



# **Extraordinary Meeting of Council**

## **AGENDA**

**30 June 2016**

**Commencing at 7.30pm**

**Bicentennial Hall  
Rear 253 Crawford St,  
Queanbeyan (Entrance via The Q)**



1	APOLOGIES	
2	PRESENTATION / DEPUTATIONS / PETITIONS	
3	DECLARATION OF CONFLICTS/PECUNIARY INTERESTS.....	1
4	GENERAL MANAGER’S REPORTS	
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4.2	Adoption of QPRC Budget for July .....	19
5	NOTICE OF INTENTION TO DEAL WITH MATTERS IN CLOSED SESSION .....	20
6	REPORTS FOR CLOSED SESSION	
	Nil	

**LIST OF ATTACHMENTS –**

*(Copies available from General Manager’s Office on request)*

**Open Attachments**

Item 4.1 Ellerton Drive Extension Funding

*Attachment 1 Percy Alan Review Financial Strategy (Under Separate Cover)*

*Attachment 2 Ellerton Drive Financial Risk Assessment (Under Separate Cover)*

Item 4.2 Adoption of QPRC Budget for July

*Attachment 1 QPRC Combined Budget - July (Under Separate Cover)*

**Closed Attachments**

*Nil*



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**ITEM 3 DECLARATION OF CONFLICTS/PECUNIARY INTERESTS**

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The provisions of Chapter 14 of the Local Government Act, 1993 regulate the way in which Councillors and nominated staff of Council conduct themselves to ensure that there is no conflict between their private interests and their public trust.

The Act prescribes that where a member of Council (or a Committee of Council) has a direct or indirect financial (pecuniary) interest in a matter to be considered at a meeting of the Council (or Committee), that interest must be disclosed as soon as practicable after the start of the meeting and the reasons for declaring such interest.

As members are aware, the provisions of the Local Government Act restrict any member who has declared a pecuniary interest in any matter from participating in the discussions, voting on that matter, and require that member to vacate the Chamber.

Council's Code of Conduct provides that if members have a non-pecuniary conflict of interest, the nature of the conflict must be disclosed. The Code also provides for a number of ways in which a member may manage non pecuniary conflicts of interest

**Recommendation**

**That Councillors disclose any interests and reasons for declaring such interest in the matters under consideration by Council at this meeting.**



## GENERAL MANAGER'S REPORTS

## 4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)

**Summary**

The total estimated cost of the Ellerton Drive Extension (EDE) Project at this time is between \$80m and \$86m. \$50m has been secured for the project from the State and Federal Governments leaving a further \$30m to \$36m to be funded by developers. It is intended that Council borrow the outstanding amount and utilise developer contributions to repay the loan over its term. The term is intended to be 20 years which coincides with the expected completion dates of the Googong and Tralee developments.

Council has the financial capacity to borrow the outstanding amount. As Council's current borrowing level is low, there is scope to utilise loan funding for the EDE project, and for future infrastructure projects that Council may consider. A \$40m loan for the EDE project has been included in the Percy Allen Review. The Percy Allen Review shows that the financial ratios with the loan included are within the Local Government key financial sustainability ratio benchmarks over the 10 year planning period. Queanbeyan-Palerang Regional Council (QPRC) achieves 'fit for future' status following the merger of the former councils and allows access to NSW TCorp borrowings at 1-1.5% below commercial rates.

The EDE project is expected to alleviate congestion through the centre of Queanbeyan and improve amenity in the CBD as commuter, domestic and recreational traffic and quarry trucks is provided with an option to bypass the CBD. The project is also expected to provide flood free access into Queanbeyan. The EDE alleviates existing congestion and mitigates exacerbation of that congestion from growth in southern suburbs over the next 10-20 years. At that time, detailed planning and design is expected for the Duns Creek Road. It is desirable for the timing of road and transport infrastructure to be linked to specified thresholds of residential lot releases.

The government grants contribute to the alleviation of existing congestion, while the developments in the south contribute towards future congestion. A nexus has been established through planning agreements and contribution plans to enable the recovery of the non-grant funded portion of the project to be met from development contributions. As those contributions won't be realised in full until 10-20 years, it is appropriate QPRC borrows the funds to complete the EDE project and utilise developer contributions to meet loan repayments.

Council can legally require developers to fund their share of the EDE project and use local planning agreements and contribution plans under Section 94 (s94) of the Environmental Planning and Assessment Act 1979 (EP&A Act) for this purpose. For example, Council has included the requirement for the developers of the Googong Township to fund their share of the EDE project.

The repayment amounts for the loan are to be recouped from developer contributions that will be collected by Council over the next 20 years. A charge per lot released by subdivision will be made on developments in accord with the s94 plans or planning agreement/s. Should the actual number of lots released change to that estimated, the charge per lot will be adjusted as the contribution plans and planning agreements are reviewed. A reserve will be established to balance repayments over the term of the loan. Funds will be paid into the reserve when contributions received for lots released exceed the loan payment. Those reserve funds will be used to meet the balance of loan repayments when contributions received for lots released don't collect sufficient funds for that period. Council may need to initially set aside funds to finance the loan until sufficient funds become available from the reserve.

**4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)  
(Continued)**

The funds collected from developers will fully fund the principal and interest components of the loan.

There will be financial risks to Council with the EDE project. Council has the capacity to sufficiently manage these risks as the project progresses. NSW Roads and Maritime Services (RMS) is partnering with Council to deliver the EDE project and will provide the project management components for the project.

A further independent financial risk assessment has been undertaken and is attached to this report.

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**Recommendation****That Council -**

- 1. Fund up to \$36m being the outstanding amount required to construct the Ellerton Drive Extension Project, based on final estimates.**
- 2. Endorse the borrowing of the outstanding amount required to construct the Ellerton Drive Extension Project from New South Wales Treasury Corporation.**
- 3. Note that the repayment of the loan for the Ellerton Drive Extension Project is to be funded from developer contributions.**
- 4. Endorse the General Manager to sign the Memorandum of Understanding between Council and Roads and Maritime Services for the delivery of the Ellerton Drive Extension Project when the document is completed.**
- 5. Endorse the Roads and Maritime Services proceeding to tender and award the contract to construct the Ellerton Drive Extension Project.**

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**Background**

A review of the Queanbeyan Residential Economic Strategy 2031 in April 2007 by the NSW Department of Planning (DoP) specified that:

*"Prior to any rezoning for Googong, Tralee South, Environa and Poplars being finalised the Council is to develop a transport strategy to service the new residential and employment lands at South Jerrabomberra and Googong. The Transport strategy shall specifically address the need and timing of Dunns Creek Arterial (including reservation of the corridor), Edwin Land Parkway, Old Cooma Road re-alignment and upgrades to Lanyon, Tomsitt and Tharwa roads. This shall ensure that the funding and timing of road and transport infrastructure is linked to specified thresholds of residential lot releases."*



**4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)  
(Continued)**

By December 2008 an addendum to the initial April 2007 review was completed and issued by DoP. This addendum did not specify any particular need to focus on Dunns Creek Road but instead required Council to develop a more generalised investigation into transport infrastructure works. It stated that:

*"Prior to the finalisation of any rezoning of lands identified in the Strategy Map, the Council is to finalise a transport strategy to service the new residential and employment areas. The transport strategy shall specifically address the need, timing and funding (including the preparation of contributions plans) for required transport infrastructure works. When considering the infrastructure requirements for land at South Tralee, the Council shall liaise with Australian Rail Track Corporation on the future use of the rail line and requirements for any road crossings of the rail line."*

As a result of the DoP requirements, Gabites Porter (now Traffic Design Group) were engaged by Council on the recommendation of the NSW Roads and Traffic Authority (now Roads & Maritime Services) to conduct a fully functioning integrated land use/transport model to analyse Queanbeyan's traffic network. This work was detailed in the Draft Queanbeyan Strategic Traffic Plan (2031) and was completed in 2009.

The traffic study looked at over 34 combinations of road and intersection improvements to address the network deficiencies that are likely to be experienced as a result of the expected development growth in the Canberra-Queanbeyan region. The traffic study did not focus on reducing flows in any particular areas of the network but rather looked at the Canberra-Queanbeyan network as a whole. Proposed road and intersection improvements were identified on the basis of their ability to improve the level of service (LOS) at each location and for the overall road network to function at LOS "D" or better. Several new routes were proposed as a means of creating additional capacity thereby relieving various areas of congestion, and analysed in detail in the modelling.

Results from modelling for the Draft Queanbeyan Strategic Traffic Plan (2031) showed that Option 05B provided the best combination of traffic improvements to the long term strategic transport plan for all of Queanbeyan. Option 05B includes Ellerton Drive Extension, the future four-laning of Old Coma Road and various intersection improvements.

Dunns Creek Road was included in several scenarios tested in this work and was seen as a useful inclusion into the road network however it was found that this road option was not required within the 2031 planning horizon that was investigated. Dunns Creek Road was not part of the program of recommended road network improvements identified in the adopted study.

On 26 August 2009 Council adopted the Draft Queanbeyan Strategic Traffic Plan (2031) and resolved to rename it the Googong and Tralee Traffic Study (2031). The adopted Traffic Plan did not include Dunns Creek Road.

Following the adoption of the Traffic Plan, Council received an offer from the Village Building Company (VBC) in 2009 to provide funding towards land acquisition, design and the subsequent construction of Dunns Creek Road as follows:

- 50% of the cost of Dunns Creek Road between the Monaro Highway and Old Cooma Road up to an amount of \$31.4 million,
- 33 and 1/3% of improvements to Monaro Highway within the ACT up to an amount of \$6.6 million.

**4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)  
(Continued)**

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The above offer was subject to Council securing funds from State and Federal Governments for the balance of the cost to construct Dunns Creek Road. Council accepted this offer however due to a reduction in the size of the Tralee development, this offer has now been withdrawn.

In 2011 Council received \$4 million in grant funding from the NSW Government (administered by the Roads & Maritime Services) for the design and environmental works relating to Ellerton Drive Extension, further stages of Old Cooma Road, upgrade of 13 intersections as well as seed funding for Dunns Creek Road corridor identification and related studies.

On 12 January 2012 Council adopted the Googong Local Planning Agreement that included the collection of funds from the Googong developers for the EDE.

From 20 May 2013 to 21 June 2013 preliminary consultation on the Draft REF for the EDE was undertaken. A preliminary design, the draft REF and the Cultural Heritage reports were exhibited for comment.

Two information sessions were held with Greenleigh and Fairlane Estate residents on 28 and 29 May 2013 on the Draft EDE Design to consider their requirements for access to the proposed EDE. These meetings, along with extensive resident surveys, determined that access was to be provided from the Fairlane Estate onto the EDE and that an emergency access was to be provided from the end of Lonergan Drive.

On 28 August 2013 Council resolved to engage a consultant to undertake the detailed design of the EDE and OPUS were commissioned on 18 December 2013 to complete the detailed design.

On 13 June 2014, the Federal and State Government announced a \$50m grant to construct the EDE.

A second round of Aboriginal consultation was undertaken from 1 September 2014 to 15 March 2015. Feedback and concerns received during this round of consultation were addressed and incorporated into the Aboriginal Cultural Heritage Archaeological Report.

On 4 December 2014 Council received a report on the update of the 2009 Googong and Tralee Traffic Study. The update supported the findings of the 2009 Report.

The REF was exhibited from 2 December 2014 to 9 February 2015 where the following documents were made available:

- Review of Environmental Factors
- EPBC Referral under EPBC Act
- Draft Species Impact Statement
- Preliminary Sketch Plan design report
- Aboriginal Cultural Heritage Archaeological Report
- Noise Impact Assessment
- Preliminary sketch plan drawings
- Facts Sheets

Noise workshop was conducted on 14 February 2015 with directly impacted residents with initial inspection of houses occurring between 16 March 2015 and 19 March 2015.

**4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)  
(Continued)**

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Community forum held on 28 April 2015 where 350 people attended and 150 questions tabled.

RMS telephone survey undertaken between 20 May 2015 and 25 May 2015 that demonstrated majority community support for the EDE project.

Council conducted a traffic survey of residents of Googong, Fernleigh Park, Burra, Royalla and other areas in the south of the local government area between 15 July 2015 and 8 August 2015 with the finding of that survey supporting the assumptions of the Googong and Tralee Traffic Study 2031.

On 1 December 2015, Bitzios Consulting completed a review of the Googong and Tralee Traffic Study 2031 that concluded:

*Whilst a number of minor issues have been identified through the modelling review, the processes adopted by TDG are consistent with standard strategic modelling practices. Furthermore, the interpretation of the modelling results appears logical and consistent with observations during the site inspections. The recommendations from the modelling conducted are considered to be appropriate.*

*The minor (non-critical) issues listed within this audit should be incorporated into future model option testing / review updates.*

Submissions Report completed in April 2016.

Concurrence granted from the Office of Environment and Heritage for the EDE development on 12 May 2016.

Determination Report for the EDE completed on 8 June 2016.

Council resolved on 15 June 2016 to form an EDE Determination Panel to meet to determine the EDE Project on 30 June 2016.

**Implications*****Financial Sustainability***

Queanbeyan City Council commissioned an 'Asset and Financial Sustainability Review' undertaken by Prof Percy Allan and Associates in 2015/16. GHD reviewed the condition and standards associated with the management of Council's infrastructure assets. The Asset and Financial Sustainability Review recommended a shift from Existing Policy as outlined in the 2012 Long Term Financial Plan (LTFP), asset management plans (AMP) and revenue policies to a 'Responsible or Optimal Scenario' to achieve an acceptable compromise between Council's obligations to:

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

#### 4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen) (Continued)

The Financial Strategy proposed in the review included a \$40m loan for the EDE. It was shown in the review that the inclusion of this loan in the Financial Strategy of Council still permitted Council to achieve sustainable infrastructure, services and finances across the 10 year time frame of the report.

A Copy of the Financial Strategy is attached.

#### **Financial**

The total cost of the project is estimated at this time to be between \$80m and \$85m. Funding for the project is expected as follows, based on those lower and upper estimates:

Table1

Source	Amount
Australian Government	\$25m
NSW Government	\$25m
Developers	\$30m to \$36m
<b>Total</b>	<b>\$80m to \$86m</b>

Following the creation of the Queanbeyan-Palerang Regional Council, Council is now considered Fit for Future by IPART and the NSW Government and now has access to fixed term loans with lower interest rates with New South Wales Treasury Corporation (TCorp).

The Developer component of the project cost will be funded from all development that will occur in Queanbeyan. Council will recover these funds using Developer Contribution Plans as permitted under Section 94 of the Environmental Planning and Assessment Act 1979.

#### **Proposed Borrowing**

Two scenarios have been modelled and based on predicted interest rates at the time of borrowing by Council. It is intended to utilise grant funds first, drawing on the Council contribution to finish the project.

Table 2

Loan Amount	\$30m	\$30m	\$36m	\$36m
Lender	TCorp	Commercial	TCorp	Commercial
Term (Years)	20	20	20	20
Interest Rate (%)	3.35	4.5	3.35	4.5

**4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)  
(Continued)**

Quarterly Repayment Amount	\$516,060	\$570,697	\$619,272	\$684,836
Total Interest Amount	\$11,284,821	\$15,655,750	\$13,541,786	\$18,786,900
<b>Total Repayment</b>	<b>\$41,284,822</b>	<b>\$45,655,750</b>	<b>\$49,541,786</b>	<b>\$54,786,900</b>

It is intended to secure a fixed interest rate for the 20 year term of the loan. The timing of securing the loan will be based on meeting the project cash flow requirements.

### **Repayment Capacity**

Council can recoup the full cost of providing this infrastructure from developers as long as it can be demonstrated that the need for the infrastructure results directly from the development. This "nexus" has been clearly demonstrated in the "Googong and Tralee Traffic Study 2031" and is reflected in the Googong Local Planning Agreement (LPA).

The income that will be provided to Council for the EDE from developers will be used to cover the cost of making the principal and interest repayments to the above loan.

The actual borrowing will depend on the final project cost, less the \$50m government grants. The total loan value is divided by the expected lots to be released to determine the charge per lot levied under s94.

Based on 9,190 lots to be release over the next 20 years, the estimated charge per lot for a \$30m loan is \$4,492. The estimated charge per lot for a \$36m loan is \$5,390.

### **Lot Release**

As detailed below, Council is expecting over 9,000 lots to be released over the next 20 years in accord with its Residential Strategy and forecasts from Googong and Tralee developments.

The following chart shows the yearly income that is expected from the lots that will be created over the next 20 years compared to the income required to repay the loan (based on TCorp rates:

4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)  
(Continued)

Chart 1

\$30m Loan: annual loan payment of \$2,064,240.

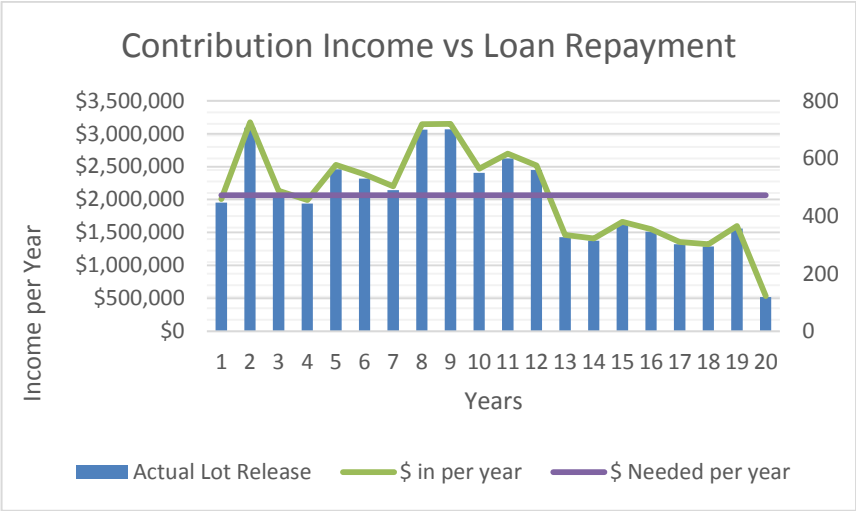
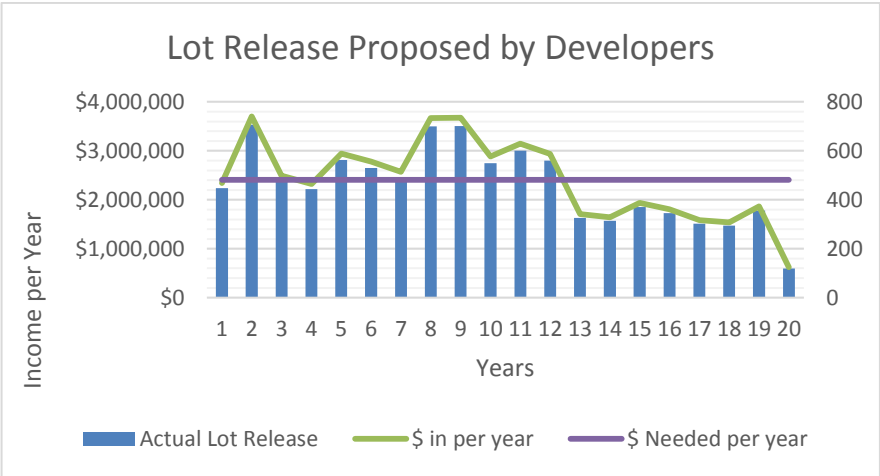


Chart 2

\$36m Loan: annual loan payment of \$2,477,088.

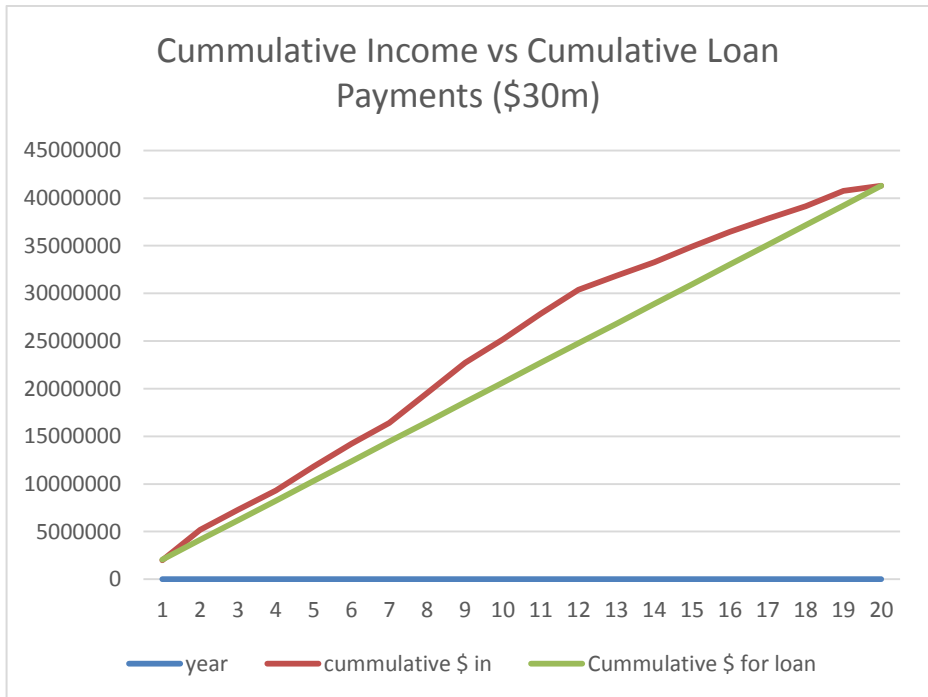


The above charts shows that there will be times where the income from the expected lot releases in a particular year will not cover the required payment for that year. It also shows that there will be years where the income from the expected lot releases will more than cover the required

#### 4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen) (Continued)

repayment for that year. In essence, assuming lot releases reflect the table in section 4, contributions received are 'front loaded'.

A reserve will be established to act as a balancing fund for the years where insufficient funds are collected. The interest gained on EDE Project funds invested in the overpayment years will assist in meeting the cost of loan repayments during the underpayment years.



The above graph shows that the rate of lot release proposed by the developers will generate sufficient funds to repay the loan without requiring the balancing reserve to be topped up with other funds. If the development rate is not as predicted by the developers, Council may need to set funds aside for loan repayments until sufficient funds are accumulated in the balancing reserve to fund the loan repayments.

The amount Council can require a developer to pay under s94 contribution plans is limited by the total contribution cap set by the State Government. For lots in the Googong development area that are not covered by the Local Planning Agreement (LPA), this limit is set at \$30,000 per lot. Depending on the final financing amount for the EDE project, around 20% of the \$30,000 that is collected will be required to fund the EDE loan.

In the case of the majority of the Googong development, Council is using a LPA to secure the funds from the developer, and the State imposed contribution cap does not apply to contributions collected using a LPA.

#### 4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen) (Continued)

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##### Expected Development by 2031

Councils Residential and Economic Strategy 2031 identified the two main development areas of Googong and Tralee. These development areas are expected to yield 6,150 and 2,300 lots respectively.

In addition to these development, there are a further 1000 lots expected within the existing city limits from developments such as Jumping Creek and various infill areas.

The total of all development expected by 2031 is 9,190 lots. All of the lots have a nexus to the EDE as shown in the Googong and Tralee Traffic Study 2031.

Council has the capacity to recoup the cost of the EDE from each one of these lots as they all have a nexus with the EDE.

##### Release of land in Queanbeyan

The Googong and Tralee developers have advised that they plan to release lots in their development as follows:

Table 3

Year	Googong release rate	South Jerrabomberra release rate	Other Devt release rate	Combined release rate
1	397	0	50	447
2	656	0	50	706
3	305	120	50	475
4	243	150	50	443
5	337	175	50	562
6	280	200	50	530
7	240	200	50	490
8	350	300	50	700
9	360	291	50	701
10	300	200	50	550
11	300	250	50	600
12	260	250	50	560
13	276	0	50	326



#### 4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen) (Continued)

14	264	0	50	314
15	320	0	50	370
16	295	0	50	345
17	252	0	50	302
18	244	0	50	294
19	306	0	50	356
20	69	0	50	119
<b>Total</b>	<b>6054</b>	<b>2136</b>	<b>1000</b>	<b>9190</b>

Notwithstanding the advice provided by the Googong and Tralee developers, it is anticipated that with both of these major developments occurring at the same time, the number of lots that the market may support could reduce to a lower level than the release rate advised by the developers.

#### Dwelling Approvals History

A summary of the number of approvals issued for dwellings in Queanbeyan since 2001 is as follows:

Table 4

<b>Year</b>	<b>New Single Dwellings</b>	<b>New Multi Units**</b>	<b>Total</b>
2001	296	71	367
2002	310	200	510
2003	181	107	288
2004	165	261	426
2005	124	173	297
2006	117	91	208
2007	140	117	257
2008	65	174	239
2009	37	105	142
2010	42	144	186
2011	28	360	388
2012	50	238	288
2013	68	92	160
2014	227	65	292
<b>Average</b>	<b>132</b>	<b>157</b>	<b>289</b>

Note: Not all approvals progress to construction stage.

\*\* Does not include major developments where DA has expired and development did not proceed.

**4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)  
(Continued)**

The above table shows that the annual rate of housing demand in Queanbeyan over the last 14 years has been an average of 289 houses/units/flats per year. It should be noted that during this time, there was a demonstrated shortage of residential land available to the market in Queanbeyan during 2008-2013. In that time NSW Planning and Council developed the Residential Strategy 2031. It would follow that, had residential land been available, the number of houses constructed during this time could have been higher.

Googong Development

As the Googong development is a major generator to the demand for the EDE, it follows that they will provide the highest proportion of developer funding to this project.

Council has established a Local Planning Agreement (LPA) with the Googong developers that requires them to contribute their share of the cost to construct this road. This arrangement is legally enforceable and can only be changed following agreement by both parties.

Even though the decision to establish a Local Planning Agreement is optional, once it is established, the developer is legally bound to comply with the agreement.

If at some time in the future the present developer no longer wishes to be part of the agreement or decides to sell their interest to a third party, the obligation to pay the contributions transfers to any new owner or developer. This may only be done with the agreement of Council.

As detailed earlier, the Googong developers (CIC Australia) expect to release on average about 280 lots each year.

The Googong Local Planning Agreement contains a number of clauses that guarantee payment of contributions as follows:

- *Clause 26 which requires CIC Australia to enter into a Deed of Guarantee whereby it guarantees to meet the obligations of the developer under the local planning agreement.*
- *In regard to its capacity, CIC has a current market capitalisation of \$95 million. Peet Limited acquired a majority (82%) interest in CIC Australia in 2014. The Peet Group, with a current ASX market capitalisation of \$504 million, commenced operations in 1895 and has operations in Western Australia, Victoria, Queensland and New South Wales with offices in Perth, Brisbane and Melbourne.*
- *Mirvac Group is an ASX top 50 company involved in real estate investment, development and investment management. Mirvac Group has a current market capitalisation of \$7.2 billion.*
- *Clause 28 which requires the registration of the local planning agreement under the Real Property Act 1900 in accordance with the relevant section of the Environmental Planning and Assessment Act 1979. A planning agreement that has been registered under this section is binding on, and enforceable against, the owner of the land from time to time as if each owner for the time being had entered into the local planning agreement.*

**4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)  
(Continued)**

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- *Clause 34.2.2 which requires Council to be satisfied on the basis of evidence procured by the developer that the proposed transferee, assignee or novatee has the financial capacity and experience necessary to meet the developer obligations under the local planning agreement.*

**Arrangements with Other Developers**

The Googong and Tralee Traffic Plan 2031 established a very clear link between other developments proposed in Queanbeyan and the need for the EDE. This enables Council to recoup the cost of constructing the EDE from these developers as well, at the time that their developments are done.

Section 94 of the Environmental Planning and Assessment Act 1979 permits Councils to recoup the cost of providing infrastructure that is required due to development. Council uses this power to collect money from developers as they release the lots in their various developments.

The payment of S94 contributions to Council is compulsory where there is a S94 Plan and/or a local planning agreement in place. Subdivision plans are not released by Council until these payments have been made.

The Tralee developers are also planning to release about 105 lots on average each year over the next 20 years. Each of these lots, and any other lot released in Queanbeyan, will be required to make a financial contribution towards the EDE, based on a charge per lot. >

***Financial***

An independent Financial Risk Assessment has been carried out on the EDE Project by WSP Parsons Brinckerhoff that assessed the following two elements:

1. Identify and assess the risk to Council of project cost overruns.
2. Identify and assess the risks around recovering the required funds from developers to meet the repayment obligation.

With respect to the first element, the report found that:

1. *The expected accuracy range of actual cost from the cost estimate involving a high value range of \$80 million to \$85 million appears reasonable for assessing Council's funding arrangements for EDE.*
2. *Council seek an estimate report update from the estimating consultant to address current reporting minor ambiguities, gaps and minor issues including:*
  - a. *Confirm assumptions and exclusions details.*
  - b. *Confirm risks included/not included in the contingency allowances.*
3. *Any updating of the estimate outputs to address the minor ambiguities, gaps and issues are not expected to materially change the estimate results.*

**4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)  
(Continued)**

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4. Council should update and revise the project development program and project risk register and confirm alignment with the estimate assumptions and contingency allowances.
5. Council should seek finalisation of reality checks and confirm plans for estimate peer review.
6. Council should adopt as part of commercial management procedures a clear definition of contingency including a management reserve component. The contingency and management reserve would be used to allow for risks confirmed in 2b) above and risks identified in the project risk register.
7. Following receipt of the estimating report update, reality checks and peer review if completed, Council should confirm the project base estimate and contingency allowances.

With respect to the second element, the report found that:

*There are risks involved in borrowing money to build a road in anticipation of future property sales and to provide the demand for the road, and in sourcing the funding to repay the loan. A significant risk related to relying on developer contributions to repay the loan is that lower than expected land sales may result in contributions being insufficient to pay out the loan. Another is the risk that the costs of the road will be higher than expected and exceed what can be repaid with developer contributions. QCC plans to borrow between \$20 million and \$35 million to build the Ellerton Drive Extension (EDE) to reduce pressure on roads through the Queanbeyan CBD, predominantly paid for through developer contributions from sales of land at Googong, a village development south of Queanbeyan that plans to house 17,000 residents.*

*This analysis finds that the Googong product is competitively priced compared to alternatives in the catchment area, such as Canberra's suburbs, Tralee and rural villages elsewhere in NSW. An assessment of population projections by the ABS, NSW DPE and SGS' dwelling demand model suggests that an additional 400 to 440 new dwellings will be required in Queanbeyan each year to meet demand. This is higher than developers' anticipated supply, so it is likely that developers will not meet their short term sales targets.*

*Under this medium demand scenario, QCC can repay a loan for the EDE for up to an amount of \$35 million by 2037. If the EDE only costs \$70.18 million, it can be repaid in 2023. If the total cost of the EDE lies between \$80-\$85 million, QCC will be able to repay the loan using developer contributions allocated to the EDE.*

*If demand for property in Googong is low, the loan can be repaid by developer contributions allocated to the EDE, as long as the total cost of the road is no more than \$81.1 million. If the cost of the EDE exceeds this amount, QCC may need to use developer contributions allocated towards other roads to pay out the EDE loan, and delay other infrastructure to service Googong. Since lower demand means there will be less need for infrastructure, this delay is unlikely to be problematic.*

A copy of this report is attached.

It is important to understand the upper limit of \$37.2m stated in the abovementioned report is based on the amounts currently included in the various S94 Plans and LPA's that are attributed to the EDE.

#### 4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen) (Continued)

If there was a need to recover a larger amount for the EDE, Council is able to review the S94 Plans and change the proportion of the S94 contribution that is attributed to the EDE. In this way, additional funds can be collected for the EDE to cover any unexpected cost overruns with the project.

It does follow however that some other item in the S94 Plan or LPA would be reduced by the same amount.

Program Code	Expense Type	Funding source	Amount
L56	Capital	Federal Government	\$ \$25m
		State Government	\$25m
		Loan (Developer Contributions)	\$30m-\$36m

#### ***Resources (including staff)***

The EDE Project is to be delivered in partnership with Roads and Maritime Services. Council staff will be required to support the project with construction and contract supervision and project management and direction. The extent of resourcing for the EDE Project will be finalised with the RMS prior to the award of a contract.

#### ***Integrated Plan***

***The EDE Project has been included in Councils Integrated Plans and will deliver into Theme 4 - Infrastructure, Access and Transport, of Councils Community Strategic Plan.***

#### **Conclusion**

The EDE Project has been a project that has been anticipated and planned for a considerable length of time. It has been provided for in the structure and development of Queanbeyan with the provision of an appropriate corridor that anticipated the construction of an arterial road. All of the dwellings adjacent to the corridor face away from the proposed road and do not have direct frontage or direct access onto the road and the width of the corridor (65 to 75 metres wide) that has been provided for the road is appropriate for an arterial road.

The Googong and Tralee Traffic Study 2031 clearly identified the EDE (along with numerous other road and intersection projects) as the best solution for Queanbeyan to manage the increase in traffic expected from the developments proposed in Queanbeyan Residential and Economic Strategy 2008.

**4.1 Ellerton Drive Extension Funding (Ref: C1685972; Author: Hansen/Hansen)  
(Continued)**

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The findings of the Googong and Tralee Traffic Study 2031 were confirmed by the independent assessment of the Googong and Tralee Traffic Study 2031 undertaken by Bitzios.

It has also been shown through an independent Governance review undertaken by Oakton that all of the appropriate decisions and approvals have been made to facilitate the construction of the EDE.

Along with the grant of \$50m provided by the Federal and State Governments, Council can recover the remainder of the cost from developers via developer contribution plans and local planning agreements.

**Attachments**

- |              |  |
|--------------|--|
| Attachment 1 | Percy Alan Review Financial Strategy ( <i>Under Separate Cover</i> )     |
| Attachment 2 | Ellerton Drive Financial Risk Assessment ( <i>Under Separate Cover</i> ) |

**GENERAL MANAGER'S REPORTS****4.2 Adoption of QPRC Budget for July (Ref: C1693986; Author: Tegart/Taylor)**

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**Summary**

In accordance with Clause 24 of the Local Government (Council Amalgamations) Proclamation 2016, Council is required to adopt a budget for the interim consultation period of the operational plan.

The budget result of \$7,810,708 includes 1/12<sup>th</sup> of the yearly expenditure, 1/12<sup>th</sup> fees/charges income and one instalment rating/access charges income for the period. The result is inflated due to the rates instalment being included for the 1<sup>st</sup> quarter for July and then wound down for August and September when there is no rating income.

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**Recommendation**

**That Council adopt the budget result for July of \$7,810,708 including 1/12<sup>th</sup> of the yearly expenditure, 1/12<sup>th</sup> of the fees/charges income and 1<sup>st</sup> instalment of rates and annual charges.**

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**Background**

Clause 24 of the Local Government (Council Amalgamations) Proclamation 2016 states that "A new Council may hold a meeting for the purposes of approving expenditure and voting money for the period from 1 July 2016 until the adoption by the council of the first operational plan".

The first Operational Plan of QPRC is currently on public exhibition, and will be considered for adoption at the meeting of Council to be held on 27<sup>th</sup> July 2016. The required public exhibition process of the operational plans of both former councils, including the 2016/17 budgets for each former council, had already been completed prior to preparation of the consolidated Operational Plan.

The attached proposed budget for July 2016 has been extracted from the consolidated budget for 2016/17, which forms part of the Operational Plan.

**Implications*****Legal***

Council requires an adopted budget for July 2016 in order to continue operating during the interim period pending adoption of the operational plan, including the budget for 2016/17, on 27<sup>th</sup> July 2016. The Proclamation enables Council to hold a meeting for this purpose.

**Conclusion**

Nil.

**Attachments**

Attachment 1      QPRC Combined Budget - July (*Under Separate Cover*)

**5 NOTICE OF INTENTION TO DEAL WITH MATTERS IN CLOSED SESSION**

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It is necessary for the Council to adopt a resolution to formalise its intention to deal with certain matters in Confidential Session. The reports are incorporated in the “confidential” business paper which has been circulated to Councillors.

The Local Government Act, 1993 requires the General Manager to identify those matters listed on the business paper which may be categorised as confidential in terms of Section 10A of the Local Government Act, 1993.