borrowings to ensure inter-generational equity, and match term of borrowings to accord with expected life of the asset;
- utilise borrowings, reserves and sinking funds to smooth out lumpy capital expenditures; and
- cyclical (as opposed to structural) deficits can be tolerated to ensure that tax smoothing occurs for ratepayers

In order for Queanbeyan's Water and Sewer Funds to achieve key commercial sustainability goals (of a minimum annual rate of return on capital of 1½%, a maximum infrastructure backlog of 2% and maximum gearing ratio of 30%) within 10 years, the following key policy adjustments are proposed:

- ✓ maintenance spending needs to be restricted to no more than 85% or so of the required annual level of such spending as assessed by GHD;
- ✓ the annual rehabilitation capex necessary to address the present infrastructure backlog would have to be spread out over 10 years;
- ✓ the annual renewals effort would have to be capped at around 100%;
- ✓ revise the portion of governance overhead and direct charges attributed to W&S Funds;
- ✓ the average per-property revenue from usage-based fees and charges needs to be increased by around 1% in real-terms each year for the next 10 years; and
- ✓ the average water and sewerage-related annual charges bill would have to be increased also by an average of 1% in real-terms each year for the next 10 years

The rundown in cash reserves (in lieu of borrowings) may be used in part to renew assets that are coming to the end of their useful life and expand the infrastructure stock in line with Council plans.

On inter-generational equity grounds, additional borrowings will be used to fund both:

- ✓ enhancement capex, as such capex gives rise to infrastructure services benefiting future (as well as current) ratepayers; and
- ✓ rehabilitation capex, the need for which arises mainly because depreciation has been under-funded in the past and the renewal and replacement of existing assets has been deferred when it fell due because of the lack of finance

The following <u>benchmarks</u> are anticipated under the Optimal Scenario:

- Cap the infrastructure backlog at 2% in future,
- Maintain a surplus of not less than 0% of own source operating revenue and keep the net financial liability ratio modest, (ie within the recommended threshold of 40-80%),
- Reduce the real annual change in total service expenditure from an increase 0.5% under Existing policy to 0%. Note that reducing operating expenditure (of which services are the biggest component) is a requirement under Fit for the Future guidelines
- Keep debt services ratio for council's General and Water & Sewerage operations remains well below OLG's amber alert level of 10%, let alone the OLG and Fit for the Future ceiling of 20%.

The table below illustrates the financial and asset sustainability ratios to be pursued in the LTFP.

Council Sustainability Ratios

	LGI Allan Report (2006)	NSW T-Corp Report (2013)	Fit for Future Report (2015)	Proposed QCC Ratios	Reason for Proposed QCC Ratios
Operating Balance Ratio	**> 0%**	**< - 4%**	**> 0%**	**> 0%**	**To avoid a chronic operating deficit**
Own Source Revenue Ratio	NA	> 60%	> 60%	> 60%	To reflect consensus view of the three reports
Net Financial Liabilities Ratio	**NA**	**NA**	**NA**	**< 80%**	**To ensure a credit rating of at least single A minus**
Debt Service Ratio	< 20%	< 20%	< 20%	< 15%	To encourage moderate borrowings for infrastructure
Infrastructure Backlog Ratio	**< 1%**	**< 2%**	**< 2%**	**< 2%**	**Consensus view, but uses a correct definition**
Infrastructure Renewal Ratio	> 90%	>100%	> 100%	> 90%	To avoid a big renewals backlog developing
Infrastructure Maintenance Ratio	NA	>100%	> 100%	> 90%	To avoid a big maintenance backlog developing\

The following targets are anticipated under the Optimal Scenario:

Figure 1 - General Operation

Projected 2024/25 Outcomes for Responsible Scenario versus Target Range

General Operations (ex W&S)	Responsible	Target Range
Operating Result Ratio	**0% (Surplus)**	**0% to +5% (Surplus)**
Broad Debt Ratio*	**68%**	**0% to 80%**
Interest Cover Ratio	5.7x	3.0x to 5.0x
Infrastructure Backlog Ratio	**2.0%**	**0% to 2.0%**
Services per Ratepayer Ratio**	80%	Falling over time (FFTF)
Infrast per Ratepayer Ratio**	155%	Not Prescribed
Rates^ per Ratepayer Ratio**	118%	Not Prescribed

Figure 2 - Water and Sewer Operations

Projected 2024/25 Outcomes for Responsible Scenario versus Target Range

Key Ratio	2014/15 (Actual)	2024/25 (Projected)	Target Range High
Return on Capital Ratio	**0.7%**	**1.5%**	**1.5% to 3.0%**
Gearing Ratio	**0%**	**6%**	**10% to 30%**
Interest Cover Ratio	>30x	6.0x	3x to 5x
Infrastructure Backlog Ratio	**8.8%**	**2.0%**	**0% to 2%**

7. Pricing Principle

Rates and other property related charges will be expended on maintaining, renewing and operating infrastructure assets and the services they support, or paying debt for those assets. Those charges may also be used to match or leverage government grants to be used on those assets and services.

Fees and charges, other than statutory fees, will be moved to recover the real costs of delivering non-infrastructure services. Where a ‘community service obligation (CSO)’ is identified, the value of that subsidy will be disclosed.

Grants will be sought to initiate or continue services to the extent that all costs are recovered from the grant and related fees. Council may choose to subsidise those services up to the value of the organisation overhead attributed to those services.

The costs of supporting services and asset management will be distributed in accord with competitive neutrality principles and be based on a recognised resource effort and transactional drivers.

Further information is available in the: Revenue Policy, Pricing Policy and Attribution Policy.

8. Other Measures

To improve General operations and revenues Council will take further action including:

- Exploit commercial opportunities;
- Increase operational efficiencies;
- Rationalise non-core services;
- Engage and fund community groups to maintain and service community assets;
- Sell surplus assets; and
- Obtain extra State or Commonwealth grants

Some of those measures include actions identified in the Property Strategy, including leasing, divestment and strategic acquisition of property.

9. Review

The community will be engaged in the preparation of the suite of plans associated with the Community Strategic Plan (asset management plans, workforce plan, long term financial plan) in each council term (ie 4 years), to establish:

- Asset standards
- Levels of service/asset intervention levels.

It is acknowledged that changes above or below those standards and service levels will influence modifications to the asset plans and financial plan, including levels of renewal, borrowings and depreciation.

10. Financial Outlook

The following tables illustrate the comparative change of expenditure and revenue forecasts, in real terms (ie $2016) between the current (Existing Policy) and proposed (Optimal Scenario), as well as the percentage (%) average annual movement from 2016 levels.

For example, the Optimal Scenario forecast average general rates at $32.7m pa - a rise of $0.7m above Existing Policy – which represents a 2.9% average annual increase over 10 year above $2016 levels, inclusive of property growth of 1.25% pa.

Queanbeyan City Council

Responsible Scenario

10 years to 2024-25

General Operations (i.e., excl water & sewer ops)	2013-14 actual $M	2014-15 actual $M	2015-16 projection $M	2016-17 projection $M	2017-18 projection $M	2018-19 projection $M	2019-20 projection $M	2020-21 projection $M	2021-22 projection $M	2022-23 projection $M	2023-24 projection $M	2024-25 projection $M	Exisitng average annual $M	Responsible average annual $M	average annual real-terms increase: total	average annual real-terms increase: per-property
														-0.392	-1.3%	
Operating Budget (all projections expressed in constant 2014-15 dollars)		29.711										41.197		36.814	3.3%	2.1%
Rates & annual charges	25.188	26.839	28.665	29.228	30.801	32.435	32.970	33.508	34.049	34.595	35.261	35.816	32.030	32.733	2.9%	1.7%
Fees & user charges	3.668	2.872	2.487	1.863	2.531	3.204	4.428	5.169	5.187	5.317	5.248	5.382	5.176	4.082	6.5%	5.2%
Government operating grants	10.676	7.035	5.550	5.140	5.201	5.266	5.344	5.433	5.519	5.609	5.697	5.792	5.455	5.455	-1.9%	-3.1%
Operating contributions & other revenue n.e.i. (incl interest income)	5.066	3.945	2.693	1.976	1.817	1.938	2.294	2.203	2.261	2.214	2.164	2.082	2.005	2.164	-6.2%	-7.3%
Dividends from commercial operations (water & sewerage)			1.589	2.463	2.032	1.729	0.993	1.461	1.416	1.366	1.264	1.203	0.000	1.552		
Total Revenue	44.598	40.691	40.984	40.671	42.382	44.573	46.028	47.774	48.433	49.100	49.634	50.274	44.666	45.985	2.1%	0.9%
Service provision (opex minus int, maint & depn expenses)	37.113	32.001	31.140	30.422	29.823	30.675	30.706	31.864	31.134	30.656	30.720	29.932	32.647	30.707	-0.7%	-1.9%
Interest expense	0.644	0.884	0.827	0.690	0.591	2.390	2.778	2.659	2.515	2.421	2.448	2.312	1.881	1.963		
Asset maintenance	2.270	4.120	3.720	4.060	4.431	4.774	5.117	5.466	5.836	6.236	6.647	7.095	7.077	5.338	5.6%	4.3%
Asset depreciation	7.096	6.377	6.135	6.643	6.965	9.049		9.924	10.184	10.453	10.701	10.935	9.033	8.999	5.5%	4.2%
Total Expenses	47.123	43.382	41.821	41.815	41.809	46.887	47.940	49.913	49.669	49.766	50.517	50.274	50.638	47.041	1.5%	0.2%
Operating Surplus/ (Deficit)	**-2.525**	**-2.691**	**-0.837**	**-1.143**	**0.572**	**-2.314**	**-1.911**	**-2.139**	**-1.236**	**-0.665**	**-0.883**	**0.000**	-5.972	**-1.056**		
Capital Budget (all projections expressed in constant 2014-15 dollars)																
Government capital grants	-0.718	1.287	0.320	0.248	46.687	0.265	0.274	0.282	0.290	0.298	0.291	0.284	4.924	4.924	-14.0%	-15.1%
Capital contributions	0.800	7.080	1.697	1.926	12.399	7.055	21.638	5.728	1.150	0.727	0.459	0.458	5.310	5.324	-24.0%	-24.9%
Asset sales	1.484	5.126	0.372	0.357	0.355	0.353	0.351	0.349	0.346	0.350	0.342	0.333	0.351	0.351	-23.9%	-24.8%
Cashflow generated by annual depreciation charge	7.096	6.377	6.135	6.643	6.965	9.049	9.339	9.924	10.184	10.453	10.701	10.935	9.033	9.033	5.5%	4.2%
Total Receipts	8.662	19.870	8.523	9.174	66.405	16.722	31.601	16.282	11.970	11.827	11.792	12.010	19.617	19.631	-4.9%	-6.1%
Infrastructure rehabilitation	3.827	2.652	0.565	0.565	0.565	0.565	0.565	0.565	0.565	0.565	0.565	0.565	3.343	8.171	7.2%	5.9%
Infrastructure renewals			3.300	4.604	9.156	6.033	7.140	8.067	8.753	9.283	9.676	10.049	0.000			
Infrastructure enhancements	1.000	1.000	3.244	3.268	89.194	1.862	23.485	0.658	1.621	0.632	0.000	0.000	12.396	12.396	-100.0%	-100.0%
Acquisition of non-infrastructure assets	1.000	1.000	0.796	0.867	0.823	0.882	1.037	1.081	1.083	1.079	1.079	1.076	1.069	0.980	0.7%	-0.5%
Total Payments	5.827	4.652	7.905	9.303	99.737	9.343	32.227	10.370	12.021	11.558	11.320	11.689	16.808	21.547	9.7%	8.3%
Capital Surplus/ (Deficit)	**2.835**	**15.218**	**0.619**	**-0.129**	**-33.332**	**7.379**	**-0.626**	**5.912**	**-0.051**	**0.269**	**0.472**	**0.321**	2.809	**-1.917**		
OVERALL SURPLUS/(DEFICIT)	**0.310**	**12.527**	**-0.218**	**-1.273**	**-32.760**	**5.065**	**-2.537**	**3.773**	**-1.287**	**-0.396**	**-0.411**	**0.321**	-3.163	**-2.972**	borrowings	
Key sustainability indicators																
Operating surplus ratio (% of own-source op rev)	-7.4%	-8.0%	-2.4%	-3.2%	1.5%	-5.9%	-4.7%	-5.1%	-2.9%	-1.5%	-2.0%	0.0%			property growth	1.25%
Net financial liabilities ratio (% of operating revenue)	8%	7%	7%	12%	91%	75%	78%	68%	70%	69%	70%	68%			population growth	1.53%
Interest cover ratio (number of times (x))	8.1x	5.2x	7.4x	9x	13.7x	3.8x	3.7x	3.9x	4.6x	5x	5x	5.7x				
Infrastructure backlog ratio (% of total replacement cost)	1.2%	1.3%	1.4%	1.6%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	1.9%	2.0%			CPI % increase	2.41%
Real (per ratepayer) service level ratio (relative to 2014-15)		1.00	0.96	0.92	0.89	0.90	0.89	0.91	0.87	0.85	0.84	0.80				
Real (per ratepayer) rates and annual charges ratio (relative to 2014-15)		1.00	1.05	1.06	1.11	1.15	1.15	1.16	1.16	1.17	1.18	1.18				
Total spending ($M)	45.854	41.657	43.592	44.475	134.582	47.181	70.828	50.360	51.505	50.871	51.136	**51.028**			2.0%	

Queanbeyan City Council

Responsible Scenario

10 years to 2024-25

Water & Sewerage Operations	2013-14 actual $M	2014-15 actual $M	2015-16 projection $M	2016-17 projection $M	2017-18 projection $M	2018-19 projection $M	2019-20 projection $M	2020-21 projection $M	2021-22 projection $M	2022-23 projection $M	2023-24 projection $M	2024-25 projection $M	Exisitng average annual $M	Responsible average annual $M	average annual real-terms increase: total	average annual real-terms increase: per-property
Operating Budget (all projections expressed in constant 2014-15 dollars)																
Annual charges	12.784	15.312	15.901	16.355	17.341	17.624	17.538	17.976	18.240	18.510	18.722	19.035	16.782	17.724	2.2%	0.9%
Fees & user charges	12.649	13.704	13.679	14.389	14.735	15.188	15.104	15.749	16.058	16.361	16.655	16.972	14.526	15.489	2.2%	0.9%
Operating contributions & other revenue (incl interest income)	1.578	3.240	3.430	3.076	2.823	2.998	3.232	3.160	3.043	2.908	2.768	2.619	2.636	3.006	-2.1%	-3.3%
Total Revenue	27.011	32.256	34.599	36.284	36.932	37.539	36.867	38.347	38.757	39.145	39.408	39.829	33.945	37.771	2.1%	0.9%
Service provision (opex minus int, maint & depn expenses)	19.099	18.017	17.501	16.472	17.088	16.509	15.953	16.145	16.843	17.568	18.334	19.133	13.937	17.154	0.6%	-0.6%
Interest expense	0.000	0.000	0.000	0.000	0.000	1.587	3.307	3.156	2.974	2.763	2.561	2.367	1.010	1.871		
Asset maintenance	3.406	6.181	6.105	6.187	6.277	6.359	6.421	6.472	6.519	6.565	6.601	6.631	8.510	6.414	0.7%	-0.5%
Asset depreciation	5.710	5.934	5.979	6.024	7.285	7.704	8.116	8.119	8.155	8.189	8.223	8.255	7.551	7.605	3.4%	2.1%
Total Expenses	28.215	30.132	29.584	28.682	30.649	32.158	33.797	33.892	34.491	35.085	35.719	36.386	31.009	33.044	1.9%	0.6%
Operating Surplus/ (Deficit)	**-1.205**	**2.124**	**5.015**	**7.602**	**6.282**	**5.381**	**3.071**	**4.455**	**4.266**	**4.060**	**3.690**	**3.443**	2.937	**4.726**		
Capital Budget (all projections expressed in constant 2014-15 dollars)																
Government capital grants	2.279	0.758	0.417	0.371	0.362	0.354	0.346	0.338	0.330	0.322	0.314	0.307	0.346	0.346	-8.6%	-9.8%
Capital contributions	0.542	0.178	0.391	0.315	3.084	3.062	2.195	0.287	0.280	0.273	0.267	0.261	0.055	1.042	3.9%	2.6%
Asset sales	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	#DIV/0!	#DIV/0!
Cashflow generated by annual depreciation charge	5.710	5.934	5.979	6.024	7.285	7.704	8.116	8.119	8.155	8.189	8.223	8.255	7.551	7.605	3.4%	2.1%
Total Receipts	8.531	6.870	6.787	6.710	10.731	11.120	10.657	8.743	8.765	8.785	8.804	8.823	7.952	8.993	2.5%	1.3%
Infrastructure rehabilitation	0.000	0.000	1.472	1.472	1.472	1.472	1.472	1.472	1.472	1.472	1.472	1.472	0.000	1.472		
Infrastructure renewals	1.848	0.355	6.616	6.800	7.734	8.330	8.426	8.901	9.117	9.444	9.667	9.959	5.167	8.499	39.6%	37.8%
Infrastructure enhancements	3.749	2.402	3.108	2.500	30.200	30.000	2.049	2.265	2.116	2.100	1.993	2.057	6.524	7.839	-1.5%	-2.7%
Acquisition of non-infrastructure assets	0.000	0.000	0.058	0.057	0.056	0.054	0.053	0.052	0.051	0.049	0.048	0.047	0.053	0.053	#NUM!	#NUM!
Total Payments	5.597	2.757	11.254	10.829	39.462	39.857	12.000	12.689	12.755	13.065	13.181	13.535	11.743	17.863	17.2%	15.8%
Capital Surplus/ (Deficit)	**2.934**	**4.113**	**-4.467**	**-4.119**	**-28.731**	**-28.737**	**-1.343**	**-3.946**	**-3.990**	**-4.280**	**-4.376**	**-4.713**	-3.791	**-8.870**		
less dividend paid to General Ops			1.589	2.463	2.032	1.729	0.993	1.461	1.416	1.366	1.264	1.203	0.000	1.552		
OVERALL SURPLUS/(DEFICIT)	**1.730**	**6.237**	**-1.041**	**1.020**	**-24.481**	**-25.085**	**0.735**	**-0.952**	**-1.140**	**-1.586**	**-1.950**	**-2.473**	-0.854	**-5.695**		
Key sustainability indicators																
Annual rate of return on capital	-0.4%	0.7%	2.1%	3.2%	2.1%	2.0%	1.6%	2.0%	1.9%	1.8%	1.6%	1.5%			property growth	1.25%
Gearing ratio (net financial liabs as % of capital)	1%	0%	-1%	-2%	3%	8%	7%	7%	6%	6%	6%	6%			population growth	1.53%
Interest cover ratio (number of times (x))	>30x	>30x	>30x	>30x	>30x	9.1x	4.4x	5x	5.2x	5.4x	5.7x	6x				
Infrastructure backlog ratio (% of total replacement cost)	7.4%	8.8%	8.7%	7.0%	4.6%	2.4%	2.3%	2.3%	2.2%	2.1%	2.1%	2.0%			CPI % increase	2.43%
Real (per ratepayer) service level ratio (relative to 2014-15)		1.00	0.96	0.89	0.91	0.86	0.82	0.82	0.84	0.86	0.89	0.91				
Real (per ratepayer) fees and charges ratio (relative to 2014-15)		1.00	1.01	1.03	1.07	1.08	1.06	1.08	1.08	1.09	1.09	1.10				
Total spending ($M)	28.102	26.955	34.860	33.487	62.826	64.311	37.680	38.462	39.091	39.961	40.676	**41.666**				

QUEANBEYAN-PALERANG REGIONAL COUNCIL

Council Meeting Attachment

30 JUNE 2016

ITEM 4.1	ELLERTON DRIVE EXTENSION FUNDING
ATTACHMENT 2	ELLERTON DRIVE FINANCIAL RISK ASSESSMENT *(UNDER SEPARATE COVER)*

Placeholder for Attachment 2

Ellerton Drive Extension Funding

Ellerton Drive Financial Risk Assessment – (*Under Separate Cover*)

QUEANBEYAN-PALERANG REGIONAL COUNCIL

Council Meeting Attachment

30 JUNE 2016

ITEM 4.2	ADOPTION OF QPRC BUDGET FOR JULY
ATTACHMENT 1	QPRC COMBINED BUDGET - JULY

Consolidated Council Result	
Account Description	**QPRC July 2016 Budget**
Income	
Rates & Annual Charges	$14,491,832
User Charges & Fees	$2,372,199
Interest	$304,577
Other Revenues	$187,643
Operating Grants & Contributions	$1,181,578
Contributions - Operating	$18,586
Gain or Loss on Disposal	($13,711)
Internal Income	$1,040,549
Total Income	**$19,583,252**
Expenses	
Employee Costs	$3,297,844
Borrowing Costs	$86,759
Depreciation & Amortisation	$1,697,838
Other Expenses	$1,898,931
Materials & Contracts	$2,168,989
Internal Expenses	$1,093,182
Total Expenses	**$10,243,543**
Net Operating Surplus/(Deficit)	**$9,339,709**
Capital Income	
Asset Sales	$127,384
Deferred Debt Repayments	$1,333
Grant and Contributions - Capital	$857,586
Loan Funding	$291,567
Total Capital Income	**$1,277,869**
Capital Expenditure	
Loan & Lease Repayments	$58,611
Employee Costs	$62,241
Materials & Contracts	$996,219
Plant Acquisitions	$179,095
Asset Acquisitions	$1,960,843
Total Capital Expenditure	**$3,257,009**
Capital Funding/Movements	
Transfers to Reserves	($1,261,409)
Total Capital Funding/Movements	**($1,261,409)**
Less: Non Cash	($1,711,548)
Net Funded Surplus/(Deficit)	**$7,810,708**