Ordinary Meeting of Council

26 August 2020

UNDER SEPARATE COVER ATTACHMENTS

ITEMS 9.12 TO 9.14

Item 9.12 2020-2030 Long Term Financial Plan
Attachment 1 Draft 2020-2030 Long Term Financial Plan...............................2
Item 9.13 IPART Rating Review
Attachment 1 Government Response to the IPART Rating Review..............44
Item 9.14 Investment Report - July 2020
Attachment 1 Investment Report Pack - July 2020 73

QUEANBEYAN-PALERANG REGIONAL COUNCIL

Council Meeting Attachment

26 AUGUST 2020

ITEM 9.12 2020-2030 LONG TERM FINANCIAL PLAN

ATTACHMENT 1 DRAFT 2020-2030 LONG TERM FINANCIAL PLAN


Long Term
Financial Plan
2020-30
QPRC

Draft Long Term Financial Plan 2020-2030

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1

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Draft Long Term Financial Plan 2020-2030

Table of Contents

Executive Summary 4
Introduction 5
Background 6
Current Financial Position....9
Operating performance 9
Financial Position....9
Drivers and Pressures 10
Affordability 10
Asset Serviceability....10
Merger 11
Workforce 11
Local Government Indices 11
Planning Assumptions 12
Market driven planning assumptions 12
Population forecasts 12
Cost and revenue increase assumptions....12
Factors applied to revenue and expenditure in the long term plan 12
Financial Scenarios....16
Scenario 1: Base Case 16
Introduction.... 16
Components included in Scenario 1.... 16
Summary and assessment.... 16
Scenario 2: QCCP Financing Alternative....19

QPRC

Draft Long Term Financial Plan 2020-2030

Introduction ... 19
Components included in Scenario 2 ... 19
Summary and assessment ... 19
Scenario 3: Responsible Scenario ... 21
Introduction ... 21
Components included in Scenario 3 ... 21
Summary and assessment ... 22
Performance Measurement ... 24
Monitoring and Evaluation ... 27
Conclusion ... 28
Financial Statements ... 29
General Fund ... 29
Water Fund ... 32
Sewer Fund ... 35
Consolidated ... 38

Version control

Council resolution	Description	Model Ref
111/20	Endorsed for public exhibition	ECM 682451_v15
	Submitted to Council for adoption	ECM 682451_v16

Draft Long Term Financial Plan 2020-2030

Executive Summary

Council's *Long Term Financial Plan 2020-2030 (LTFP)* is a decision-making tool. It is governed by a series of financial strategies and accompanying performance indicators that Council considers and adopts. It is not intended to be a document that specifically indicates what services / projects should receive funding; rather it addresses the impact of the Council's ability to fund its services and capital works, whilst living within its means ie ensuring financial sustainability. It establishes the financial framework upon which sound financial decisions are made.

The LTFP is underpinned by Council's *Financial Strategy and Policy*[1]. The policy outlines the principles adopted by Council designed 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 the financial benchmarks outlined in the policy.

The 2017 review and consolidation of the asset and financial sustainability of the former pre-merger Councils, and the merged QPRC demonstrated that the newly merged Council was carrying a structural deficit and provided a *Responsible Scenario* financial policy setting for the Council. The strategy included a series of measures for budget correction, including:

- increases in revenues from rates and annual charges and user fees and charges
- introduction of water and sewer dividends
- reduction of consolidated service expenditure through merger savings
- increased debt to accommodate substantial increases in infrastructure capex and renewals
- same levels of asset maintenance

[1] QPRC Financial Strategy and Policy, adopted January 2017, https://www.qprc.nsw.gov.au/Resources-Documents/Adopted-QPRC-Policies

- increased asset (property) sales

All financial scenarios reported within this LTFP are reliant on net merger (efficiency) savings of $1.9 million, that Council will need to apply as a reduction in net operating expenses from 2021/22.

Based on its most recent financial performance, Council is not financially sustainable without implementing additional improvement actions identified in this LTFP. Over the past three years Council has produced an operating surplus as a consolidated entity (water, sewer and general funds together) but an operating deficit in the General Fund. Budget corrections are incorporated within scenario 3 of the LTFP, and include:

1. A review of Council's revenue policy settings with an expectation of increased fees and charges at the overall level of 4% pa. The actual timing and application of the revenue increase will be dependent on a service pricing analysis that will be considered by Council.
2. Deferral of infrastructure renewals through reduction of revotes for unexpended budgets at the end of the financial year. The level of deferred renewal expenditure incorporated into scenario 3 is $3 million per annum for 3 financial years, with the actual timing and application of the deferred expenditure to be reviewed annually with the end of financial year review of cash and reserves.

Introduction

The LTFP has been prepared in accordance with the Integrated Planning and Reporting Framework[2], forming a component of the *QPRC Resourcing Strategy*[3], along with the Asset Management Strategy, Workforce Management Plan, ICT Strategy and Risk Management Strategy. The LTFP is the point where community aspirations and goals are tested against financial realities. It seeks to answer the following questions:

- Can Council survive the pressures of the future?
- What are the opportunities for future income and economic growth?
- Can Council afford what the community wants?
- What income is needed to achieve these outcomes?

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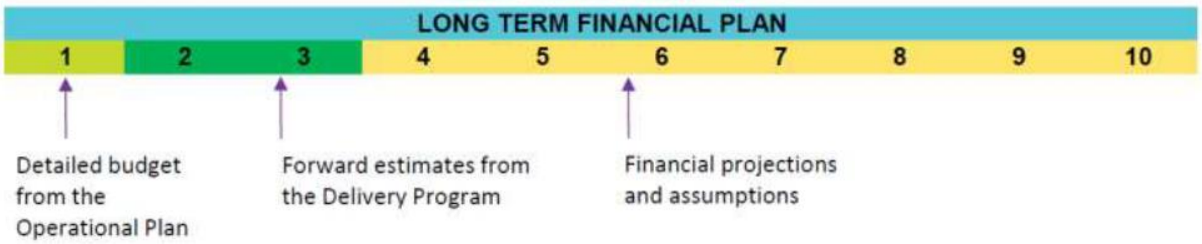
[2] In accordance with section 403 of the Local Government Act, 1993
[3] QPRC Resourcing Strategy, https://www.qprc.nsw.gov.au/Council/Council-Business/Budgets-and-Planning

Draft Long Term Financial Plan 2020-2030

The LTFP is a decision making and problem solving tool. The modelling that occurs as part of the plan will help Council to align resources with strategies, providing information that helps Council to capitalise on opportunities and weather unexpected events. It is a dynamic document, reviewed and updated annually, changing as the needs, strategies and financial position of Council change over time.

The longer the planning horizon, the more general the plan will be in the later years. As decisions are made throughout the planning period, more specific detail is built into the plan. The following diagram illustrates the relationships and integration within the integrated planning and reporting framework.

Figure 1 LTFP Planning Horizon



The output of the long term financial plan is a ten year budget; financial reports over a ten year forward planning period. Copies of the updated reports are provided in the appendices.

Background

In late 2016, Council engaged engineering consultants GHD and Professor Percy Allan and Associates (PAA) to:

- undertake asset and financial sustainability reviews of the two former Councils
- establish a consistent asset standard and asset backlog base of the former councils
- establish and compare ‘existing’ and ‘responsible’ scenario financial planning settings
- consolidate the financials into a QPRC 10 year forecast for the combined General / Waste fund and the Water and Sewer funds
- establish affordable expenditure levels for services, asset maintenance, renewal and upgrades

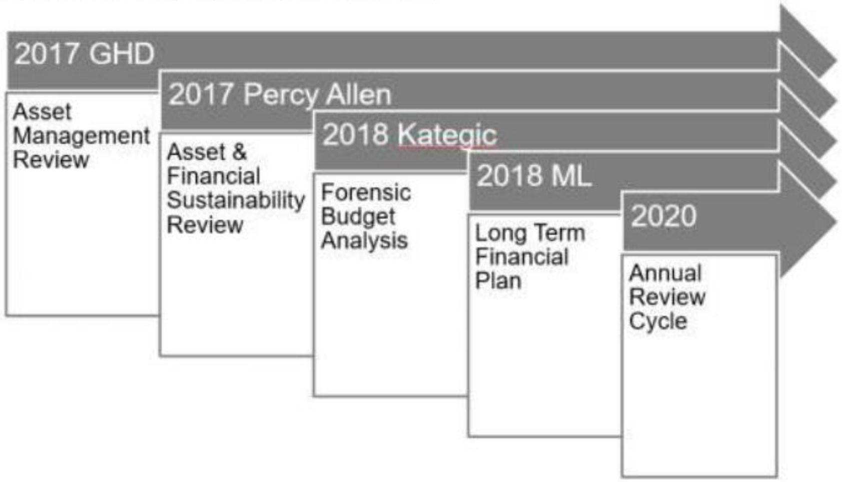
Draft Long Term Financial Plan 2020-2030

- establish affordable pricing paths for general rates, water and sewer charges
- forecast merger financial impacts
- confirm the forecast meets financial benchmarks
- form the platform for the long term financial plan.

The GHD and PAA reviews demonstrated that the newly merged Council was carrying a structural deficit and provided a *Responsible Scenario* financial policy setting for the Council. Out of this work, Council adopted its revised *Financial Strategy and Policy*, that sets the parameters for future budgets and financial planning, and which included measures of budget correction.

Since 2017, Council has continued to place a focus on financial sustainability, and has continued to develop a body of work to build its financial management capabilities.

Figure 2 QPRC Financial Sustainability Journey



Draft Long Term Financial Plan 2020-2030

The 2017 review and consolidation of the asset and financial sustainability of the former councils and the merged QPRC was a significant body of work, and established the common policy platform. The absorption of known merger costs and grants, and the capture of predicted merger savings, together with additional borrowing to smooth out asset renewals and upgrades under the *Responsible Scenario* was expected to realise the following variances to the existing policies over the ten year financial planning horizon:

- general rate increases below the forecast (~1% pa real increase)
- similar increases in water and sewer annual charges (~1.2% pa real increase)
- similar increases in other fees (6.1% pa)
- introduction of water and sewer dividends
- reduction of consolidated service expenditure (~1% pa)
- increased debt (~$175m) to accommodate infrastructure capex and renewals
- subsequent increase in interest expense
- same levels of asset maintenance
- similar levels of development contributions
- increased asset (property) sales
- substantially increased levels of asset renewals and upgrades
- improvement in net assets (~46%)

Whilst Council has made significant progress in realising the above outcomes, in particular in the investment in renewal and upgrade of assets, the planned revenue increases have not yet been implemented. A Service Pricing Review will inform those revenue decisions and has been included within scenario 3 of this LTFP.

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Current Financial Position

Operating performance

As at 30 June 2019, Council's financial performance was unsustainable without incorporating the further improvement action that has been identified in the LTFP[4]. As a consolidated entity, QPRC has operated at a small operating surplus, averaging an operating performance ratio of 3.9% over 3 years, consisting of a positive result within the Water and Sewer Funds, and an operating deficit in the General Fund. Ongoing operating deficits in the General Fund are not financially sustainable, and Council's financial strategy includes corrective actions to improve its operating position, and live within its means.

Council has been successful in securing a high level of grant funding for operating and capital projects, and has progressed a series of significant, community focused projects.

Council has annual operating expenses of $127 million, including employee costs of $41.8 million, supporting a population of 61,100[5] across an area of 5,319 km^2.

Financial Position

Council has $156 million current assets, predominantly cash and investments, and it has current liabilities of $45.5 million, mostly being provisions for employee leave, and current expenditure accruals (creditors). Of its total cash and investment assets, Council has a low level of unrestricted cash of $9.8 million - when compared to its current payables, and its annual monthly expenditure. This represents the total cash not already committed for a specific purpose.

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[4] *QPRC Annual Financial Statements for the year ended 30 June 2019*, Audited by the NSW Audit Office, https://www.qprc.nsw.gov.au/Council/Council-Business/Budgets-and-Planning#section-3
[5] *Estimated Resident Population (ERP) as of 30/6/19*, Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0). Compiled and presented in profile.id, https://profile.id.com.au/queanbeyan-palerang/population-estimate

Draft Long Term Financial Plan 2020-2030

Council has $84.8 million in loans relating to asset upgrade and renewal projects, payable over the next 20 years. Council maintains assets and infrastructure with a written down value of $1.391 million.

Drivers and Pressures[6]

Affordability

- Provide essential public services in line with population growth and organisation capacity
- Keep rates, fees and charges affordable
- Borrow at acceptable levels in line with intergenerational equity
- Growth in pensioner rebate level as population ages
- Meet financial benchmarks to be financially sustainable and Fit for Future (FFF)
- Growing service expectations from the community
- Reducing (in real terms) government grants for operations and renewals
- Obligations to match grants

Asset Serviceability

- Manage the asset backlog
- Renewal and replacement of ageing assets
- Aligning asset renewal spend to the rate of depreciation
- Applying generational equity principles to provision, renewal and upgrade of assets
- Differentiating asset operations or servicing from maintenance
- Gifted assets from Googong, Tralee and Bungendore - increasing the asset base

[6] QPRC's Resourcing Strategy has been prepared utilising the DPSIR Model which is an analytical framework consisting of identifying the relationship between Drivers, Pressures, States, Impacts and Responses.

Draft Long Term Financial Plan 2020-2030

Merger

- The NSW Government predicted savings over 20 years for the councils merged in 2016
- Progress towards financial and productivity benefits are reported to government
- Government policy effectively "froze" the general rate structures of the former councils for the first four years.
- Staff FTE (123) to remain in smaller towns in perpetuity
- Unable to rationalise number of offices and depots

Workforce

- Maintaining skilled and motivated workforce, noting long term staff reaching retirement and proposed increased age of retirement to 70
- Remunerating at attractive levels given proximity to ACT competition for skilled and professional labour
- Retaining skilled design and construction staff to meet RMCC road construction standards of RMS
- Retaining skilled development and engineering staff to meet turnaround benchmarks of government
- No forced redundancies < May 2019

Local Government Indices

- The inflationary measure for local government is the Local Government Cost Index (LGCI) - or the Rate Peg.
- The LGCI is calculated by the Independent Pricing and Regulatory Tribunal (IPART) on behalf of the NSW Office of Local Government (OLG), and is generally near CPI.
- Infrastructure construction costs are escalating at around 3-4% pa
- Government levies such as Rural Fire Service and State Emergency Service, charged to Local Government, are greater than CPI
- Council is bound by the NSW LG award in terms of indexing wages and allowances, which is often higher than rate peg.

Draft Long Term Financial Plan 2020-2030

Planning Assumptions

It is impossible to be precise about forward projects for individual line items and such information is not necessary for a useful LTFP. However, it is necessary to understand the calculation of outcomes for financial indicators in order to identify the drivers of variations in performance between years.

Council has identified the external and internal influences that could significantly impact on future financial performance. The following features of the LTFP have been identified as risks and volatile factors.

Market driven planning assumptions

Population forecasts

QPRC's population is currently estimated at 61,100 and forecast to grow to 78,756 by 2036. Over the same period the number of dwellings is projected to increase from 25,285 to 32,563.

Financial modelling has included an increase in rates income resulting from growth in the number of rates assessments.

Cost and revenue increase assumptions

Factors applied to revenue and expenditure in the long term plan

The following planning assumptions are used as the basis of the financial modelling scenarios. These factors reflect the low inflation environment.

Table 1 Index factors applied for financial modelling

Assumptions	Year 1 2020-21	Year 2 2021-22	Year 3 2022-23	Year 4 2023-24	Year 5 2024-25	Year 6 2025-26	Year 7 2026-27	Year 8 2027-28	Year 9 2028-29	Year 10 2029-30
IPART rate peg	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
SRV	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Draft Long Term Financial Plan 2020-2030

Assumptions	Year 1 2020-21	Year 2 2021-22	Year 3 2022-23	Year 4 2023-24	Year 5 2024-25	Year 6 2025-26	Year 7 2026-27	Year 8 2027-28	Year 9 2028-29	Year 10 2029-30
Dwellings growth pa	340	440	440	440	440	440	440	440	440	440
Annual charges[7]	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
User charges & fees	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Interest on investments	1.3%	1.3%	1.3%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Interest on new loans	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Other revenue	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Grants & contributions	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Employee benefits	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Materials & contracts	2.0%	2.0%	2.2%	2.2%	2.2%	2.2%	2.5%	2.5%	2.5%	2.5%
Other expenses	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
CPI	2.2%	1.5%	2.0%	2.0%	2.0%	2.3%	2.3%	2.3%	2.3%	2.3%
Capital Grants	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

The following tables outline Council's planning assumptions by revenue and expenditure types. Included within the assumptions is a brief description as to how Council has determined this assumption and the external influences which impact the assumption.

Table 2 Revenue assumptions

Revenue	Assumption
IPART rate peg	2.6% as announced for the 2020-21 year, and 2.5% in all following years in accordance with IPART Guidelines.
Special rate variation income (SRV)	No SRV included in any scenario.

[7] Increased annual charges for the Queanbeyan Sewerage network are incorporated at scenario 3; to pay for the sewerage treatment works upgrade.

Draft Long Term Financial Plan 2020-2030

Revenue	Assumption
Fees and annual charges	In accordance with the pricing policy, fees and charges are increased by the higher of the cpi or the rate peg. The operating fees cost recovery ratio will be reviewed as part of a Revenue Review planned for 2020/21, which will further inform future price changes, ensuring sufficient revenue to meet agreed service levels. Additional fee revenue has been incorporated within Scenario 3.
Interest income	Interest on investments is assumed at 1.3% in 2020-21, with very slight growth over the 10 year planning period. Interest rates across the financial markets have continued to fall over the past twelve months; consistent with low returns received over the past 10 years. Interest has been calculated on the average balance of funds invested in each year of the financial model. The timing of capital expenditure will affect Council's investment income.
Operating grants and contributions	In previous years the Financial Assistance Grant, and other sources of federal grant funding, have not kept pace with inflation, and therefore this model applies a low inflator to the levels of grants and contributions over the life of the plan. The ten year trend reflected in this model is for operating grants to grow at a slower rate than other income sources.
Capital grants	An assumption is made that Council will continue to receive capital grants and contributions from Federal and State sources for roads and bridges, within identified grant funding programs. Grant contributions for specific projects has been planned for where funding sources have been identified, or where future capital works budgets are grant dependent.
Developers contributions	Amounts for developers cash and non-cash contributions to new infrastructure have been estimated based on current agreements and DCPs.

Draft Long Term Financial Plan 2020-2030

Table 3 Expenditure assumptions

Expense	Assumption
Depreciation	The 2018-19 depreciation rates for each class of assets are assumed to continue over the 10 year modelling period. Depreciation expense varies over the modelling period dependent on the investment in new assets vs asset renewal. All classes of assets will continue to be revalued over the coming years and as this work is completed, the accuracy of depreciation calculations will continue to improve.
Interest costs	An average interest rate of 2.3% per annum on new borrowings has been allowed over the life of this model; based on the most recent TCorp borrowing.
Operational costs (staff and materials and contracts)	The 2020-21 year adopted operational plan is used as the base year, before indexation is applied over the ten year planning period. Merger savings have been built in to the model in accordance with a Council resolution in 2018 that the cost of servicing debt for the new head office in Queanbeyan would be met by merger savings, building cost efficiencies and service review savings.
Employee costs	Movement in employee costs is determined through industry award negotiations and market forces. The first three years indexation allows for award increases of 1.5%, 2% and 2%, plus increase in superannuation contribution of 0.5% in years 2 and 3. The 2020-21 employee cost budget assumes 10% turnover, with 3 months vacancy and 50% vacant positions backfilled. Impacts affecting wages volatility include internal and external factors such as the rising cost of employment, skills shortages, staff turnover, attraction and retention of Council, an increase in superannuation benefits, maternity and paternity leave, award increases and changes in service levels.
Growth in asset maintenance and services	Additional expenditure has been allowed in future years at a rate of 50% of the additional revenue (rates, fees and charges) due to growth.

Draft Long Term Financial Plan 2020-2030

Financial Scenarios

Scenario 1: Base Case

Introduction

Scenario 1 is the base case scenario, based on the previously adopted LTFP, updated to incorporate Council's actual performance over the past 2 years, updated economic assumptions, and current estimates of the net cost of Council's service provision and major projects.

Components included in Scenario 1

Carried through from the previous LTFP, and updated with current estimates, the base case parameters are summarised as:

- A continuation of the compressed capital works program of the previously adopted LTFP, with $298 million capital expenditure within 2 years, and $686 million over ten years across the general, water and sewer funds.
- Takes advantage of $145 million grants for capital projects, and historically loan interest rates to borrow $175 million.
- Builds in efficiency savings of $1.9 million pa, from 2021/22.
- Additional revenue is raised for stormwater infrastructure through extending the stormwater levy to Braidwood and Bungendore, and the water and sewer funds pay a dividend to the general fund from 1 July 2021.
- The Queanbeyan Civic and Cultural Precinct (QCCP) is constructed within the first two years and begins to charge rent to government and commercial tenants, representing a positive investment outcome for the community over time.
- The sale of land and buildings raises $7 million that is reinvested back into the QCCP development.

Summary and assessment

The previous revision of the LTFP was adopted with the *Responsible Scenario,* to meet the financial sustainability requirements set by Council. However, since its adoption in 2018, Council's actual financial performance has not met the LTFP projections, and the base case scenario is not financially sustainable without taking additional budget repair actions.

Draft Long Term Financial Plan 2020-2030

The key performance measures reported in Table 4 do not meet critical performance measure benchmarks. Council's annual operating surplus returns to a positive position over the ten year period, however the low levels of unrestricted and internally restricted cash funds are not adequate to pay Council's debts with a margin to meet additional unplanned costs. Council has also reached and exceeded the maximum debt service cover ratio, so there is little opportunity for Council to source additional funds to respond to financial opportunities or risks that arise over time.

The infrastructure backlog is minimal, and continues to reduce over time as Council prioritises the renewal of assets to meet the needs of current and future communities. Council funds the infrastructure renewal requirements in the early years of the plan, as it funds significant infrastructure renewal on buildings, roads, water and sewer assets, and continues to fund infrastructure at a rate of 95% for the life of the plan. Whilst infrastructure renewal is strong, there is a shortfall in the amount invested in asset maintenance; and this will become a financial challenge as Council builds its asset stock to meet the requirements of a developing region.

This scenario presents a continuation of the previous financial strategy, but recognises that previous assumptions were optimistic, and the scenario is no longer a responsible financial decision.

Draft Long Term Financial Plan 2020-2030

Table 4 Scenario 1 Consolidated Fund Performance Outcomes

	Year 1 2020-21	Year 2 2021-22	Year 3 2022-23	Year 4 2023-24	Year 5 2024-25	Year 6 2025-26	Year 7 2026-27	Year 8 2027-28	Year 9 2028-29	Year 10 2029-30
Operating Performance Ratio	1.7%	(2.1%)	(1.8%)	(0.4%)	(0.1%)	0.9%	2.1%	3.6%	5.1%	6.5%
Own Source Revenue Ratio	59%	71%	71%	63%	76%	78%	80%	80%	80%	81%
Unrestricted Current Ratio[8]	0.6x	0.8x	0.9x	0.8x	0.7x	0.7x	0.6x	0.5x	0.6x	0.7x
Debt Service Cover Ratio	3.0x	1.2x	1.9x	2.1x	2.1x	2.2x	2.3x	2.5x	2.8x	3.6x
Cash Expense Cover Ratio	20x	19x	15x	13x	11x	12x	12x	12x	13x	13x
Infrastructure Backlog Ratio	2.2%	2.0%	1.9%	1.8%	1.7%	1.6%	1.6%	1.6%	1.5%	1.5%
Infrastructure Renewal Ratio	215%	178%	101%	90%	147%	95%	95%	95%	95%	95%
Infrastructure Maintenance Ratio	72%	69%	66%	66%	65%	65%	65%	65%	65%	65%

Table 5 Scenario 1 Capital works program

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Building and infrastructure ($'000)										
New assets	129,363	78,298	56,566	74,451	20,457	23,078	9,515	9,729	9,948	10,172
Asset renewals	45,516	40,664	24,482	23,257	39,016	26,190	26,816	27,458	28,119	28,796
Other assets ($'000)										
New assets	1,074	4,040	-	-	-	-	-	-	-	-
Asset renewals	7,040	3,410	3,390	3,410	3,390	3,624	3,693	3,763	3,833	3,905

[8] In 2020-21 and 2021-22 the current ratio is inflated by two loans that are refinanced in the following years; where the balances of those loan amounts are reflected as current liabilities until the new loans are drawn.

Draft Long Term Financial Plan 2020-2030

Scenario 2: QCCP Financing Alternative

Introduction

Scenario 2 has been altered from the base case to consider the option of a loan drawdown for QCCP upfront, instead of over two years to match the timing of capital expenditure. The upfront loan drawdown would only be considered where the interest rates that can be locked in upfront outweigh the cost of holding the loan for an additional year.

Components included in Scenario 2

In Scenario 2, Council borrows $70.89 million upfront, to lock in a fixed interest rate assumed at 2.3% over 20 years.

Summary and assessment

The outcomes of scenario 2 are not significantly different from the base case scenario.

Draft Long Term Financial Plan 2020-2030

Table 6 Scenario 2 Consolidated Fund Performance Outcomes

	Year 1 2020-21	Year 2 2021-22	Year 3 2022-23	Year 4 2023-24	Year 5 2024-25	Year 6 2025-26	Year 7 2026-27	Year 8 2027-28	Year 9 2028-29	Year 10 2029-30
Operating Performance Ratio	1.8%	(1.7%)	(1.8%)	(0.4%)	0.0%	0.9%	2.1%	3.6%	5.1%	6.6%
Own Source Revenue Ratio	59%	71%	71%	63%	76%	78%	80%	80%	80%	81%
Unrestricted Current Ratio[9]	0.6x	0.7x	0.8x	0.8x	0.7x	0.7x	0.5x	0.5x	0.5x	0.7x
Debt Service Cover Ratio	2.7x	1.2x	1.9x	2.1x	2.1x	2.2x	2.3x	2.5x	2.8x	3.6x
Cash Expense Cover Ratio	24x	19x	15x	13x	11x	11x	12x	12x	13x	13x
Infrastructure Backlog Ratio	2.2%	2.0%	1.9%	1.8%	1.7%	1.6%	1.6%	1.6%	1.5%	1.5%
Infrastructure Renewal Ratio	215%	178%	101%	90%	147%	95%	95%	95%	95%	95%
Infrastructure Maintenance Ratio	72%	69%	66%	66%	66%	65%	65%	65%	65%	65%

Table 7 Scenario 1 Capital works program

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Building and infrastructure ($'000)										
New assets	129,363	78,298	56,566	74,451	20,457	23,078	9,515	9,729	9,948	10,172
Asset renewals	45,516	40,664	24,482	23,257	39,016	26,190	26,816	27,458	28,119	28,796
Other assets ($'000)										
New assets	1,074	4,040	-	-	-	-	-	-	-	-
Asset renewals	7,040	3,410	3,390	3,410	3,390	3,624	3,693	3,763	3,833	3,905

[9] In 2020-21 and 2021-22 the current ratio is inflated by two loans that are refinanced in the following years; where the balances of those loan amounts are reflected as current liabilities until the new loans are drawn.

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Draft Long Term Financial Plan 2020-2030

Scenario 3: Responsible Scenario

Introduction

Scenario 3 adds additional budget repair activities to the base case scenario. It is designed to bring the LTFP back to the Responsible Scenario policy settings, to return to the forecast budget back to the Council's financial benchmarks.

Components included in Scenario 3

The following additional budget correction options are built into Scenario 3:

1. Council reviews its Revenue Policy settings with an expectation of increased fees and charges at the level of 4% pa. The actual timing and application of the revenue increase will be dependent on a service pricing analysis that will be considered by Council during the current financial year.

   The Service Pricing Review will assess Council's Community Service Obligation (CSO), being the level of service that is prioritised by the community and that is funded through the General Rates, and the user-pays services, being the level of service that is associated with use by private individuals, and that is funded through user fees and charges.

2. Deferral of infrastructure renewals through the reduction of project revotes – where infrastructure renewal has been budgeted but not completed within the financial year, Council will consider deferring the expenditure to a future budget period. The level of deferred renewal expenditure incorporated into scenario 3 is $3 million per annum, for 3 financial years.

   The actual timing and application of the deferred expenditure will be reviewed at each annual revote report, and with the review of the end of year financial statements, as Council considers its cash and reserves at the end of each financial year.

Scenario 3 also incorporates higher Queanbeyan Sewer Annual Charges, in accordance with the business plan for the replacement of the Queanbeyan Sewerage Treatment works, that identifies a 2% per annum increase.

Draft Long Term Financial Plan 2020-2030

Summary and assessment

As displayed in Table 6, Council's financial performance improves over the planning period under Scenario 3. The operating performance ratio returns a positive result over a shorter timeframe (within 3 years), and the unrestricted current ratio demonstrates that Council can meet its current financial commitments with some (limited) additional financial capacity to respond to future opportunities or risks as they arise.

Despite some deferral of capital renewal expenditure, scenario 3 maintains a very strong investment in infrastructure renewal as well as upgraded and new community infrastructure. The scenario 3 renewal ratio is slightly reduced in the first two years, however the affect is too small to impact the infrastructure backlog ratio at all.

Similar to Scenario 1, the infrastructure backlog is minimal, and continues to reduce over time as Council prioritises the renewal of assets to meet the needs of current and future communities. Council funds significant renewal of buildings, roads, water and sewer infrastructure in the short term (at an average rate of 155% over 3 years), reducing renewals to 95% for the remaining planning period. Whilst infrastructure renewal is strong, there is a shortfall in the amount invested in asset maintenance; and this will become a financial challenge as Council builds its asset stock to meet the requirements of a developing region.

All three financial scenarios are reliant on the realisation of additional, net efficiency savings of $1.9million per annum, from 2021/22; presenting an additional challenge to Council.

Scenario 3 presents the more responsible financial scenario, reflecting the intention of the adopted *Financial Strategy and Policy* and incorporating further budget correction measures into the forward planning period.

Draft Long Term Financial Plan 2020-2030

Table 8 Scenario 2 Consolidated Fund Performance Outcomes

	Year 1 2020-21	Year 2 2021-22	Year 3 2022-23	Year 4 2023-24	Year 5 2024-25	Year 6 2025-26	Year 7 2026-27	Year 8 2027-28	Year 9 2028-29	Year 10 2029-30
Operating Performance Ratio	2.3%	(1.5%)	0.7%	1.0%	1.8%	3.1%	4.7%	6.6%	8.3%	10.0%
Own Source Revenue Ratio	59%	71%	71%	63%	76%	78%	80%	81%	81%	81%
Unrestricted Current Ratio[10]	0.8x	1.1x	1.3x	1.2x	1.2x	1.2x	1.2x	1.2x	1.5x	1.7x
Debt Service Cover Ratio	3.1x	1.2x	1.9x	2.2x	2.2x	2.3x	2.5x	2.7x	3.0x	3.9x
Cash Expense Cover Ratio	22x	21x	16x	15x	13x	14x	14x	15x	16x	17x
Infrastructure Backlog Ratio	2.2%	2.1%	1.9%	1.9%	1.7%	1.6%	1.6%	1.6%	1.5%	1.5%
Infrastructure Renewal Ratio	201%	165%	101%	90%	147%	95%	95%	95%	95%	95%
Infrastructure Maintenance Ratio	72%	69%	66%	66%	65%	65%	65%	65%	65%	65%

Table 9 Scenario 1 Capital works program

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Building and infrastructure ($'000)										
New assets	129,363	78,298	56,566	74,451	20,457	23,078	9,515	9,729	9,948	10,172
Asset renewals	42,516	37,664	24,482	23,257	39,016	26,190	26,816	27,458	28,119	28,796
Other assets ($'000)										
New assets	1,074	4,040	-	-	-	-	-	-	-	-
Asset renewals	7,040	3,410	3,390	3,410	3,390	3,624	3,693	3,763	3,833	3,905

[10] In 2020-21 and 2021-22 the current ratio is inflated by two loans that are refinanced in the following years; where the balances of those loan amounts are reflected as current liabilities until the new loans are drawn.

Draft Long Term Financial Plan 2020-2030

Performance Measurement

Council adopted a Financial Strategy and Policy in 2017. The responsible financial scenario policy settings adopted within the policy were based on the Asset and Financial Sustainability Review undertaken by GHD and Professor Percy Allen, and includes key financial sustainability goals and benchmarks. The following charts compare the outcomes of the three LTFP scenarios against the agreed benchmarks over the ten year planning period. These charts demonstrate the consolidated performance of Council across the three funds, General, Water and Sewer. The first two years, 2018 and 2019 are the actual, audited consolidated results. The 2020 year is the final budgeted position, and 2021 to 2030 are the 10 year LTFP projections.

Figure 3 Operating Performance Ratio

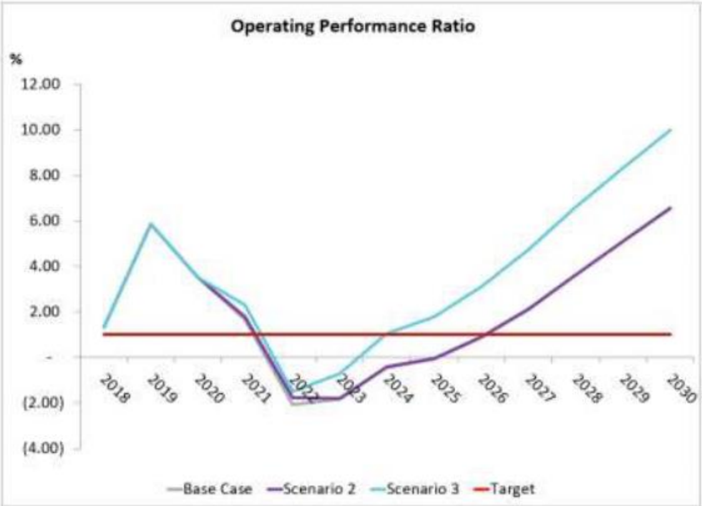
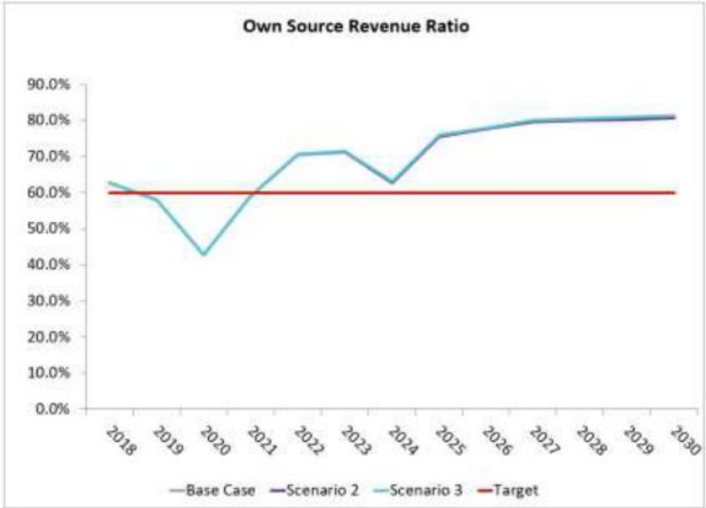


Figure 4 Own Source Revenue Ratio



24

QPRC

Draft Long Term Financial Plan 2020-2030

Figure 5 Unrestricted Current Ratio

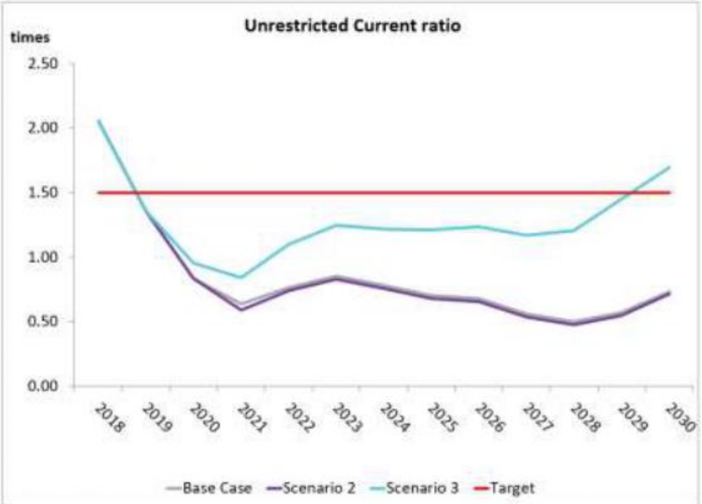
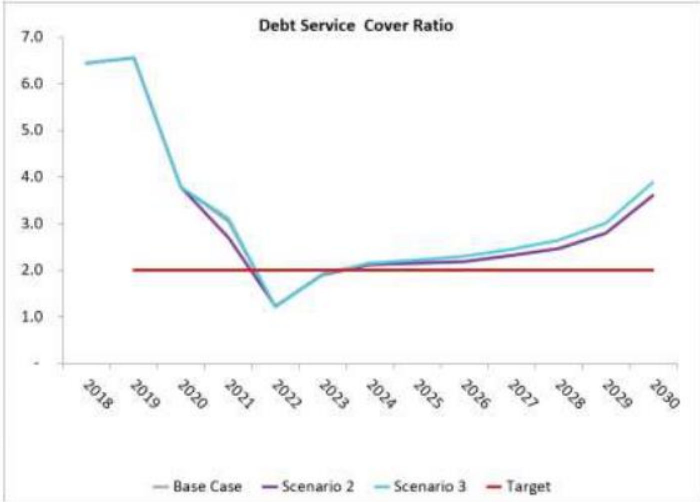


Figure 6 Debt Service Cover Ratio



In Scenario 1 and 2, the unrestricted current ratio falls to very low levels of less than 1 between June 2020 and 2022. Scenario 3 corrects this fall (somewhat), back to a ratio of around 1.0.

The ratio is too low in those years, and indicates that Council's cash balance is insufficient to pay its current liabilities. However, the ratio is misleading as it is affected by two loan re-finances that fall due in those years; and where the full balance of those two loans becomes as a "current liability"; even though, Council will re-finance the remainder of those existing loans, and pay them out normally, over the remaining loan term.

Draft Long Term Financial Plan 2020-2030

Figure 7 Cash Expense Cover Ratio

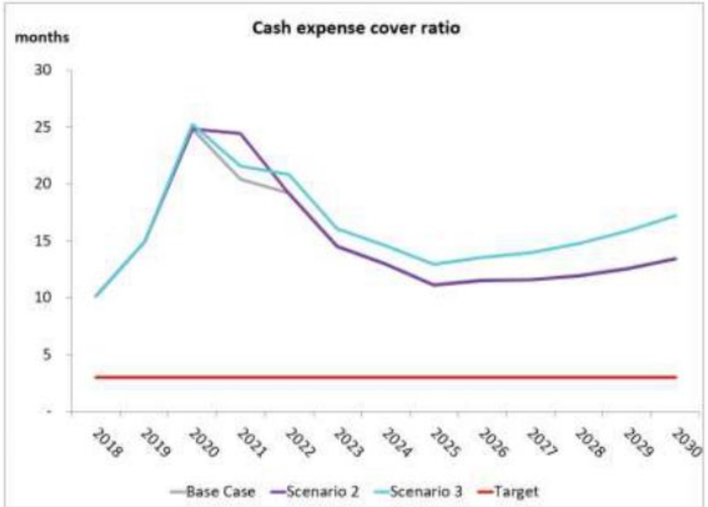
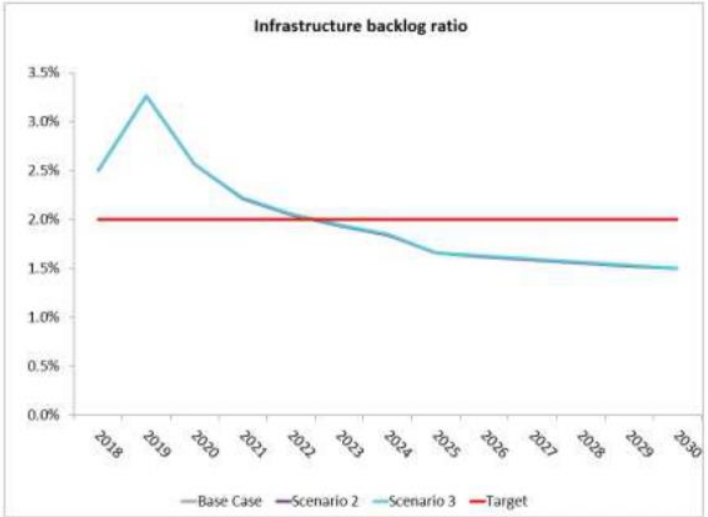


Figure 8 Infrastructure Backlog Ratio



Draft Long Term Financial Plan 2020-2030

Figure 9 Infrastructure Renewal Ratio

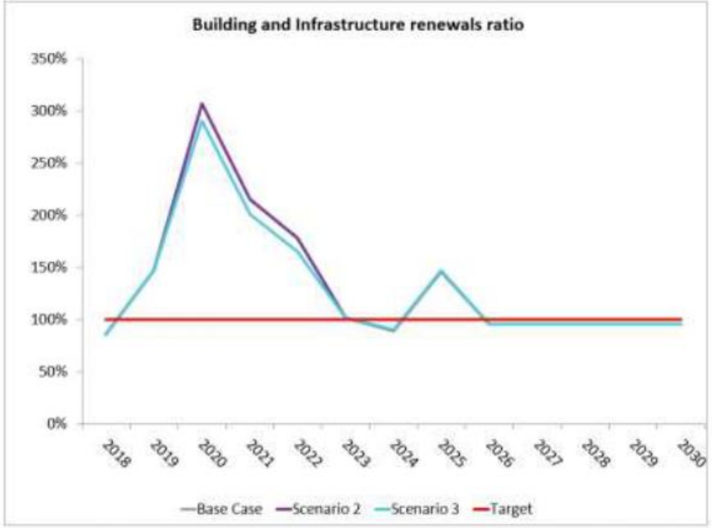
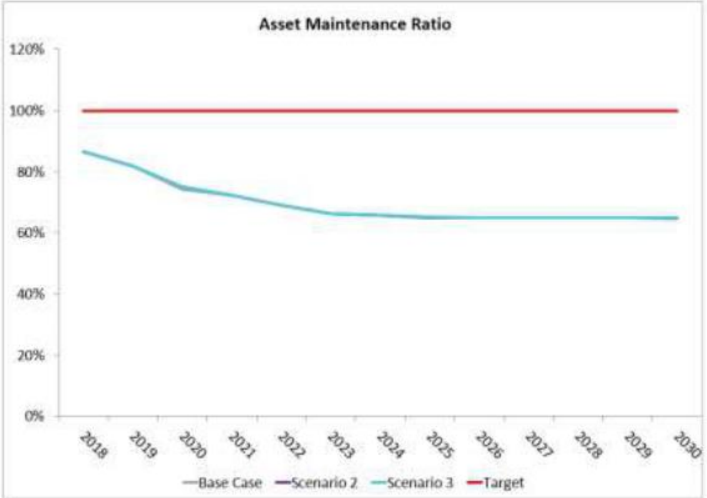


Figure 10 Infrastructure Maintenance Ratio



Monitoring and Evaluation

Council will review the LTFP each year as part of the development of the annual Operational Plan. The review will include an assessment of the previous year's performance in terms of the accuracy of projections made and whether its financial strategies were followed through.

Evaluation will include reviewing and amending estimates and scenarios to improve the accuracy of the plan over the long term. With each review, Council will continue to monitor its financial performance against the financial sustainability goals and benchmarks, and take consider corrective actions to achieve a financially sustainable position.

Draft Long Term Financial Plan 2020-2030

Conclusion

Three scenarios have been outlined in this LTFP.

Scenario 1 is the base case scenario, based on the previously adopted LTFP, but that recognises that Council's financial performance has not met the LTFP projections, and is no longer a responsible financial scenario.

Scenario 2 has been altered from the base case to consider the option of a loan drawdown for QCCP upfront, instead of over two years to match the timing of capital expenditure. The upfront loan drawdown would only be considered where the interest rates that can be locked in upfront outweigh the cost of holding the loan for an additional year.

Scenario 3 presents the most responsible financial scenario, reflecting the intention of the adopted *Financial Strategy and Policy* and incorporating further budget correction measures into the forward planning period.

In adopting the responsible financial scenario – scenario 3, Council will commit to undertaking budget improvement actions, including the previously adopted financial strategies for:

- Dividends from water and sewer funds to the general fund
- Reducing operating costs
- Increasing revenues
- Deferral of revoted expenditure / transfer of reserve funds to unrestricted cash.

The financial statements contained on the following pages of this plan set out the financial performance, financial position and cashflows projected for the next ten years for the General Fund, Water Fund, Sewer Fund and Consolidated Council position.

Income Statement - General Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income from continuing operations										
Rates and annual charges	49,953	51,740	53,578	55,484	57,440	59,431	61,486	63,607	65,795	68,053
User charges and fees	12,807	13,601	14,439	15,321	16,251	17,231	18,264	19,351	20,201	21,080
Interest and investment revenue	2,167	2,259	2,179	2,326	2,372	2,422	2,524	2,593	2,685	2,812
Other revenues	2,394	2,449	2,868	3,461	3,541	3,622	3,705	3,791	3,878	3,967
Grants and contributions - Operating	15,545	16,234	16,128	16,429	16,736	17,049	17,369	17,696	18,029	18,411
Grants and contributions - Capital	57,735	18,459	18,746	43,999	14,258	14,524	14,794	15,071	15,353	15,154
Net gain from the disposal of assets	770	-	-	-	1,356	1,714	-	-	-	-
Total Income	**141,371**	**104,742**	**107,938**	**137,021**	**111,954**	**115,994**	**118,142**	**122,109**	**125,940**	**129,477**
Expenses from continuing operations										
Employee benefits and oncosts	37,298	39,233	40,214	41,219	42,250	43,306	44,388	45,498	46,636	47,801
Borrowing costs	3,631	6,255	4,759	4,551	4,205	3,852	3,541	3,213	2,881	2,637
Materials and contracts	10,125	11,419	13,088	12,770	14,631	15,405	16,365	16,807	17,261	17,726
Depreciation and amortisation	20,551	21,386	22,115	23,197	23,628	24,093	24,653	25,225	25,811	26,411
Other expenses	10,948	11,200	11,457	11,721	11,991	12,266	12,548	12,837	13,132	13,434
Total Expenses	**82,553**	**89,492**	**91,634**	**93,459**	**96,704**	**98,922**	**101,496**	**103,581**	**105,721**	**108,009**
Net Operating Result	**58,818**	**15,250**	**16,305**	**43,562**	**15,249**	**17,073**	**16,646**	**18,528**	**20,219**	**21,468**
Net operating result before grants and contributions provided for capital purposes	**1,083**	**(3,209)**	**(2,441)**	**(437)**	**991**	**2,549**	**1,852**	**3,457**	**4,866**	**6,314**

Statement of Financial Position - General Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current assets										
Cash and investments	78,390	70,241	68,917	70,196	71,782	76,781	79,671	84,025	90,723	101,455
Receivables	6,878	7,130	7,422	7,726	8,041	8,365	8,702	9,052	9,384	9,727
Inventories	257	262	268	274	280	286	293	301	308	316
Other	722	722	722	722	722	722	722	722	722	722
Total current assets	**86,247**	**78,355**	**77,329**	**78,918**	**80,825**	**86,155**	**89,389**	**94,100**	**101,137**	**112,220**
Non-current assets										
Receivables	430	446	464	483	503	523	544	566	587	608
Infrastructure, property, plant and equipment	1,437,194	1,519,213	1,565,084	1,632,317	1,664,594	1,699,095	1,740,758	1,783,459	1,827,224	1,872,081
Intangible assets	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265
Total non-current assets	**1,444,889**	**1,526,924**	**1,572,813**	**1,640,065**	**1,672,361**	**1,706,883**	**1,748,567**	**1,791,290**	**1,835,076**	**1,879,954**
Total Assets	**1,531,136**	**1,605,279**	**1,650,142**	**1,718,982**	**1,753,186**	**1,793,038**	**1,837,956**	**1,885,390**	**1,936,213**	**1,992,174**
Current liabilities										
Payables	14,111	13,320	11,364	10,472	9,529	9,754	9,995	10,242	10,496	10,755
Income received in advance	144	144	144	144	144	144	144	144	144	144
Borrowings	12,960	10,432	10,281	10,783	11,037	11,364	11,699	10,996	8,126	8,362
Provisions	14,680	12,897	11,016	11,292	9,259	9,491	9,728	9,971	10,220	10,476
Total current liabilities	**41,895**	**36,793**	**32,805**	**32,691**	**29,969**	**30,753**	**31,566**	**31,353**	**28,986**	**29,737**
Non-current liabilities										
Borrowings	109,734	152,128	154,222	148,244	137,208	125,845	114,146	103,151	95,025	86,664
Provisions	935	935	935	935	935	935	935	935	935	935
Total non-current liabilities	**110,669**	**153,063**	**155,157**	**149,179**	**138,143**	**126,780**	**115,081**	**104,086**	**95,960**	**87,599**
Total Liabilities	**152,564**	**189,856**	**187,963**	**181,871**	**168,112**	**157,532**	**146,647**	**135,439**	**124,946**	**117,336**
NET ASSETS	**1,378,572**	**1,415,423**	**1,462,179**	**1,537,112**	**1,585,074**	**1,635,506**	**1,691,309**	**1,749,951**	**1,811,267**	**1,874,838**
Equity										
Accumulated surplus	1,326,034	1,341,284	1,357,588	1,401,151	1,416,400	1,433,473	1,450,119	1,468,647	1,488,866	1,510,334
Revaluation reserves	52,539	74,140	104,591	135,960	168,674	202,034	241,190	281,305	322,402	364,506
TOTAL EQUITY	**1,378,573**	**1,415,423**	**1,462,180**	**1,537,111**	**1,585,074**	**1,635,506**	**1,691,309**	**1,749,952**	**1,811,269**	**1,874,840**

Statement of Cash Flows - General Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash flows from operating activities										
Receipts:										
Rates and annual charges	49,779	51,686	53,523	55,427	57,381	59,371	61,424	63,543	65,729	67,985
User charges and fees	12,990	13,403	14,202	15,074	15,995	16,967	17,989	19,065	19,935	20,806
Investment revenue and interest	2,167	2,259	2,179	2,326	2,372	2,422	2,524	2,593	2,685	2,812
Grants and contributions	67,153	27,693	27,716	53,110	23,511	23,922	24,340	24,767	25,202	25,201
Other	2,395	2,433	2,850	3,442	3,521	3,602	3,684	3,769	3,857	3,946
Payments:										
Employee benefits and on-costs	(37,124)	(41,015)	(42,095)	(40,944)	(44,282)	(43,074)	(44,151)	(45,255)	(46,386)	(47,546)
Materials and contracts	(10,329)	(12,215)	(15,050)	(13,668)	(15,580)	(15,186)	(16,131)	(16,567)	(17,015)	(17,474)
Borrowing costs	(3,631)	(6,255)	(4,759)	(4,551)	(4,205)	(3,852)	(3,541)	(3,213)	(2,881)	(2,637)
Other	(10,948)	(11,200)	(11,457)	(11,721)	(11,991)	(12,266)	(12,548)	(12,837)	(13,132)	(13,434)
Net cash provided (or used) in operating activities	**72,453**	**26,789**	**27,109**	**58,496**	**26,722**	**31,906**	**33,589**	**35,864**	**37,993**	**39,658**
Cash flows from investing activities										
Receipts:										
Sale of infrastructure, property, plant and equipment	1,170	920	400	400	4,356	3,400	400	400	400	400
Payments:										
Purchase of infrastructure, property, plant & equipment	(152,176)	(75,724)	(30,777)	(52,142)	(18,709)	(19,270)	(19,735)	(20,211)	(20,700)	(21,200)
Net cash provided (or used) in investing activities	**(151,006)**	**(74,804)**	**(30,377)**	**(51,742)**	**(14,353)**	**(15,870)**	**(19,335)**	**(19,811)**	**(20,300)**	**(20,800)**
Cash flows from financing activities										
Receipts:										
New loans	60,474	55,001	12,880	5,000	-	-	-	-	-	-
Payments:										
Loan repayments	(6,226)	(15,135)	(10,936)	(10,475)	(10,783)	(11,037)	(11,364)	(11,699)	(10,996)	(8,126)
Net cash provided (or used) in financing activities	**54,248**	**39,866**	**1,944**	**(5,475)**	**(10,783)**	**(11,037)**	**(11,364)**	**(11,699)**	**(10,996)**	**(8,126)**
Net increase / (decrease) in cash	(24,305)	(8,149)	(1,324)	1,278	1,586	4,999	2,890	4,354	6,698	10,732
Cash at the beginning of the year	102,696	78,390	70,241	68,917	70,196	71,782	76,781	79,671	84,025	90,723
Cash at the end of the year	**78,390**	**70,241**	**68,917**	**70,196**	**71,782**	**76,781**	**79,671**	**84,025**	**90,723**	**101,455**

Income Statement - Water Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income from continuing operations										
Rates and annual charges	7,036	7,370	7,716	8,075	8,447	8,833	9,232	9,647	10,076	10,520
User charges and fees	16,598	17,386	18,203	19,049	19,927	20,837	21,779	22,756	23,768	24,817
Interest and investment revenue	612	340	340	323	344	376	419	473	538	616
Grants and contributions - Operating	85	87	89	91	93	95	97	99	102	104
Grants and contributions - Capital	1,146	1,172	1,198	1,225	1,253	1,281	1,310	1,339	1,369	1,400
Total Income	**25,477**	**26,355**	**27,546**	**28,763**	**30,064**	**31,422**	**32,838**	**34,314**	**35,853**	**37,457**
Expenses from continuing operations										
Employee benefits and oncosts	1,691	1,733	1,777	1,821	1,867	1,913	1,961	2,010	2,060	2,112
Borrowing costs	259	232	221	212	187	164	153	141	128	115
Materials and contracts	19,514	20,040	20,609	21,135	21,639	22,155	22,697	23,252	23,821	24,403
Depreciation and amortisation	2,226	2,259	2,299	2,340	2,382	2,425	2,475	2,526	2,578	2,631
Other expenses	199	204	208	213	218	223	228	233	239	244
Total Expenses	**23,889**	**24,467**	**25,114**	**25,722**	**26,293**	**26,881**	**27,514**	**28,162**	**28,825**	**29,506**
Net Operating Result	**1,588**	**1,888**	**2,432**	**3,041**	**3,771**	**4,541**	**5,324**	**6,152**	**7,027**	**7,951**
Net operating result before grants and contributions provided for capital purposes	**442**	**716**	**1,233**	**1,816**	**2,518**	**3,260**	**4,014**	**4,813**	**5,658**	**6,551**

Statement of Financial Position - Water Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current assets										
Cash and investments	26,165	26,141	21,516	22,955	25,079	27,927	31,510	35,872	41,060	47,118
Receivables	3,885	4,008	4,198	4,394	4,598	4,810	5,028	5,255	5,491	5,734
Total current assets	**30,050**	**30,150**	**25,714**	**27,350**	**29,677**	**32,736**	**36,538**	**41,127**	**46,550**	**52,853**
Non-current assets										
Infrastructure, property, plant and equipment	122,105	124,986	133,582	136,864	140,226	143,668	147,625	151,688	155,859	160,141
Total non-current assets	**122,105**	**124,986**	**133,582**	**136,864**	**140,226**	**143,668**	**147,625**	**151,688**	**155,859**	**160,141**
Total Assets	**152,155**	**155,135**	**159,296**	**164,214**	**169,903**	**176,405**	**184,164**	**192,815**	**202,409**	**212,994**
Current liabilities										
Payables	2,371	2,441	2,502	2,564	2,628	2,694	2,761	2,830	2,901	2,973
Borrowings	1,118	216	228	241	254	268	283	298	315	332
Total current liabilities	**3,489**	**2,657**	**2,730**	**2,805**	**2,882**	**2,962**	**3,044**	**3,128**	**3,216**	**3,305**
Non-current liabilities										
Borrowings	3,274	3,969	3,741	3,500	3,246	2,978	2,695	2,397	2,082	1,750
Total non-current liabilities	**3,274**	**3,969**	**3,741**	**3,500**	**3,246**	**2,978**	**2,695**	**2,397**	**2,082**	**1,750**
Total Liabilities	**6,763**	**6,626**	**6,471**	**6,305**	**6,128**	**5,940**	**5,739**	**5,525**	**5,298**	**5,055**
NET ASSETS	**145,393**	**148,510**	**152,825**	**157,909**	**163,775**	**170,465**	**178,425**	**187,290**	**197,111**	**207,939**
Equity										
Accumulated surplus	131,000	132,285	134,101	136,514	139,643	143,529	148,184	153,654	159,987	167,230
Revaluation reserves	14,393	16,224	18,724	21,395	24,133	26,937	30,242	33,637	37,126	40,711
TOTAL EQUITY	**145,392**	**148,509**	**152,825**	**157,909**	**163,776**	**170,466**	**178,426**	**187,291**	**197,113**	**207,941**

Statement of Cash Flows - Water Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash flows from operating activities										
Receipts:										
Rates and annual charges	7,021	7,347	7,692	8,051	8,422	8,806	9,205	9,618	10,046	10,490
User charges and fees	16,526	17,286	18,037	18,877	19,749	20,652	21,588	22,558	23,563	24,604
Investment revenue and interest	612	340	340	323	344	376	419	473	538	616
Grants and contributions	660	675	690	706	721	738	754	771	789	806
Payments:										
Employee benefits and on-costs	(1,691)	(1,733)	(1,777)	(1,821)	(1,867)	(1,913)	(1,961)	(2,010)	(2,060)	(2,112)
Materials and contracts	(19,409)	(19,970)	(20,548)	(21,073)	(21,575)	(22,089)	(22,629)	(23,183)	(23,750)	(24,331)
Borrowing costs	(259)	(232)	(221)	(212)	(187)	(164)	(153)	(141)	(128)	(115)
Other	(199)	(204)	(208)	(213)	(218)	(223)	(228)	(233)	(239)	(244)
Net cash provided (or used) in operating activities	**3,261**	**3,509**	**4,005**	**4,637**	**5,390**	**6,183**	**6,994**	**7,852**	**8,758**	**9,713**
Cash flows from investing activities										
Payments:										
Purchase of infrastructure, property, plant & equipment	(6,603)	(2,724)	(7,799)	(2,340)	(2,382)	(2,425)	(2,475)	(2,526)	(2,578)	(2,631)
Net cash provided (or used) in investing activities	**(6,603)**	**(2,724)**	**(7,799)**	**(2,340)**	**(2,382)**	**(2,425)**	**(2,475)**	**(2,526)**	**(2,578)**	**(2,631)**
Cash flows from financing activities										
Receipts:										
New loans	-	949	-	-	-	-	-	-	-	-
Payments:										
Loan repayments	(502)	(1,156)	(216)	(228)	(241)	(254)	(268)	(283)	(298)	(315)
Dividends paid	-	(602)	(616)	(629)	(642)	(655)	(668)	(682)	(695)	(708)
Net cash provided (or used) in financing activities	**(502)**	**(809)**	**(832)**	**(857)**	**(883)**	**(909)**	**(937)**	**(965)**	**(993)**	**(1,023)**
Net increase / (decrease) in cash	(3,844)	(24)	(4,626)	1,440	2,124	2,848	3,583	4,362	5,188	6,059
Cash at the beginning of the year	30,009	26,165	26,141	21,516	22,955	25,079	27,927	31,510	35,872	41,060
Cash at the end of the year	**26,165**	**26,141**	**21,516**	**22,955**	**25,079**	**27,927**	**31,510**	**35,872**	**41,060**	**47,118**

Income Statement - Sewer Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income from continuing operations										
Rates and annual charges	17,549	18,647	19,805	21,027	22,316	23,675	25,108	26,619	28,211	29,890
User charges and fees	911	953	997	1,042	1,089	1,137	1,188	1,240	1,294	1,350
Interest and investment revenue	1,221	717	580	501	326	123	121	115	125	151
Grants and contributions - Operating	85	87	89	91	93	95	97	99	102	104
Grants and contributions - Capital	2,467	11,500	11,534	11,569	9,104	5,390	1,677	1,715	1,753	1,793
Total Income	**22,233**	**31,904**	**33,005**	**34,229**	**32,928**	**30,420**	**28,191**	**29,788**	**31,485**	**33,287**
Expenses from continuing operations										
Employee benefits and oncosts	2,243	2,299	2,357	2,415	2,476	2,538	2,601	2,666	2,733	2,801
Borrowing costs	384	304	535	768	851	1,099	1,042	983	922	859
Materials and contracts	9,012	9,378	9,708	9,972	10,194	10,422	10,672	10,927	11,189	11,457
Depreciation and amortisation	5,277	5,952	6,660	7,380	7,741	8,162	8,343	8,528	8,719	8,913
Other expenses	692	708	724	741	758	775	793	811	830	849
Total Expenses	**17,608**	**18,640**	**19,984**	**21,276**	**22,020**	**22,997**	**23,451**	**23,916**	**24,392**	**24,880**
Net Operating Result	**4,625**	**13,264**	**13,021**	**12,954**	**10,907**	**7,423**	**4,740**	**5,872**	**7,092**	**8,407**
Net operating result before grants and contributions provided for capital purposes	**2,158**	**1,764**	**1,487**	**1,385**	**1,803**	**2,033**	**3,063**	**4,157**	**5,339**	**6,614**

QPRC

Statement of Financial Position - Sewer Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current assets										
Cash and investments	55,170	44,631	33,379	21,737	8,190	8,080	7,694	8,325	10,056	12,979
Receivables	4,299	4,560	4,840	5,135	5,446	5,773	6,119	6,482	6,866	7,269
Total current assets	**59,469**	**49,191**	**38,219**	**26,872**	**13,635**	**13,853**	**13,812**	**14,807**	**16,922**	**20,249**
Non-current assets										
Infrastructure, property, plant and equipment	205,815	240,330	276,585	313,443	345,636	367,294	376,737	386,420	396,349	406,531
Total non-current assets	**205,815**	**240,330**	**276,585**	**313,443**	**345,636**	**367,294**	**376,737**	**386,420**	**396,349**	**406,531**
Total Assets	**265,284**	**289,520**	**314,804**	**340,315**	**359,271**	**381,147**	**390,549**	**401,227**	**413,271**	**426,780**
Current liabilities										
Payables	271	285	292	299	307	315	323	331	339	348
Borrowings	4,173	1,509	1,930	2,358	3,028	3,089	3,150	3,214	3,280	3,347
Total current liabilities	**4,444**	**1,794**	**2,222**	**2,658**	**3,335**	**3,404**	**3,473**	**3,545**	**3,619**	**3,695**
Non-current liabilities										
Borrowings	3,360	14,533	22,212	29,466	31,246	39,406	36,255	33,041	29,760	26,414
Total non-current liabilities	**3,360**	**14,533**	**22,212**	**29,466**	**31,246**	**39,406**	**36,255**	**33,041**	**29,760**	**26,414**
Total Liabilities	**7,804**	**16,327**	**24,434**	**32,123**	**34,581**	**42,810**	**39,728**	**36,586**	**33,379**	**30,109**
NET ASSETS	**257,480**	**273,194**	**290,370**	**308,191**	**324,691**	**338,337**	**350,822**	**364,641**	**379,892**	**396,671**
Equity										
Accumulated surplus	247,104	259,730	272,100	284,390	294,620	301,353	305,389	310,544	316,906	324,570
Revaluation reserves	10,376	13,463	18,270	23,801	30,070	36,983	45,431	54,096	62,983	72,099
TOTAL EQUITY	**257,480**	**273,193**	**290,370**	**308,191**	**324,690**	**338,336**	**350,820**	**364,639**	**379,890**	**396,670**

Statement of Cash Flows - Sewer Fund

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash flows from operating activities										
Receipts:										
Rates and annual charges	17,538	18,599	19,754	20,973	22,259	23,615	25,045	26,553	28,141	29,816
User charges and fees	896	740	768	801	834	869	905	942	980	1,020
Investment revenue and interest	1,221	717	580	501	326	123	121	115	125	151
Grants and contributions	1,643	10,657	10,673	10,688	8,203	4,469	735	752	769	786
Payments:										
Employee benefits and on-costs	(2,243)	(2,299)	(2,357)	(2,415)	(2,476)	(2,538)	(2,601)	(2,666)	(2,733)	(2,801)
Materials and contracts	(9,006)	(9,364)	(9,701)	(9,964)	(10,187)	(10,415)	(10,664)	(10,919)	(11,180)	(11,448)
Borrowing costs	(384)	(304)	(535)	(768)	(851)	(1,099)	(1,042)	(983)	(922)	(859)
Other	(692)	(708)	(724)	(741)	(758)	(775)	(793)	(811)	(830)	(849)
Net cash provided (or used) in operating activities	**8,972**	**18,039**	**18,458**	**19,074**	**17,351**	**14,250**	**11,706**	**12,982**	**14,350**	**15,815**
Cash flows from investing activities										
Payments:										
Purchase of infrastructure, property, plant & equipment	(13,607)	(36,450)	(37,158)	(37,735)	(32,671)	(21,891)	(8,300)	(8,484)	(8,674)	(8,869)
Net cash provided (or used) in investing activities	**(13,607)**	**(36,450)**	**(37,158)**	**(37,735)**	**(32,671)**	**(21,891)**	**(8,300)**	**(8,484)**	**(8,674)**	**(8,869)**
Cash flows from financing activities										
Receipts:										
New loans	-	14,038	10,000	10,000	5,000	11,250	-	-	-	-
Payments:										
Loan repayments	(309)	(5,529)	(1,901)	(2,317)	(2,550)	(3,028)	(3,089)	(3,150)	(3,214)	(3,280)
Dividends paid	-	(638)	(651)	(664)	(677)	(690)	(704)	(717)	(730)	(743)
Net cash provided (or used) in financing activities	**(309)**	**7,872**	**7,449**	**7,019**	**1,773**	**7,531**	**(3,793)**	**(3,867)**	**(3,944)**	**(4,023)**
Net increase / (decrease) in cash	(4,944)	(10,539)	(11,251)	(11,642)	(13,547)	(110)	(386)	631	1,731	2,924
Cash at the beginning of the year	60,113	55,170	44,631	33,379	21,737	8,190	8,080	7,694	8,325	10,056
Cash at the end of the year	**55,170**	**44,631**	**33,379**	**21,737**	**8,190**	**8,080**	**7,694**	**8,325**	**10,056**	**12,979**

Income Statement - Consolidated

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income from continuing operations										
Rates and annual charges	74,538	77,756	81,099	84,586	88,203	91,939	95,827	99,872	104,082	108,462
User charges and fees	30,316	31,940	33,638	35,412	37,267	39,205	41,231	43,347	45,263	47,247
Interest and investment revenue	4,000	2,076	1,833	1,857	1,723	1,576	1,692	1,783	1,923	2,128
Other revenues	2,394	2,449	2,868	3,461	3,541	3,622	3,705	3,791	3,878	3,967
Grants and contributions - Operating	15,715	16,408	16,306	16,611	16,922	17,239	17,564	17,895	18,232	18,619
Grants and contributions - Capital	61,348	31,131	31,478	56,793	24,615	21,195	17,781	18,125	18,475	18,347
Net gain from the disposal of assets	770	-	-	-	1,356	1,714	-	-	-	-
Total Income	**189,081**	**161,761**	**167,222**	**198,721**	**173,626**	**176,490**	**177,799**	**184,812**	**191,853**	**198,769**
Expenses from continuing operations										
Employee benefits and oncosts	41,232	43,265	44,347	45,456	46,592	47,757	48,951	50,174	51,429	52,714
Borrowing costs	4,274	6,791	5,515	5,531	5,243	5,115	4,737	4,338	3,931	3,610
Materials and contracts	38,651	40,836	43,405	43,878	46,464	47,982	49,733	50,986	52,270	53,586
Depreciation and amortisation	28,054	29,596	31,075	32,917	33,752	34,681	35,470	36,279	37,108	37,956
Other expenses	11,839	12,111	12,390	12,675	12,966	13,265	13,570	13,882	14,201	14,528
Total Expenses	**124,050**	**132,600**	**136,732**	**140,456**	**145,018**	**148,799**	**152,461**	**155,659**	**158,939**	**162,395**
Net Operating Result	**65,031**	**29,161**	**30,491**	**58,264**	**28,609**	**27,691**	**25,338**	**29,153**	**32,915**	**36,375**
Net operating result before grants and contributions provided for capital purposes	**3,683**	**(1,970)**	**(988)**	**1,471**	**3,994**	**6,496**	**7,557**	**11,028**	**14,439**	**18,028**

Statement of Financial Position - Consolidated

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Current assets										
Cash and investments	159,726	141,013	123,812	114,888	105,051	112,788	118,875	128,222	141,838	161,553
Receivables	15,062	15,698	16,459	17,255	18,085	18,948	19,849	20,790	21,740	22,730
Inventories	257	262	268	274	280	286	293	301	308	316
Other	722	722	722	722	722	722	722	722	722	722
Total current assets	**175,767**	**157,695**	**141,262**	**133,139**	**124,138**	**132,744**	**139,739**	**150,034**	**164,609**	**185,321**
Non-current assets										
Receivables	430	446	464	483	503	523	544	566	587	608
Infrastructure, property, plant and equipment	1,765,113	1,884,529	1,975,251	2,082,624	2,150,456	2,210,058	2,265,120	2,321,567	2,379,433	2,438,754
Intangible assets	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265	7,265
Total non-current assets	**1,772,808**	**1,892,239**	**1,982,979**	**2,090,372**	**2,158,223**	**2,217,846**	**2,272,929**	**2,329,398**	**2,387,284**	**2,446,627**
Total Assets	**1,948,575**	**2,049,935**	**2,124,241**	**2,223,511**	**2,282,361**	**2,350,589**	**2,412,668**	**2,479,432**	**2,551,893**	**2,631,948**
Current liabilities										
Payables	16,753	16,046	14,157	13,336	12,464	12,762	13,079	13,403	13,735	14,076
Income received in advance	144	144	144	144	144	144	144	144	144	144
Borrowings	18,251	12,157	12,440	13,383	14,319	14,721	15,132	14,509	11,721	12,041
Provisions	14,680	12,897	11,016	11,292	9,259	9,491	9,728	9,971	10,220	10,476
Total current liabilities	**49,827**	**41,244**	**37,757**	**38,154**	**36,186**	**37,119**	**38,083**	**38,027**	**35,820**	**36,737**
Non-current liabilities										
Borrowings	116,368	170,629	180,175	181,210	171,700	168,228	153,095	138,588	126,867	114,827
Provisions	935	935	935	935	935	935	935	935	935	935
Total non-current liabilities	**117,303**	**171,564**	**181,110**	**182,145**	**172,635**	**169,163**	**154,030**	**139,523**	**127,802**	**115,762**
Total Liabilities	**167,130**	**212,808**	**218,867**	**220,299**	**208,821**	**206,282**	**192,113**	**177,550**	**163,622**	**152,499**
NET ASSETS	**1,781,445**	**1,837,126**	**1,905,374**	**2,003,212**	**2,073,540**	**2,144,308**	**2,220,555**	**2,301,882**	**2,388,271**	**2,479,448**
Equity										
Accumulated surplus	1,704,138	1,733,299	1,763,789	1,822,054	1,850,663	1,878,354	1,903,692	1,932,845	1,965,760	2,002,134
Revaluation reserves	77,307	103,827	141,585	181,157	222,877	265,954	316,863	369,038	422,512	477,316
TOTAL EQUITY	**1,781,445**	**1,837,126**	**1,905,374**	**2,003,211**	**2,073,540**	**2,144,308**	**2,220,554**	**2,301,883**	**2,388,271**	**2,479,450**

Statement of Cash Flows - Consolidated

Scenario 3	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash flows from operating activities										
Receipts:										
Rates and annual charges	74,338	77,645	80,985	84,466	88,079	91,812	95,695	99,736	103,941	108,317
User charges and fees	30,412	31,415	32,990	34,737	36,561	38,470	40,461	42,542	44,453	46,402
Investment revenue and interest	4,000	2,076	1,833	1,857	1,723	1,576	1,692	1,783	1,923	2,128
Grants and contributions	69,456	39,025	39,079	64,503	32,435	29,129	25,829	26,290	26,760	26,794
Other	2,395	2,433	2,850	3,442	3,521	3,602	3,684	3,769	3,857	3,946
Payments:										
Employee benefits and on-costs	(41,058)	(45,048)	(46,228)	(45,180)	(48,624)	(47,525)	(48,713)	(49,931)	(51,179)	(52,459)
Materials and contracts	(38,744)	(41,548)	(45,299)	(44,705)	(47,342)	(47,690)	(49,424)	(50,669)	(51,945)	(53,253)
Borrowing costs	(4,274)	(6,791)	(5,515)	(5,531)	(5,243)	(5,115)	(4,737)	(4,338)	(3,931)	(3,610)
Other	(11,839)	(12,111)	(12,390)	(12,675)	(12,966)	(13,265)	(13,570)	(13,882)	(14,201)	(14,528)
Net cash provided (or used) in operating activities	**84,686**	**47,097**	**48,306**	**80,914**	**48,144**	**50,992**	**50,918**	**55,301**	**59,677**	**63,735**
Cash flows from investing activities										
Receipts:										
Sale of infrastructure, property, plant and equipment	1,170	920	400	400	4,356	3,400	400	400	400	400
Payments:										
Purchase of infrastructure, property, plant & equipment	(172,386)	(114,899)	(75,734)	(92,218)	(53,762)	(43,587)	(30,509)	(31,221)	(31,952)	(32,700)
Net cash provided (or used) in investing activities	**(171,216)**	**(113,979)**	**(75,334)**	**(91,818)**	**(49,406)**	**(40,187)**	**(30,109)**	**(30,821)**	**(31,552)**	**(32,300)**
Cash flows from financing activities										
Receipts:										
New loans	60,474	69,988	22,880	15,000	5,000	11,250	-	-	-	-
Payments:										
Loan repayments	(7,037)	(21,819)	(13,053)	(13,021)	(13,575)	(14,319)	(14,721)	(15,132)	(14,509)	(11,721)
Net cash provided (or used) in financing activities	**53,437**	**48,169**	**9,827**	**1,979**	**(8,575)**	**(3,069)**	**(14,721)**	**(15,132)**	**(14,509)**	**(11,721)**
Net increase / (decrease) in cash	(33,093)	(18,712)	(17,201)	(8,924)	(9,837)	7,737	6,087	9,347	13,617	19,714
Cash at the beginning of the year	192,818	159,726	141,013	123,812	114,888	105,051	112,788	118,875	128,222	141,838
Cash at the end of the year	**159,726**	**141,013**	**123,812**	**114,888**	**105,051**	**112,788**	**118,875**	**128,222**	**141,838**	**161,553**

QUEANBEYAN-PALERANG REGIONAL COUNCIL

Council Meeting Attachment

26 AUGUST 2020

ITEM 9.13	IPART RATING REVIEW
ATTACHMENT 1	GOVERNMENT RESPONSE TO THE IPART RATING REVIEW

NSW GOVERNMENT

IPART REVIEW OF THE LOCAL GOVERNMENT RATING SYSTEM

GOVERNMENT RESPONSE

JUNE 2020

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Contents

EXECUTIVE SUMMARY	**2**
Background	3
The Review Process	4
Interim Response	5
THEME 1: USE OF THE CIV VALUATION METHOD TO LEVY COUNCIL RATES	**6**
Current situation	6
What IPART recommends	6
Government response	6
Use of minimum rate	7
Differential residential rating subcategories	7
THEME 2: ALLOW COUNCILS' GENERAL INCOME TO GROW AS THE COMMUNITIES THEY SERVE GROW	**8**
Current Situation	8
What IPART recommends	8
Government response	8
THEME 3: GIVE COUNCILS GREATER FLEXIBILITY WHEN SETTING RESIDENTIAL RATES	**9**
Current Situation	9
What IPART recommends	9
Government response	9
Rates Harmonisation	9
THEME 4: BETTER TARGET RATE EXEMPTION ELIGIBILITY	**10**
Current Situation	10
What IPART recommends	10
Government response	10
Land subject to a conservation agreement	10
THEME 5: ASSISTANCE TO PENSIONERS	**11**
Current Situation	11
What IPART recommends	11
Government response	11
THEME 6: RECOVERY OF COUNCIL RATES	**12**
Current Situation	12
What IPART recommends	12
Government response	12
TABLE 1: LIST OF RECOMMENDATIONS AND GOVERNMENT RESPONSE	**13**

NSW Government

Executive Summary

The NSW Government understands the need to provide local councils with a flexible rating system, whilst ensuring rates are applied fairly and more equitable to local communities.

Any review of the rating system, like any taxation system, inevitably results in strong, often opposing views from various stakeholder groups.

IPART provided the Government with a substantial *final report* that recommends significant reforms addressing a number of complex issues, including the current structure of the rating system. IPART's recommendations, if implemented in full, would substantially change our system of local government and impact directly upon communities. Having consulted extensively with the sector and the community, and carefully considered IPART's findings and recommendations at length, the Government has decided on the following way forward:

Position on recommendations	Total Number
Support	13
Support in principle	6
Support in part	1
Noted	21
For further consideration and analysis	1

A complete list of IPART's recommendations and the Government's response can be found at Table 1 at the end of this document.

The Government has already ruled out, in its interim response of 21 June 2019, implementing major recommendations made by IPART related to pensioner concessions and rating exemptions where these would adversely impact vulnerable members of the community or have a substantial financial impact upon taxpayers or the broader community.

The Government also remains unconvinced of the merits of moving to a system of valuation based on Capital Improved Value (CIV) at this time, given the significant potential impact to local residents, substantial implementation costs and the inconclusiveness of extensive public consultation. Feedback received indicates both support and opposition to such a change. Additionally, it is unclear how the introduction of CIV may unfairly impact particular groups of ratepayers or result in unintended, real-life consequences for families and businesses.

The Government will focus on providing greater flexibility in the current rating system through the creation of additional rating categories and sub-categories, and ensuring councils can align income growth with population growth.

Through the Office of Local Government, the Government will make the current rating system easier for councils to navigate, highlighting the variety of mechanisms already available to councils in designing a fairer and more equitable rating structure for their local government area (LGA).

We look forward to working with the Local Government sector and the community to deliver fairer, and more equitable rates to residents and business.

Background

In NSW, council rates generate over $4.3 billion each year. This equates to around 38 per cent of the annual operating revenue for all NSW councils although, in general, councils in metropolitan areas have larger rating bases and receive more of their income from rates. Even though rates are commonly considered a fee for service, they are in fact a form of taxation.

Under the *Local Government Act 1993*, a rate may consist of:

- an ad valorem amount (i.e. a percentage – which may be subject to a minimum amount)
- a base amount to which an ad valorem amount is added.

In NSW, an ad valorem amount is a variable charge set as a proportion of the unimproved land value of the property – that is, the value of the property without any buildings, houses or other capital investments.

A minimum amount, where applied, is a flat charge which applies instead of the ad valorem amount, when it is greater than the ad valorem amount. A base amount, where applied, is a fixed charge that is levied equally against all rateable properties within a given rate category, or subcategory of land use.

Councils may vary the way they calculate rates for different categories of property. For example, they can use a different percentage of the unimproved land value to calculate the ad valorem amounts, apply different minimum amounts, or add different base amounts.

The *Local Government Act 1993* sets out a process regulating the amount by which councils increase their general income, the main component of which is rates revenue from ordinary and special rates.

Each year, the Independent Pricing and Regulatory Tribunal (IPART), determines the maximum percentage by which a council may increase its general income in the coming year, known as the 'rate peg'. The rate peg does not apply to stormwater, waste collection, water and sewerage charges.

The rate peg is based on the Local Government Cost Index measured by IPART, which measures price changes over the previous year for the goods and labour an average council will use, adjusted for any improvements in productivity.

Once the rate peg is known, councils set their rates for each rating category so that their annual general income does not increase in percentage terms by more than the rate peg for that year. This gives councils some flexibility to vary the increase in rates across categories (e.g. to increase residential rates by a higher percentage than farmland rates), as long as the total increase in revenue does not exceed the rate peg.

Councils can apply to IPART for a 'special rate variation' to allow them to increase general income above the rate peg for a range of reasons. OLG sets guidelines for this process, but the process is administered independently by IPART.

The Review Process

In 2013, the Independent Local Government Review Panel recommended the Government commission IPART to undertake a further review of the rating system focused on:

- options to reduce or remove excessive exemptions and concessions that are contrary to sound fiscal policy and jeopardise councils' long-term sustainability (recommendation 6.2); and
- more equitable rating of apartments and other multi-unit dwellings, including giving councils the option of rating residential properties on Capital Improved Values, with a view to raising additional revenues where affordable (recommendation 6.3).

On 18 December 2015, the (then) Premier, the Hon. Mike Baird MP provided IPART with terms of reference for the Review, framing it as a key component of the Government's Fit for the Future reforms. The two broad aims of the Review were to:

- explore options to redistribute the rating burden within council boundaries to develop recommendations to improve the equity and efficiency of the rating system, in order to enhance councils' ability to implement sustainable fiscal policies over the long term; and
- explore options for a legislative or regulatory approach to support the Government's rates path freeze policy.

The Terms of Reference specifically excluded consideration of the rates peg.

IPART carried out significant public and stakeholder consultation during conducting the Review, including public hearings in Sydney and Dubbo between April and October 2016. A draft report was released for comment in August 2016. IPART received over 300 submissions in relation to this Review.

IPART delivered its final report to the (then) Minister for Local Government in December 2016, which was publicly released on 21 June 2019 together with an interim Government response. IPART made 42 recommendations in total. The Office of Local Government (OLG) undertook further public consultation on 28 of these recommendations. Consultation feedback was open for 12 weeks and closed on 13 September 2019. A total of 110 submissions were received.

OLG released a summary of submissions on 28 February 2020.

The final report of the Review restates the major proposals outlined in the draft report, with some minor adjustments. IPART's key proposals are that:

- councils be allowed to shift to a Capital Improved Value (CIV) system of calculating rates, which considers the value of capital improvements (in contrast to the current system which uses the unimproved value of the land);
- exemptions from the rating system be based on the use of land rather than the ownership (for example, that aged care facilities owned by charitable organisations would pay the same rates as their commercial competitors);
- changes to pensioner rate concessions enable rate payments to be deferred and recouped from the pensioner's estate at a later date; and
- restrictions on council differential rating powers be lifted to enable improved rates harmonisation across council areas.

Interim Response

The Government released an interim response concurrently with the release of the three IPART reports on 21 June 2019. In it, the Government has ruled out accepting recommendations that have adverse impacts on vulnerable members of the community, affect regional jobs and economies, and/or substantially increase costs for taxpayers and the broader community.

In NSW, rate exemptions are based on a mix of land ownership and land use. Changes to the rating exemptions framework would redistribute the rating burden within a community and removal or change will be sensitive with many interest groups, such as charities, not for profit social housing providers, churches, schools and universities.

During IPART's public consultation process the issue of rating exemptions prompted significant public and stakeholder comment. Most exemptions still have a strong and abiding public interest and concern remains about the significant impact removal of exemptions may have on the operations of these entities.

The *Local Government Amendment Act 2019* was assented to on 24 June 2019 and several provisions came into effect on 25 June 2019. This included amending the *Local Government Act 1993* to enable the Minister to extend the rates path freeze for an additional 12 months for those councils formed in 2016 that need more time to consult with communities about rating harmonisation. This may also allow some of those councils to factor in the Government's response to the Review when developing their rates harmonisation strategy – some recommendations deal specifically with rates harmonisation.

Theme 1: Use of the CIV valuation method to levy council rates

Current situation

Currently, NSW councils are required to use the unimproved land value (UV – the value of the land without improvements) of a property to calculate rates. This is the value of the property without any buildings, houses or other capital investments.

What IPART recommends

IPART recommends that the Government mandates the use of Capital Improved Value (CIV) for metropolitan councils while retaining it as an option for non-metropolitan councils.

IPART recommends a gradual transition to CIV entailing an annual limit of 10 per cent above the rate peg to any rates increase resulting from a move to CIV. Individual rating amounts may still increase beyond 10 per cent depending on the impact of other factors such as changes in land valuations.

Government response

The NSW Government continues to strongly support rate pegging for local councils across NSW. It believes this is the best model to ensure that councils keep a focus on efficiency and ensuring that residents are not paying more rates than necessary. The Special Rate Variation framework enables councils to make the case for a larger rise than the current rate peg to their community and then to IPART.

The NSW Government notes that many local government stakeholders support the introduction of CIV. However, it also notes that many residents and property owners do not support any change.

Introducing CIV within the current rate pegging framework will bring about a redistribution of the rating burden rather than an increase in rates and therefore council income. It will also come with significant disruption and because there is no overall database of CIV data within NSW, it is not possible to model the impacts on different types of property owners. Implementation would take several years before a potential improvement to the equitable distribution of rating revenue would be evident.

Given the unclear distributional impacts along with the high cost of implementation and prolonged transition timeframes, the NSW Government does not believe there is a clear case in support of implementation and further development of CIV at this time.

The Government will focus on providing greater flexibility in the current rating system through the creation of additional rating categories and sub-categories, and ensuring councils can align income growth with population growth, in order to improve the distribution of the rating burden at significantly less cost, and low impact to the community.

Use of minimum rate

Many councils use minimum rate amounts in relation to apartments and other strata complexes to more accurately reflect the use of council services because the UV of individual apartments is often very low. However, this can mean that most apartments in a council area are paying a very similar rate amount irrespective of the property value. An example of the use of minimum rates is Sutherland Council below.

Example – Sutherland Council

Sutherland Council applied to IPART to increase its general income by 8.76 per cent in 2019-20, including the rate peg, which is to be applied to minimum ratepayers only, through an increase in the minimum rate from $602.30 in 2018-19 to $900.00 in 2019-20. This increase will be retained permanently in the rate base, affecting around 25 per cent of the ratepayers in Sutherland and bringing their rates closer to the average residential rate charged across the LGA.

Based on the Council's application, ratepayers on the minimum rate will have a rate increase of $298 in 2019-20, while rates for ratepayers who are not on the minimum will increase by the 2.7 per cent rate peg, reducing the gap between rates paid by minimum ratepayers and other ratepayers to better reflect equity in the services received.

The previous minimum rate ($602.30) was 59.2 per cent lower than the average residential rate of ratepayers who were paying above the minimum ($1,476). According to IPART, the new minimum rate is the 9th highest residential minimum rate compared to the current minimum rate charged by other councils in the Sydney metropolitan area and 14.5 per cent higher than the estimated average ($786) of councils in the Sydney metropolitan area.

It is recognised that not all metropolitan councils could apply a similar process due to differences in housing mix and socio-economic factors. However, the Government believes that councils should be willing to explore different options to improve the equity of their rating distribution, in consultation with their communities.

Differential residential rating subcategories

The NSW Government supports the potential to enable greater use of differential rating within urban residential rating.

This issue is further discussed below.

Theme 2: Allow councils' general income to grow as the communities they serve grow

Current Situation

In NSW, councils are subject to a rate peg that determines the maximum percentage amount by which a council may increase its total general income for the year. The main component of general income is rates revenue. IPART is responsible for determining the rate peg each year. As long as the total general income remains within the set maximum increase, councils have discretion to determine how to allocate the rate peg increase between different rating categories. Councils can seek additional increases in general income beyond the annual rate peg by applying to IPART for a special rate variation (SRV).

The increase in income generated by a supplementary valuation process using UV ("growth outside the rate peg") often does not allow councils to maintain current service levels due to increasing demand for council services and the upfront costs of new residential developments. IPART contends that current ratepayers are shouldering an unfair proportion of the rating burden compared to new residents.

What IPART recommends

IPART examined options to assist councils experiencing high levels of population growth to more equitably fund services to these new ratepayers, and made the following recommendations:

» using a CIV-based formula to calculate increases to council general income outside the rate peg that is proportional to the increase in costs of providing services;

» introducing a new type of special rate for joint delivery of infrastructure projects. Income raised from this special rate would be on top of general income within the rate peg and would not require approval from IPART. Such a special rate category would make it clear that councils could co-fund infrastructure or services that are the responsibility of state or federal government, as long as the projects benefit the local community; and

» removing minimum rates

Government response

With the Government decision not to support a move to CIV at this time, the NSW Government will implement recommendations to facilitate council income growth outside the rate peg, while preserving the policy objectives of the rate capping system. This will include better aligning council income growth with population growth and reforms to the infrastructure contributions framework to enhance councils' ability to implement sustainable fiscal policies over the long term.

This reflects that for many councils one of the key challenges they face is population growth, which often is not easily captured within the existing rate pegging framework.

The NSW Government, in conjunction with the broader work around developer contributions, will examine options to establish an equitable and effective funding framework for infrastructure associated with development. It is important that as communities grow, they have adequate and effective infrastructure to support that growth.

Theme 3: Give councils greater flexibility when setting residential rates

Current Situation

Councils levy rates using four different categories depending on the primary use of the land: residential, farmland, mining and business. These categories can be further split into subcategories.

A long-standing issue with the current rates framework is the difficulty of metropolitan councils to set different residential rates. This is due to the requirement for councils to set equal rates across the one "centre of population". Non-metropolitan councils can do this based on the different townships in their area but for metropolitan councils with a single contiguous population centre, the current legal framework is difficult to apply with certainty. This can result in potential cross subsidies where demand for services may vary across an LGA but only a single ad valorem amount applies to all residential properties.

What IPART recommends

IPART recommends adding a fifth rating category, 'environmental land', which they define as land that cannot be developed due to geographic or regulatory restrictions. They also recommend introducing the following changes to increase flexibility when determining council rating structures:

- 'commercial' or 'industrial' subcategories for business land;
- a vacant land subcategory option for residential, business and mining land;
- the ability to subcategorise farmland based on geographic location; and
- allowing councils to determine which rating category should act as the 'residual' category.

IPART argues that providing more flexibility will allow councils to be more responsive to local needs and enable a more equitable and efficient distribution of the rating burden, while also encouraging urban renewal.

To facilitate rates harmonisation, particularly for metropolitan councils, IPART proposes to remove the "centre of population" requirement for residential rates and instead have councils equalise rates based on separate towns or villages or "residential areas". An LGA could have multiple residential areas using geographic markers to define their boundaries.

Government response

The NSW Government recognises the challenges that come from the current legal framework and the limited capacity to apply a differential rating structure. However, it is also cognisant of the view of some stakeholders that they are paying higher rates than they should, with councils effectively using them as a 'golden goose'.

This emphasises the importance of councils undertaking strong and effective community consultation when they implement and modify their rating framework. It is also important that the NSW Government, when expanding the ability to establish differential rating structures, builds in effective safeguards to ensure that the community retains confidence in the local government rating system.

Rates Harmonisation

The NSW Government is currently supporting new councils created in 2016 during the forthcoming rates harmonisation process, to be implemented at the end of the rates path protection in either mid-2020 or mid-2021 (depending on the choice of the individual council).

As part of this process, in addition to practical implementation support, the NSW Government is assisting new councils identify options specific to their LGA to undertake rates harmonisation following the end of the rates path protection. IPART's recommendations regarding residential rates equalisation and gradual harmonisation of rates is integral to this process.

Theme 4: Better target rate exemption eligibility

Current Situation

In NSW, rate exemptions are based on a mix of land ownership and land use. There are numerous exemptions from paying local council rates such as for land owned by charities, not for profit social housing providers, churches, schools and universities.

Consideration needs to be given to the public benefits that some exempt landowners provide. Most exemptions still have a strong and abiding public interest and concern remains about the significant impact removal of exemptions may have on the operations of these entities.

What IPART recommends

The central recommendation is to amend the *Local Government Act 1993* so that exemptions are based on land use only rather than ownership. In addition, all land used for commercial activities or residential purposes should be rateable, unless it is explicitly exempted. In this regard, IPART recommends private hospitals be exempted in the same way public hospitals are. Conversely, IPART recommends the removal of exemptions for land owned by a number of entities, including certain residential care facilities, certain sporting and cultural organisations and certain water utilities, and land subject to a conservation agreement.

Government response

In its interim response, the Government has already ruled out implementing recommendations related to exemptions, where these would adversely impact vulnerable members of the community or have a substantial financial impact upon taxpayers or the broader community.

The NSW Government does not support wholesale reform of the exemptions framework as it considers the abiding public interest is to keep the existing exemptions framework largely in place, with anomalies being addressed on a case by case basis.

The NSW Government, after considering feedback from stakeholders and the community, will undertake further work on the existing conservation rating exemption.

Land subject to a conservation agreement

Traditionally, most conservation agreements have been entered into in relation to environmental issues under section 69C(1)(a) and (e) of the *National Parks and Wildlife Act 1974 (NPW Act)*. The use of conservation agreements for these environmental purposes has now largely been replaced by the provisions for Conservation Agreements, Wildlife Refuge Agreements and Biodiversity Stewardship Agreements under the *Biodiversity Conservation Act 2016 (BC Act)*. Some programs established under the BC Act provide funding to assist with conservation efforts while others do not. For example, landholders who are successful under the Conservation Management Program are eligible for annual conservation management payments to undertake agreed conservation management activities such as pest and weed control, and fencing. However, there remain a number of agreements which exist in perpetuity and for which funding is not provided.

Conservation agreement provisions in the NPW Act remain a significant mechanism for conserving Aboriginal cultural heritage and historic heritage of national significance that is located on privately owned land. Unlike for environmental conservation, there are very limited other financial incentives available to private landholders to act to conserve and protect Aboriginal Cultural Heritage or nationally significant historic heritage on private land.

Given the issues above, further consultation and assessment will occur to ensure that the issues associated with protection of Aboriginal cultural heritage and historic conservation agreements are adequately considered and addressed, while recognising there may be potential to address anomalies with the existing exemption brought about by the introduction of the BC Act.

Theme 5: Assistance to pensioners

Current Situation

Under the *Local Government Act 1993*, eligible pensioners are provided concessions on their ordinary rates and domestic waste management services charge. The cost of providing these concessions is shared between the State Government (55 per cent) and local councils (45 per cent). Councils can provide concessions above the regulated amount, but this must be funded by the council alone.

What IPART recommends

IPART recommended the implementation of a rate deferral scheme to be operated by the NSW Government. This would allow new and existing eligible pensioners to defer payment of ordinary council rates up to $1,000 per annum and indexed to CPI, or any other amount as determined by the NSW Government (becoming due when ownership changes). This would be mandatory for new pensioners and would be optional for existing pensioners (who could choose to defer or opt for the existing concession).

Government response

The NSW Government has made it clear that it will not take any action that would disadvantage pensioners in its response to the IPART Rating Review.

Given this, and the experience of other jurisdictions that have established a rate deferral scheme where take up is reportedly low, the Government does not believe the case for wholesale change to the existing rates concession framework has been made. Therefore, the NSW Government will not support the introduction of a state-wide rate deferral framework.

Theme 6: Recovery of council rates

Current Situation

NSW councils collect rates and charges each year in line with relevant provisions of the *Local Government Act 1993*. Councils receiving funds on time are in a better position to be financially sustainable and continue to deliver the services and facilities local communities need and expect. The volume of overdue rates and charges across NSW councils varies markedly primarily based on circumstances within individual councils and communities.

Likewise, unpaid debt also places an unreasonable burden on both the community and potentially the local court system. There are a range of existing powers available to councils under the *Local Government Act 1993*.

What IPART recommends

IPART suggested several changes to the practice of councils and the regulatory framework to improve the management and processing of overdue and unpaid rates and charges. The goal of such changes is to improve the efficiency and effectiveness of local government debt management and therefore removing undue burden on local councils and ultimately local courts.

Government response

The NSW Government released the *Debt Management and Hardship Guidelines* in November 2018 for local councils to provide best practice advice on how to manage debt recovery and hardship within their community.

The Guidelines assist councils to develop proactive measures to ensure prompt payment, minimise default, follow up ratepayers, recover debts fairly, assess hardship claims and monitor debt. Each council should adopt robust, fair and transparent policies and procedures outlining how they will communicate with ratepayers, collect monies owing, assess hardship claims and, where necessary, recover overdue payments to manage debt.

The Guidelines, which are part of the NSW Government's Civil Justice Strategy, have been issued by the Office of Local Government under Section 23A of the *Local Government Act 1993*. This means all NSW councils must take them into account when developing and implementing debt management and hardship policies and procedures.

The NSW Government is committed to local councils having best practice debt management and hardship policies and frameworks for the recovery of all debts, including rates. Also, NSW councils can now use the Revenue NSW to recover their debts should they elect to do so.

The Government will continue to monitor the effectiveness of the Guidelines and associated regulatory and legislative framework.

Table 1: List of Recommendations and Government Response

	Recommendation	Government Response
1	The *Local Government Act 1993* should be amended to mandate Capital Improved Value (CIV) as the basis for setting ad valorem rates in the metropolitan council areas defined in Box 3.1.	Noted. Given the lack of a clear case in support of introducing CIV, the significant implementation costs involved and the strong stakeholder views, the Government will not implement CIV as a basis for setting ad valorem rates at this time.
2	The *Local Government Act 1993* should be amended to allow non-metropolitan councils to choose between the Capital Improved Value and Unimproved Value (UV) methods as the basis for setting ad valorem rates at the rating category level.	Noted.
3	The *Local Government Act 1993* should be amended to facilitate a gradual transition of rates to a Capital Improved Value method.	Noted.
4	Section 497 of the *Local Government Act 1993* should be amended to remove minimum amounts from the structure of a rate, and section 548 of the *Local Government Act 1993* (NSW) should be removed.	Noted.
5	The *Local Government Act 1993* should be amended so that the growth in rates revenue outside the rate peg is calculated using the formula based on changes in CIV, defined in Box 4.1.	Noted.
6	The NSW Government fund the NSW Valuer General for the upfront cost of establishing the database to determine Capital Improved Values.	Noted.
7	The NSW Government fund the cost for a non-metropolitan council to set up a Capital Improved Value database for the purposes of implementing our recommended formula for calculating growth in rates revenue outside the rate peg, where the Unimproved Value method for setting rates is maintained.	Noted.

	Recommendation	Government Response
8	The *Local Government Act 1993* should be amended to allow councils to levy a new type of special rate for new infrastructure jointly funded with other levels of Government. This special rate should be permitted for services or infrastructure that benefit the community, and funds raised under this special rate should not: » form part of a council's general income permitted under the rate peg, nor » require councils to receive regulatory approval from IPART.	Support. The Government will examine how this recommendation can complement current reforms being made to the infrastructure contributions framework.
9	Section 511 of the *Local Government Act 1993* should be amended to reflect that, where a council does not apply the full percentage increase of the rate peg (or any applicable Special Variation) in a year, within the following 10-year period, the council can set rates in a subsequent year to return it to the original rating trajectory for that subsequent year.	Support (already adopted).
10	The *Local Government Act 1993* should be amended to remove the requirement to equalise residential rates by 'centre of population'. Instead, the *Local Government Act 1993* should allow councils to determine a residential subcategory, and set a residential rate, by: » separate town or village, or residential area.	Support in principle

	Recommendation	Government Response
11	The *Local Government Act 1993* should outline that: » A 'residential area' is an area within a contiguous urban locality that has, on average, different access to, demand for, or costs of providing council services or infrastructure (relative to other areas in that locality). Councils could use geographic markers to define the boundaries for a residential area, including postcode boundaries, suburb boundaries, geographic features (eg, waterways, bushland) and/or the location of major infrastructure (eg, arterial roads, railway lines).	Support in principle
12	The *Local Government Act 1993* should be amended so, where a council uses different residential rates within a contiguous urban locality, it should be required to: » ensure the highest rate structure is no more than 1.5 times the average rate structure across all residential subcategories (ie, so the maximum difference between the highest and average ad valorem rates and base amounts is 50%), or obtain approval from IPART to exceed this maximum difference, and » publish the different rates (along with the reasons for the different rates) on its website and in the rates notice received by ratepayers.	Support in principle

	Recommendation	Government Response
13	At the end of the 4-year rate path freeze, new councils determine whether any pre-merger areas are separate towns or villages, or different residential areas. » In the event that a new council determines they are separate towns or villages, or different residential areas, it should be able to continue the existing rates or set different rates for these pre-merger areas, subject to metropolitan councils seeking IPART approval if they exceed the 50% maximum differential. It could also choose to equalise rates across the pre-merger areas, using the gradual equalisation process outlined below. » In the event that a new council determines they are not separate towns or villages, or different residential areas, or it chooses to equalise rates, it should undertake a gradual equalisation of residential rates. The amount of rates a resident is liable to pay to the council should increase by no more than 10 percentage points above the rate peg (as adjusted for Special Variations) each year as a result of this equalisation. The *Local Government Act 1993* should be amended to facilitate this gradual equalisation.	For further analysis and consideration, as part of the development of a rates harmonisation framework.

	Recommendation	Government Response
14	Sections 555 and 556 of the *Local Government Act 1993* should be amended to: » exempt land on the basis of use rather than ownership, and to directly link the exemption to the use of the land, and » ensure land used for residential and commercial purposes is rateable unless explicitly exempted.	Noted. As per the interim Government response, the Government has ruled out implementing recommendations that would adversely impact vulnerable members of the community, such as pensioners or charities, or have a substantial financial impact upon taxpayers or the broader community. The Government will continue to examine exemptions over time to address clear anomalies and inequities.
15	Land that is used for residential care as defined in Section 41-3(1) of the *Aged Care Act 1997 (Cth)* be proportionally rateable according to the share of places whose maximum Refundable Accommodation Deposit is above the level set by the Minister for Health and Aged Care (currently $550,000).	Noted.
16	Section 556(1)(i) of the *Local Government Act 1993* should be amended to include land owned by a private hospital and used for that purpose.	Noted.

	Recommendation	Government Response
17	The following exemptions be removed: » land that is vested in, owned by, or within a special or controlled area for, the Hunter Water Corporation, Water NSW or the Sydney Water Corporation (*Local Government Act 1993* section 555(1)(c) and section 555(1)(d)) » land that is below the high water mark and is used for the cultivation of oysters (*Local Government Act 1993* section 555(1)(h)) » land that is held under a lease from the Crown for private purposes and is the subject of a mineral claim (*Local Government Act 1993* section 556(1)(g)), and land that is managed by the Teacher Housing Authority and on which a house is erected (*Local Government Act 1993* section 556(1)(p)).	Noted. As per the interim Government response, the Government has ruled out implementing recommendations that would adversely impact vulnerable members of the community, such as pensioners or charities, or have a substantial financial impact upon taxpayers or the broader community. The Government will continue to examine exemptions over time to address clear anomalies and inequities.
18	Section 555(1)(b1) of the *Local Government Act 1993* should be amended to remove the current rating exemption for land that is the subject of a conservation agreement and instead require it to be rated using the Environmental Land category.	Support in part. Subject to further consultation on implementation issues with respect to the range of agreements in force and the preservation of environmental, historical and Aboriginal cultural heritage outcomes.

	Recommendation	Government Response
19	The following exemptions not be funded by local councils and hence should be removed from the Local Government Act and Regulation: » land that is vested in the Sydney Cricket and Sports Ground Trust (*Local Government Act 1993* section 556(1)(m)) » land that is leased by the Royal Agricultural Society in the Homebush Bay area (*Local Government (General) Regulation 2005* reg 123(a)) » land that is occupied by the Museum of Contemporary Art Limited (*Local Government (General) Regulation 2005 reg 123(b)*), and » land comprising the site known as Museum of Sydney (*Local Government (General) Regulation 2005* reg 123(c)). The NSW Government should consider whether to fund these local rates through State taxes.	Noted. As per the interim Government response, the Government has ruled out implementing recommendations that would adversely impact vulnerable members of the community, such as pensioners or charities, or have a substantial financial impact upon taxpayers or the broader community. The Government will continue to examine exemptions over time to address clear anomalies and inequities.
20	Where a portion of land is used for an exempt purpose and the remainder for a non-exempt activity, only the former portion should be exempt, and the remainder should be rateable.	Noted. As per the interim Government response, the Government has ruled out implementing recommendations that would adversely impact vulnerable members of the community, such as pensioners or charities, or have a substantial financial impact upon taxpayers or the broader community. The Government will continue to examine exemptions over time to address clear anomalies and inequities.

	Recommendation	Government Response
21	Where land is used for an exempt purpose only part of the time, a self-assessment process should be used to determine the proportion of rates payable for the non-exempt use.	Noted. As per the interim Government response, the Government has ruled out implementing recommendations that would adversely impact vulnerable members of the community, such as pensioners or charities, or have a substantial financial impact upon taxpayers or the broader community. The Government will continue to examine exemptions over time to address clear anomalies and inequities.
22	A council's maximum general income not be modified as a result of any changes to exemptions from implementing our recommendations.	Noted.
23	A council may apply to IPART for a Special Variation to take account of the changes in exemptions using a streamlined process in the year that our recommended exemption changes come into force. The council would need to demonstrate: » it satisfies the first criteria for Special Variation applications in the OLG guidelines relating to the need for and purpose of a different revenue path for the council's General Fund, and » that any subcategory rating structure applied to previously exempt properties is no greater than the average rate structure across the relevant rating category.	Noted.

	Recommendation	Government Response
24	The *Local Government Act 1993* should be amended to remove the current exemptions from water and sewerage special charges in section 555 and instead allow councils discretion to exempt these properties from water and sewerage special rates in a similar manner as occurs under section 558(1).	Support.
25	At the start of each rating period, councils calculate the estimated value of rating exemptions within the council area. This information should be published in the council's annual report or otherwise made available to the public.	Support.
26	For new and existing eligible pensioners, introduce a rate deferral scheme operated by the NSW Government, where: » eligible pensioners would be allowed to defer payment of ordinary council rates up to $1,000 per annum and indexed to CPI, or any other amount as determined by the NSW Government.	Noted. .
27	Give existing eligible pensioners the option to access, either: » the current pensioner concession, or » the rate deferral scheme, as defined in Recommendation 26.	Noted.
28	Funding pensioner assistance: » the current pensioner concession funding arrangements would continue. » the rate deferral scheme (defined in Recommendation 26) would be funded by the NSW Government. The loan should be charged interest at the NSW Government's 10-year borrowing rate, and could become due when property ownership changes	Noted.

	Recommendation	Government Response
29	Section 493 of the *Local Government Act 1993* should be amended to add a new environmental land category and a definition of 'environmental land' should be included in the *Local Government Act 1993*. Land subject to a state conservation agreement is categorised as 'environmental land' for the purposes of setting rates.	Support in principle. Refer to recommendation 18.
30	Section 529(2)(d) of the *Local Government Act 1993* should be amended to allow business land to be subcategorised as 'industrial' and or 'commercial' in addition to centre of activity.	Support.
31	Sections 493, 519 and 529 of the *Local Government Act 1993* should be amended to add an optional vacant land subcategory for residential, business and mining land.	Support.
32	Section 529 (2)(a) of the *Local Government Act 1993* should be replaced to allow farmland subcategories to be determined based on geographic location.	Support in principle. Subject to further consultation and analysis with respect to implementation and potential unintended consequences.
33	Section 518 of the *Local Government Act 1993* should be amended to reflect that a council may determine by resolution which rating category will act as the residual category. » the residual category that is determined should not be subject to change for a 4-year period. » if a council does not determine a residual category, the business category should act as the default residual rating category.	Support.

	Recommendation	Government Response
34	Any difference in the rate charged by a council to a mining category compared to its average business rate should primarily reflect differences in the council's costs of providing services to the mining properties.	Support.
35	Councils have the option to engage the State Debt Recovery Office to recover outstanding council rates and charges.	Support. Already adopted.
36	The existing legal and administrative process to recover outstanding rates be streamlined by reducing the period of time before a property can be sold to recover rates from five years to three years.	Support.
37	All councils adopt an internal review policy, to assist those who are late in paying rates, before commencing legal proceedings to recover unpaid rates.	Support. Already adopted.
38	The *Local Government Act 1993* should be amended or the Office of Local Government should issue guidelines to clarify that councils can offer flexible payment options to ratepayers.	Support. Already adopted.
39	The *Local Government Act 1993* should be amended to allow councils to offer a discount to ratepayers who elect to receive rates notices in electronic formats, eg, via email.	Support. Already adopted.
40	The *Local Government Act 1993* should be amended to remove section 585 and section 595, so that ratepayers are not permitted to postpone rates as a result of land rezoning, and councils are not required to write-off postponed rates after five years.	Support in principle.

	Recommendation	Government Response
41	The valuation base date for the Emergency Services Property Levy and council rates be aligned. » The NSW Government should levy the Emergency Services Property Levy on a Capital Improved Value basis when Capital Improved Value data becomes available state-wide.	Noted.
42	After the NSW Valuer General has established the database to determine Capital Improved Values for rating purposes, councils be given the choice to directly buy valuation services from private valuers that have been certified by the NSW Valuer General.	Noted.

NSW GOVERNMENT

QUEANBEYAN-PALERANG REGIONAL COUNCIL

Council Meeting Attachment

26 AUGUST 2020

ITEM 9.14 INVESTMENT REPORT - JULY 2020

ATTACHMENT 1 INVESTMENT REPORT PACK - JULY 2020

Investment Report Pack

Queanbeyan-Palerang Regional Council

As At 31 July 2020

QPRC

Contents

1. Budget vs Actual Interest Income 1 July 2020 to 30 June 2021
2. Portfolio Valuation As At 31 July 2020
3. Portfolio Compliance As At 31 July 2020
4. Portfolio Statistics For Period Ending 31 July 2020

QPRC

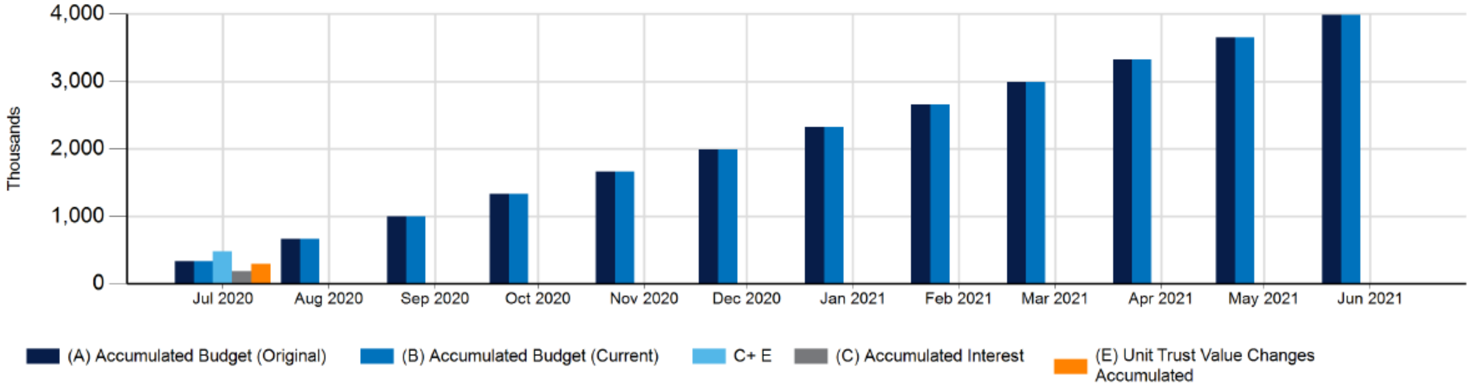
Investment Report Pack
Queanbeyan-Palerang Regional Council
as at 31 July 2020

1. Budget vs Actual Interest Income 1 July 2020 to 30 June 2021

Month / Year	(A) Income Interest Budget (Original) Running Total	Interest Income Budget (Current) For Month	(B) Interest Income Budget (Current) Running Total	(T) Interest Income Received/Accrued For Month	(C) Interest Income Received/Accrued Running Total	Accrued Interest Acquired For Month	Accrued Interest Acquired Running Total	(U) Unit Trust Market Value Changes	(E) Unit Trust Market Value Changes Running Total	'Return' For Month (T +U)
Jul 2020	332,474.00	332,474.00	332,474.00	185,735.10	185,735.10	0.00	0.00	297,157.56	297,157.56	482,892.66
Aug 2020	664,948.00	332,474.00	664,948.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sep 2020	997,422.00	332,474.00	997,422.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Oct 2020	1,329,896.00	332,474.00	1,329,896.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nov 2020	1,662,370.00	332,474.00	1,662,370.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dec 2020	1,994,844.00	332,474.00	1,994,844.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jan 2021	2,327,318.00	332,474.00	2,327,318.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Feb 2021	2,659,792.00	332,474.00	2,659,792.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mar 2021	2,992,266.00	332,474.00	2,992,266.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Apr 2021	3,324,740.00	332,474.00	3,324,740.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
May 2021	3,657,214.00	332,474.00	3,657,214.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jun 2021	3,989,688.00	332,474.00	3,989,688.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		3,989,688.00		185,735.10		0.00		297,157.56		482,892.66

Notes on Table Above
1A. The numbers shown in Column T are the accrual interest amounts for that month combined with the At Call Deposit, Unit Trust and Unassigned interest and distribution income received during that month.
1B. The accruals shown in this section have been calculated using each security's coupon schedule.

Accumulated Budget vs Actual (Accruals Based Upon Coupon Payment Schedules)



2. Portfolio Valuation As At 31 July 2020

	Fixed Interest Security	Security Rating	ISIN	Face Value Original	Bond Factor	Face Value Current	Capital Price	Accrued Interest Price	Unit Price Notional	Unit Count	Market Value	% Total Value	Running Yield	Weighted Running Yield
At Call Deposit														
	AMP QPRC At Call	S&P ST A2		862,522.21	1.00000000	862,522.21	100.000	0.000			**862,522.21**	0.48%	0.70%	
	ANZ At Call	S&P AA-		347,537.41	1.00000000	347,537.41	100.000	0.000			**347,537.41**	0.19%	0.25%	
	BENAU At Call	Moodys A3		17,097.03	1.00000000	17,097.03	100.000	0.000			**17,097.03**	0.01%	1.00%	
	BENAU transaction At Call	Moodys A3		9,421.24	1.00000000	9,421.24	100.000	0.000			**9,421.24**	0.01%	0.00%	
	NAB At Call	S&P AA-		10,085,818.39	1.00000000	10,085,818.39	100.000	0.000			**10,085,818.39**	5.56%	0.55%	
	NAB General At Call	S&P AA-		3,426,911.05	1.00000000	3,426,911.05	100.000	0.000			**3,426,911.05**	1.89%	0.25%	
	NAB Links At Call	S&P AA-		492,856.56	1.00000000	492,856.56	100.000	0.000			**492,856.56**	0.27%	0.25%	
				15,242,163.89		15,242,163.89					**15,242,163.89**	8.40%		0.47%
Flexi Deposit (Fix/Float)														
	Westpac 2.96 25 Oct 2022 1826DAY FD	S&P AA-		2,000,000.00	1.00000000	2,000,000.00	100.000	0.032			**2,000,648.76**	1.10%	1.05%	
	Westpac 2.89 07 Dec 2022 1827DAY FD	S&P AA-		3,000,000.00	1.00000000	3,000,000.00	100.000	0.412			**3,012,351.78**	1.66%	1.05%	
				5,000,000.00		5,000,000.00					**5,013,000.54**	2.76%		1.05%
Floating Rate Deposit														
	Westpac 1.01 17 Apr 2024 1827DAY FRD	S&P AA-		3,000,000.00	1.00000000	3,000,000.00	100.000	0.042			**3,001,268.40**	1.65%	1.10%	
	Westpac 1 29 Apr 2024 1827DAY FRD	S&P AA-		4,000,000.00	1.00000000	4,000,000.00	100.000	0.006			**4,000,238.92**	2.21%	1.09%	
	Westpac 0.98 03 Jul 2024 1827DAY FRD	S&P AA-		5,000,000.00	1.00000000	5,000,000.00	100.000	0.082			**5,004,110.65**	2.76%	1.07%	
				12,000,000.00		12,000,000.00					**12,005,617.97**	6.62%		1.09%
Floating Rate Note														
	AMP 1.08 10 Sep 2021 FRN	S&P BBB+	AU3FN0044657	3,000,000.00	1.00000000	3,000,000.00	100.100	0.165			**3,007,950.00**	1.66%	1.18%	
	AMP 1.05 30 Mar 2022 FRN	S&P BBB+	AU3FN0035283	2,000,000.00	1.00000000	2,000,000.00	99.736	0.098			**1,996,680.00**	1.10%	1.15%	
	Auswide 1.05 17 Mar 2023 FRN	Moodys Baa2	AU3FN0053567	2,500,000.00	1.00000000	2,500,000.00	100.285	0.139			**2,510,600.00**	1.38%	1.15%	
	BOQ 1.17 26 Oct 2020 FRN	Fitch A-	AU3FN0033023	2,000,000.00	1.00000000	2,000,000.00	100.210	0.014			**2,004,480.00**	1.11%	1.27%	
	BOQ 1.48 18 May 2021 FRN	Fitch A-	AU3FN0031290	2,000,000.00	1.00000000	2,000,000.00	100.784	0.320			**2,022,080.00**	1.11%	1.58%	
	BENAU 1.1 18 Aug 2020 FRN	Fitch A-	AU3FN0028361	2,000,000.00	1.00000000	2,000,000.00	100.040	0.243			**2,005,660.00**	1.11%	1.20%	
	BENAU 1.46 20 Apr 2021 FRN	Fitch A-	AU3FN0030938	1,000,000.00	1.00000000	1,000,000.00	100.800	0.047			**1,008,470.00**	0.56%	1.56%	
	BENAU 1.05 25 Jan 2023 FRN	Moodys A3	AU3FN0040523	1,500,000.00	1.00000000	1,500,000.00	101.257	0.013			**1,519,050.00**	0.84%	1.15%	
	CBA 1.15 18 Jan 2021 FRN	S&P AA-	AU3FN0029906	2,000,000.00	1.00000000	2,000,000.00	100.479	0.038			**2,010,340.00**	1.11%	1.25%	
	CBA 1.11 17 Jan 2022 FRN	S&P AA-	AU3FN0034005	2,000,000.00	1.00000000	2,000,000.00	101.333	0.046			**2,027,580.00**	1.12%	1.21%	
	CBA 0.88 25 Jul 2022 FRN	Moodys Aa3	AU3FN0037198	2,000,000.00	1.00000000	2,000,000.00	101.247	0.011			**2,025,160.00**	1.12%	0.98%	
	CBA 0.93 16 Aug 2023 FRN	S&P AA-	AU3FN0044046	1,500,000.00	1.00000000	1,500,000.00	101.781	0.208			**1,529,835.00**	0.84%	1.03%	
	CBA 1.13 11 Jan 2024 FRN	S&P AA-	AU3FN0046561	5,000,000.00	1.00000000	5,000,000.00	102.560	0.061			**5,131,050.00**	2.83%	1.23%	
	CredSuis 1.95 09 Mar 2021 FRN	S&P A	AU3FN0030458	1,000,000.00	1.00000000	1,000,000.00	101.048	0.292			**1,013,400.00**	0.56%	2.05%	

QPRC

Investment Report Pack
Queanbeyan-Palerang Regional Council
as at 31 July 2020

	Fixed Interest Security	Security Rating	ISIN	Face Value Original	Bond Factor	Face Value Current	Capital Price	Accrued Interest Price	Unit Price Notional	Unit Count	Market Value	% Total Value	Running Yield	Weighted Running Yield
	CUA 1.23 04 Mar 2022 FRN	Moodys Baa1	AU3FN0046793	1,000,000.00	1.00000000	1,000,000.00	101.079	0.208			**1,012,870.00**	0.56%	1.33%	
	CUA 0.9 21 Feb 2023 FRN	S&P BBB	AU3FN0052924	1,100,000.00	1.00000000	1,100,000.00	100.352	0.193			**1,105,995.00**	0.61%	0.99%	
	HBS 1.23 29 Mar 2021 FRN	Moodys Baa1	AU3FN0041646	2,000,000.00	1.00000000	2,000,000.00	100.489	0.117			**2,012,120.00**	1.11%	1.33%	
	HSBCSyd 0.83 27 Sep 2024 FRN	S&P AA-	AU3FN0050498	4,000,000.00	1.00000000	4,000,000.00	99.918	0.082			**4,000,000.00**	2.21%	0.93%	
	MACQ 0.84 12 Feb 2025 FRN	Moodys A2	AU3FN0052908	3,000,000.00	1.00000000	3,000,000.00	100.974	0.204			**3,035,340.00**	1.67%	0.93%	
	RACB 1.05 23 May 2022 FRN	Moodys Baa1	AU3FN0048328	800,000.00	1.00000000	800,000.00	100.557	0.211			**806,144.00**	0.44%	1.15%	
	RACB 0.93 24 Feb 2023 FRN	S&P BBB+	AU3FN0053146	1,850,000.00	1.00000000	1,850,000.00	100.050	0.189			**1,854,421.50**	1.02%	1.03%	
	ME Bank 0.98 18 Jul 2022 FRN	S&P BBB	AU3FN0048948	2,500,000.00	1.00000000	2,500,000.00	100.449	0.033			**2,512,050.00**	1.39%	1.08%	
	NAB 1.17 12 May 2021 FRN	S&P AA-	AU3FN0031274	5,000,000.00	1.00000000	5,000,000.00	100.804	0.276			**5,054,000.00**	2.79%	1.26%	
	NAB 0.9 05 Jul 2022 FRN	S&P AA-	AU3FN0036950	5,000,000.00	1.00000000	5,000,000.00	101.251	0.068			**5,065,950.00**	2.79%	1.00%	
	NAB 0.93 26 Sep 2023 FRN	S&P AA-	AU3FN0044996	3,000,000.00	1.00000000	3,000,000.00	101.816	0.099			**3,057,450.00**	1.69%	1.03%	
	NAB 1.04 26 Feb 2024 FRN	S&P AA-	AU3FN0046777	2,000,000.00	1.00000000	2,000,000.00	102.258	0.205			**2,049,260.00**	1.13%	1.14%	
	NAB 0.92 19 Jun 2024 FRN	S&P AA-	AU3FN0048724	3,200,000.00	1.00000000	3,200,000.00	101.881	0.118			**3,263,968.00**	1.80%	1.03%	
	NPBS 1.1 26 Feb 2021 FRN	S&P BBB	AU3FN0046769	500,000.00	1.00000000	500,000.00	100.387	0.216			**503,015.00**	0.28%	1.20%	
	NPBS 1.4 06 Feb 2023 FRN	S&P BBB	AU3FN0040606	1,250,000.00	1.00000000	1,250,000.00	101.388	0.355			**1,271,787.50**	0.70%	1.51%	
	RABOBK 1.5 04 Mar 2021 FRN	S&P A+	AU3FN0030409	1,000,000.00	1.00000000	1,000,000.00	100.720	0.250			**1,009,700.00**	0.56%	1.60%	
	RABOBK 1.08 03 Mar 2022 FRN	S&P A+	AU3FN0034690	1,000,000.00	1.00000000	1,000,000.00	101.094	0.188			**1,012,820.00**	0.56%	1.18%	
	SunBank 1.25 20 Oct 2020 FRN	S&P A+	AU3FN0029195	2,000,000.00	1.00000000	2,000,000.00	100.229	0.041			**2,005,400.00**	1.11%	1.35%	
	Westpac 1.17 03 Jun 2021 FRN	S&P AA-	AU3FN0031530	2,000,000.00	1.00000000	2,000,000.00	100.859	0.202			**2,021,220.00**	1.11%	1.27%	
				71,700,000.00		71,700,000.00					**72,465,846.00**	39.96%		1.18%
Term Deposit														
	AMP 1.8 10 Mar 2021 553DAY TD	S&P ST A2		5,000,000.00	1.00000000	5,000,000.00	100.000	1.632			**5,081,616.45**	2.80%	1.80%	
	Auswide 1.75 09 Mar 2022 728DAY TD	Moodys Baa2		5,000,000.00	1.00000000	5,000,000.00	100.000	0.681			**5,034,041.10**	2.78%	1.75%	
	BOQ 3.6 03 Feb 2021 1462DAY TD	Moodys ST P-2		3,000,000.00	1.00000000	3,000,000.00	100.000	1.765			**3,052,964.37**	1.68%	3.60%	
	BOQ 3.6 03 Mar 2021 1456DAY TD	Moodys ST P-2		4,000,000.00	1.00000000	4,000,000.00	100.000	1.479			**4,059,178.08**	2.24%	3.60%	
	DFB 3 24 Feb 2021 728DAY TD	S&P ST A2		2,000,000.00	1.00000000	2,000,000.00	100.000	1.282			**2,025,643.84**	1.12%	3.00%	
	MACQ 1.75 30 Sep 2020 182DAY TD	Moodys ST P-1		5,000,000.00	1.00000000	5,000,000.00	100.000	0.580			**5,029,006.85**	2.77%	1.75%	
	MACQ 1.7 23 Dec 2020 289DAY TD	Moodys ST P-1		5,000,000.00	1.00000000	5,000,000.00	100.000	0.671			**5,033,534.25**	2.78%	1.70%	
	MYS 1.82 16 Sep 2020 182DAY TD	Moodys ST P-2		1,000,000.00	1.00000000	1,000,000.00	100.000	0.673			**1,006,731.51**	0.56%	1.82%	
	NAB 0.9 11 Nov 2020 146DAY TD	S&P ST A1+		7,000,000.00	1.00000000	7,000,000.00	100.000	0.106			**7,007,421.89**	3.86%	0.90%	
	NAB 1.5 09 Dec 2020 364DAY TD	S&P ST A1+		3,000,000.00	1.00000000	3,000,000.00	100.000	0.958			**3,028,726.02**	1.67%	1.50%	
	NPBS 3.7 03 Mar 2021 1822DAY TD	S&P ST A2		1,000,000.00	1.00000000	1,000,000.00	100.000	0.527			**1,005,271.23**	0.55%	3.70%	
	Westpac 2.9 09 Dec 2020 1099DAY TD	S&P ST A1+		3,000,000.00	1.00000000	3,000,000.00	100.000	0.413			**3,012,394.53**	1.66%	2.90%	
				44,000,000.00		44,000,000.00					**44,376,530.12**	24.47%		2.07%
Unit Trust														

	Fixed Interest Security	Security Rating	ISIN	Face Value Original	Bond Factor	Face Value Current	Capital Price	Accrued Interest Price	Unit Price Notional	**Unit Count**	**Market Value**	% Total Value	Running Yield	Weighted Running Yield
	NSWTC IM Cash Fund UT	S&P AAA		7,174,179.70		7,174,179.70			0.9338	7,683,191.1102	**7,174,179.70**	3.96%		
	NSWTC Long Term Growth Fund UT	S&P AAA		14,365,145.56		14,365,145.56			0.9973	14,404,758.6500	**14,365,145.56**	7.92%		
	NSWTC Medium Term Growth Fund UT	S&P AAA		10,720,528.07		10,720,528.07			0.9874	10,857,660.3200	**10,720,528.07**	5.91%		
				32,259,853.33		32,259,853.33					**32,259,853.33**	17.79%		
Portfolio Total				180,202,017.22		180,202,017.22					**181,363,011.85**	100.00%		1.36%

Note: For holdings in unit funds and similar securities, the face value (original and current) columns will display market values.

QPRC

Investment Report Pack
Queanbeyan-Palerang Regional Council
as at 31 July 2020

3. Portfolio Compliance As At 31 July 2020

Short Term Issuer/Security Rating Group	Market Value	% Total Value
A2	17,093,927.69	9.43%
A1	10,062,541.10	5.55%
A1+	13,048,542.44	7.19%
Portfolio Total	40,205,011.23	22.17%

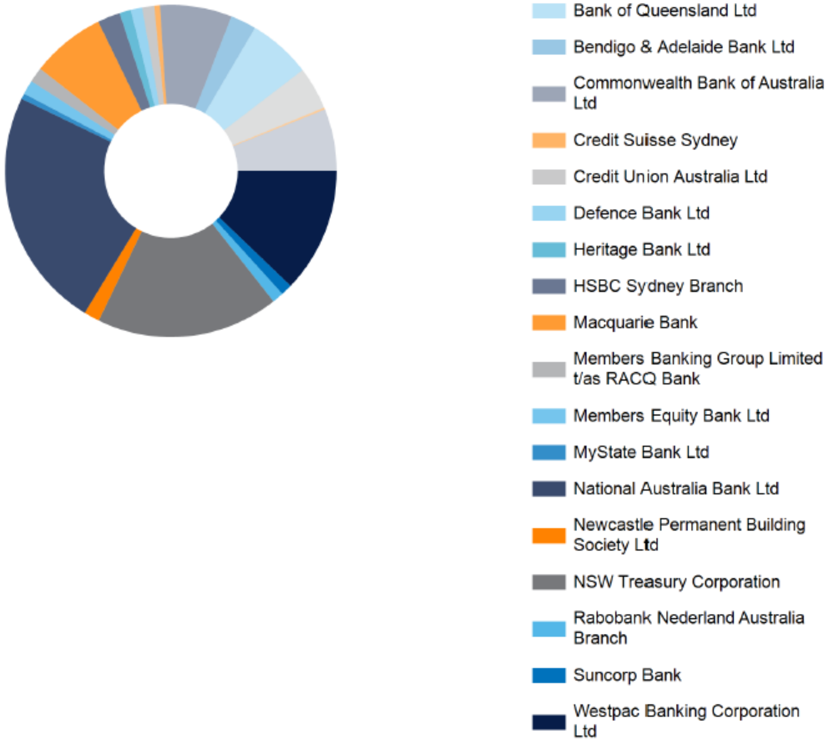
Market Value by Security Rating Group (Short Term)

Long Term Issuer/Security Rating Group	Market Value	% Total Value
BBB+ to BBB-	23,627,674.10	13.03%
A+ to A-	16,662,918.27	9.19%
AA+ to AA-	68,607,554.92	37.83%
AAA	32,259,853.33	17.79%
Portfolio Total	141,158,000.62	77.83%

Market Value by Security Rating Group (Long Term)

Issuer	Market Value	% Total Value
AMP Bank Ltd	10,948,768.66	6.04%
ANZ Banking Group Ltd	347,537.41	0.19%
Auswide Bank Limited	7,544,641.10	4.16%
Bank of Queensland Ltd	11,138,702.45	6.14%
Bendigo & Adelaide Bank Ltd	4,559,698.27	2.51%
Commonwealth Bank of Australia Ltd	12,723,965.00	7.02%
Credit Suisse Sydney	1,013,400.00	0.56%
Credit Union Australia Ltd	2,118,865.00	1.17%
Defence Bank Ltd	2,025,643.84	1.12%
Heritage Bank Ltd	2,012,120.00	1.11%
HSBC Sydney Branch	4,000,000.00	2.21%
Macquarie Bank	13,097,881.10	7.22%
Members Banking Group Limited t/as RACQ Bank	2,660,565.50	1.47%
Members Equity Bank Ltd	2,512,050.00	1.39%
MyState Bank Ltd	1,006,731.51	0.56%
National Australia Bank Ltd	42,532,361.91	23.45%
Newcastle Permanent Building Society Ltd	2,780,073.73	1.53%
NSW Treasury Corporation	32,259,853.33	17.79%
Rabobank Nederland Australia Branch	2,022,520.00	1.12%
Suncorp Bank	2,005,400.00	1.11%
Westpac Banking Corporation Ltd	22,052,233.04	12.16%
Portfolio Total	181,363,011.85	100.00%

Market Value by Issuer

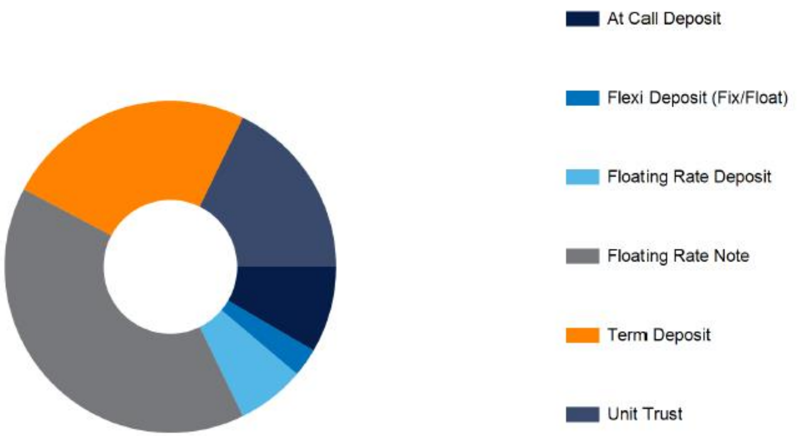


QPRC

Investment Report Pack
Queanbeyan-Palerang Regional Council
as at 31 July 2020

Security Type	Market Value	% Total Value
At Call Deposit	15,242,163.89	8.40%
Flexi Deposit (Fix/Float)	5,013,000.54	2.76%
Floating Rate Deposit	12,005,617.97	6.62%
Floating Rate Note	72,465,846.00	39.96%
Term Deposit	44,376,530.12	24.47%
Unit Trust	32,259,853.33	17.79%
Portfolio Total	181,363,011.85	100.00%

Market Value by Security Type



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Investment Report Pack
Queanbeyan-Palerang Regional Council
as at 31 July 2020

Term Remaining	Market Value	% Total Value
0 to < 1 Year	109,514,391.24	60.38%
1 to < 3 Years	37,776,099.64	20.83%
3 to < 5 Years	34,072,520.97	18.79%
Portfolio Total	181,363,011.85	100.00%

Note: Term Remaining is calculated using a weighted average life date (WAL) where appropriate and available otherwise the interim (initial) maturity date is used.

Market Value by Term Remaining

Investment Policy Compliance	
Legislative Requirements	Fully compliant
Issuer	Fully compliant (29 limits)
Security Rating Group	Fully compliant (7 limits)
Term Group	Fully compliant (4 limits)

4. Portfolio Statistics For Period Ending 31 July 2020

Trading Book		1 Month	3 Month	12 Month	Since Inception
Queanbeyan-Palerang Regional Council					
	Portfolio Return (1)	0.37%	1.06%	1.73%	2.64%
	Performance Index (2)	0.01%	0.03%	0.73%	1.35%
	Excess Performance (3)	0.36%	1.03%	1.00%	1.29%

Notes

1 Portfolio performance is the rate of return of the portfolio over the specified period

2 The Performance Index is the Bloomberg AusBond Bank Bill Index (Bloomberg Page BAUBIL)

3 Excess performance is the rate of return of the portfolio in excess of the Performance Index

Trading Book	Weighted Average Running Yield
Queanbeyan-Palerang Regional Council	1.36

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Investment Report Pack
Queanbeyan-Palerang Regional Council
as at 31 July 2020

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Report Code: TEPACK080EXT-00.07
Report Description: Investment Report Pack 080
Parameters:
Trading Entity: Queanbeyan-Palerang Regional Council
Trading Book: Queanbeyan-Palerang Regional Council
Settlement Date Base
Period End Date: 31 Jul 2020
Financial Year Start Date: 1 Jul 2020
Financial Year End Date: 30 Jun 2021
History Start Date: 1 Jan 2000
Exclude Cash
Exclude Unallocated Cash
Exclude Negative Unit Holdings
Trading Limit Parameters:
Use Face Value
Use Security Rating Group
Eliminate Issuer Parent Child Effect? No
Trading Entity Limits Only? No