



Attachment 2

Fit for the Future Business Case – Stand Alone

25 June 2015

LKSQUAERO

Commercial in Confidence

Queanbeyan Fit for the Future Business Case

30 April 2015

Executive Summary

Queanbeyan, with its urban areas and spill-over growth from the Australian Capital Territory (ACT) has an ability to garner resources. A range of services beyond the traditional local ones are provided by the Council, including services for youth and a performing arts venue. Significant resources are invested in increasing the capabilities of its people and the organisation's internal capacity to improve and potentially compete in the provision of services to the sector.

In undertaking the modelling and assessment of Queanbeyan's financial future, the assumptions around growth and efficiency are conservative. Its financial performance is such as to record operating deficits slightly rising over the 10 year period. However, the availability of significant cash resources means that there is the possibility of applying its unrestricted cash to the asset renewal backlog of \$92,300,000. Should unrestricted cash be applied to the renewal of assets over the next 10 years, 80% of the backlog could be funded. The availability of cash places the financial position of Queanbeyan in the low-medium risk category.

Queanbeyan has the financial ability in the medium term to sufficiently fund the renewal of its existing assets. However, in the longer term, the continuing operating deficit will result in pressure on its cash position. There will be difficulty in directing sufficient cash towards the renewal of its existing infrastructure or continuing with its current level of services. A standalone model suggests several possibilities for alleviating the predicted operating deficit in the general fund.

Sharing of its back office functions with Palerang would provide Queanbeyan City Council with an improved financial outcome. Even though it would not meet all the Fit for the Future criteria initially, it is conceivable that with some organisational changes (including to its structure based service and process redesign) it could meet these criteria in the future, ultimately leading to a surplus within five years with added distributions from utilities.

1. Introduction

LKS Quaero was engaged to produce a document looking at the possible merger of Queanbeyan City Council and Palerang Council. This brief is more fully discussed in and attached to that document. The engagement was partly funded by the State Government under the Fit for the Future program. This program, amongst other matters, requires Councils to either demonstrate their fitness for the future against several criteria or present their pathway for structural change. For those Councils presenting the latter, the Government announced the availability of significant packages of support. They also do not need to demonstrate either the 'scale and capacity' threshold or meet the financial outcome criteria.

In addition to this, both Councils requested that LKS Quaero, as a second engagement, review outcomes if the Councils should decide not to merge and to remain as independent Councils with their existing boundaries. These included the options of 'As Is', with minor changes, and with a shared back office with Palerang. These options were discussed at a series of meetings with elected members from both Councils. The presentation of this business case will enable informed consideration of the possibilities, based on transparent assumptions and evidence gathered with the help of both Councils.

The review involved both onsite and offsite research and analysis. In addition to specialist financial input, consultants reviewed the business systems and organisational structure. Individual interviews with the General Manager, members of the executive staff, and other specialist staff as required were also undertaken. Workshops were also held at elected member and senior staff level.

2. Definition of the Area

Demography

In 2011, Queanbeyan's population was 40,000. It is projected to increase to 58,500 by 2031. This is among the highest annual growth rates in regional NSW.

Economy

Queanbeyan's labour force numbered at 21,087 in 2011. Public administration and safety was biggest sector, employing 27.5% of Queanbeyan workers. The unemployment rate was low at 2.9%. Most residents worked in the ACT, while 25% worked within the local government area.

Health, Education, and Leisure

Most residents received their in-patient and tertiary health care from services in Canberra. There are several medical centres and aged care facilities as well as Queanbeyan District Hospital. Primary and secondary students are educated locally. Tertiary options include ACT and Queanbeyan TAFEs and also various NSW and ACT universities. Queanbeyan has strong sporting communities, which are also largely oriented towards the ACT. Shoppers largely use ACT retailers or Riverside Plaza. Commuting residents tend to shop in the ACT.

Transport

Cars are the main means of transport. Queanbeyan has a railway station and taxi services. Several bus services are available and it is a short drive to Canberra's airport.

3. Background

The Council

Queanbeyan has ten elected Councillors and a popularly elected mayor.

The Administration

The elected body is supported by an Administration, headed by a General Manager who is appointed by the Council.

The structure follows a conventional local government model, structured largely on professional and technical lines and divided into back office support services and external technical services.

Queanbeyan has a large body of long term staff. Recently, the senior levels of the Queanbeyan organisation have experienced a series of changes with the departure of their General Manager and two other senior members of staff. Concurrent with the recruitment of replacement staff, a restructure of the administrative organisation has been announced and implementation has commenced.

As in many organisations, particularly smaller ones, the Council matches its structure and responsibilities to the capabilities and strengths of individuals. Of note within Queanbeyan Council is the significant investment in development of its staff and leadership capability as the means of progressing the Council. It is also invested in business systems and methodologies. The Council has embarked on and completed the Business Excellence Framework and is seeking ISO accreditation to enable it to compete in the provision of certain services.

Its proximity to Canberra has seen the need for Council to undertake a market test of its remuneration policies and adjust them accordingly.

The Services

Queanbeyan operates community and cultural services, encompassing a performing arts venue, library services, services for youth, and community development. Of late, the Council has ceased to provide aged services with grants from the Commonwealth Government. Queanbeyan's service statements are a work in progress while the Council moves to a place-shaping agenda.

Business System

There has been recent investment in the Information Technology infrastructure, with the use of Dell servers and hardware. The servers and computers have been purchased outright while the photocopiers and printers are leased.

Queanbeyan has adopted an investment in a best of breed systems approach. The Manager of IT and Business Solutions is responsible for the ICT operations as well as system business analysis, physical security, records management, and other roles as required, overseeing 23 staff. Queanbeyan uses 325 PCs and 6 laptops as well as iPads and iPhones. The 2014-15 cost per Council employee is \$6,042, with a capital expenditure budget of \$222,500. There is a fibre-optic connection to Palerang on a private link to support the Palerang library services. Remote sites are connected through wireless solutions or private links. The Strategic Information Technology Plan 2014-2017 places greater emphasis and resource on increasing their electronic business and customer integration processes, with several Pathway-integrated real-time business transactions available to customers. The ITBS department is currently moving to a new computer room, removing the flooding risk in the existing one.

4. Scale and Capacity - Governance

In October 2013, in its final report, Revitalising Local Government, the NSW Independent Local Government Review Panel outlined its criteria for determining future Local Government boundaries across the state. The State Government is placing reliance on the scale and capacity criteria as the threshold for any Council looking to determine their fitness for the future. These are included in full in Appendix 2 of the merger business case.

The Premier requested that IPART review the Government's Fit for the Future policy. It has generally supported the view that being of the right scale and having strategic capacity are threshold issues. IPART recommended that Councils should address scale and capacity before considering the other financially based criteria. Accordingly, a voluntary merger in line with the Panel's recommendation between Queanbeyan and Palerang does not require this central issue to be addressed but does need to be addressed in any submission by Queanbeyan that is not a merger.

On the basis of the guidelines provided by the Independent Review Panel, Queanbeyan currently alone does not appear to fulfil the criteria. This is because currently it is still on the journey to address, in total, the criteria from the Independent Panel as set out below.

Significantly, the Panel has raised the potential for amalgamation between Queanbeyan and Palerang. This signals its view that regional centres meet the scale and capacity criteria, which, in Queanbeyan's case, will be achieved with the merger with Palerang. A regional centre is described as having the capacity to drive growth, facilitate the exchange of information, and strengthen liaisons with key State and Federal agencies, and, in the case of Queanbeyan, presumably the ACT Government.

The Government acknowledges that the Independent Panel did not take a 'one size fits all' approach to scale and capacity and did not set a minimum geographic or population size. It is said to have looked at the unique characteristics of each area: geography, economic and transport flows, communities of interest and local identity.

A standalone Council needs to demonstrate in any submission to Government why they are not proceeding with the Panel's recommendation and to show how they have sufficient scale and capacity to be and have:

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ a wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development

- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and Federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership

Queanbeyan's submission could be developed by focussing on a more local understanding and interpretation of the criteria. This is particularly so in demonstrating its ability to perform in the delivery of services and infrastructure to its community.

5. Financial Outcomes Criteria – ‘As is’

Background

To assess the extent to which Council would meet the financial outcomes criteria, we developed a model of the long term financial position and performance of the Council.

This model used the published financial reports of Queanbeyan Council as its basis. It projected forward the data using a few basic assumptions and replicating any significant adjustments identified in the long term financial plans of the Council. The long term financial plan was cast in real terms (i.e. money retains a constant value) and extended over a twenty year timeframe.

As far as could be observed, the long term financial plan of Queanbeyan Council showed a continuation of the current level of activity without any significant change in operational of financial direction. This was reflected in the plan developed for the project.

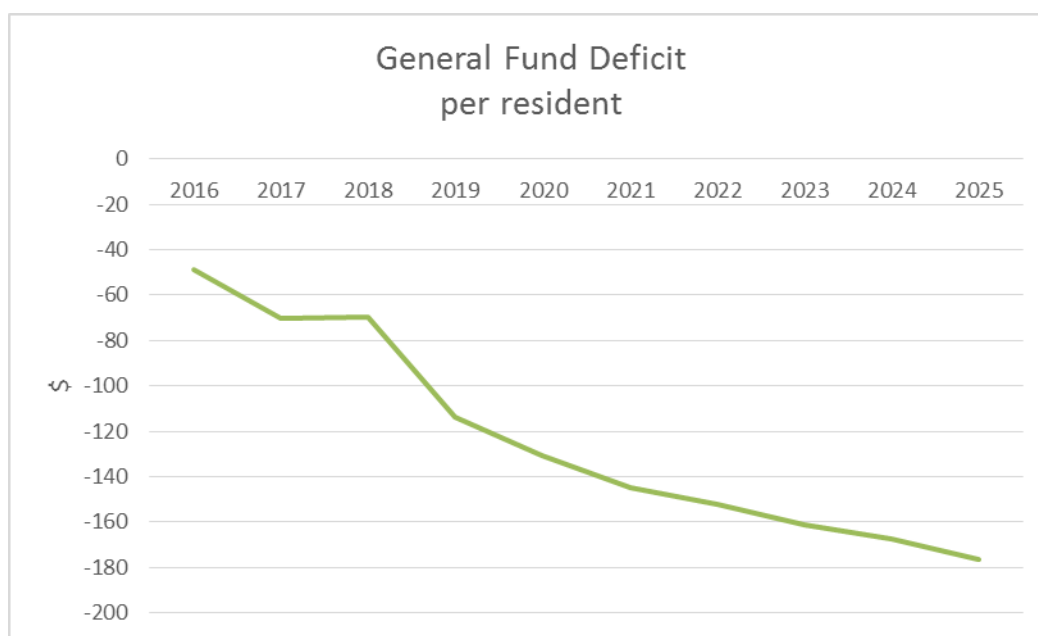
The key assumptions made in the baseline long term financial plan were:

- Municipal rates to grow at the same rate of growth as their predicted population growth of 1.8%. These are based upon the rates predicted by Planning NSW and was agreed with the Council
- Grants as anticipated by Council
- Employee benefits to rise at 1% above the rate of population rate of growth.
- Materials and contractors and other expenses to rise at 1% above the rate of population rate of growth
- Borrowings based upon borrowings in the long term financial plan
- Capital expenditure based upon data in the long term financial plan. A further assumption is made that unrestricted general fund cash is applied to asset renewals in sufficient quantities to enable it to meet the Fit for the Future benchmarks data as it relates to asset renewal
- Asset maintenance expenditure as a percentage of revenue will continue at 2013/14 rates
- 2% efficiency in staffing, materials and contracts and other expense achieved over 2 years.
- Reduction in 3 tier 2 positions – a saving of \$663,000 per annum

These assumptions were discussed at the Councillor and staff workshops.

The 10 Year View

<i>Queanbeyan</i>	
Underlying result	Rising General Fund deficits
Total cash	Constant
Financial sustainability risk	Medium to low to high
Fit for the Future criteria achieved	No
Predicted asset renewal backlog in 2025	Nil if unrestricted cash applied to addressing backlog



The table below highlights that Council is approaching achieving financial sustainability and meeting the Government's Fit for the Future financial outcomes criteria.

<i>Expected improvement in performance</i>				
<i>Measure/benchmark</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-7.7%	-7.6%	-12.4%	-14.4%
Own Source Revenue Ratio (Greater than 60% average over 3 years)	83%	41%	81%	81%
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	156%	165%	122%	122%
Infrastructure Backlog Ratio (Less than 2%)	-1%	-2%	-2%	-2%
Asset Maintenance Ratio (Greater than 100% average over 3 years)	103%	103%	103%	103%
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	3.2%	3.1%	3.0%	3.4%
Real Operating Expenditure per capita (A decrease in real operating expenditure per capita over time)	\$ 0.98	\$ 0.99	\$ 1.03	\$ 1.04

Conclusion

Queanbeyan has the financial ability in the medium term to sufficiently fund the renewal of its existing assets. However, in the longer term, the continuing operating deficit will result in pressure on its cash position. There will be difficulty in directing sufficient cash towards the renewal of its existing infrastructure or continuing with its current level of services.

Not built into the model is a planned significant increase in water and sewer fees. If implemented, this will result in both funds operating with an operating surplus. When this occurs, and they complete the necessary plans, Queanbeyan's general fund will be able to start receiving distributions from its water and sewer

businesses, of up to \$1m per annum. This distribution would not completely alleviate the predicted operating deficit in the general fund.

Other Considerations

Whilst the best available publicly available data for the change in population has been used, there is a general consensus that this figure of annual population growth at 1.8% is conservative. It has been put to us that a more realistic figure would be closer to 3% pa.

With anticipated growth such as this and if operating expenses could be constrained or at least maintained, Queanbeyan's general fund operating deficit would slowly fall over the next 10 years. How quickly this would occur would depend on the exact growth in property assessments and in the level of operating expenditure.

6. Financial outcomes – Shared Back Office

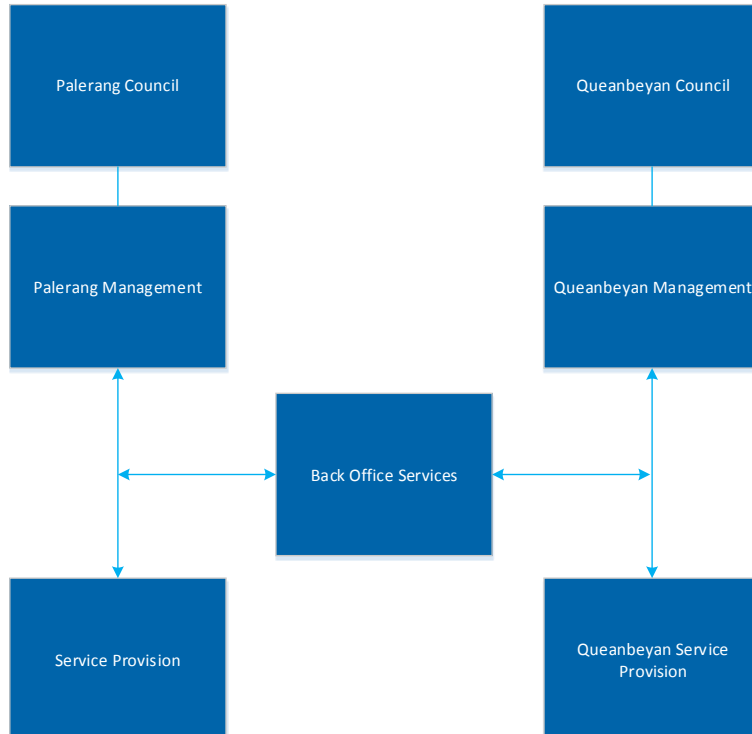
The concept

Through discussion with elected members from Queanbeyan City Council and Palerang Council, interest was expressed in a model in which both Councils agree to jointly operate a shared back office function. This function would be operated from one of the existing Councils and would provide services to each Council. The governance will depend on the entity that is established for the shared services, but will be reliant upon joint ownership and Service Level Agreements to enable competing requirements to be managed.

The merged back office option outlined in this report also seeks to best utilise staffing numbers in Braidwood, which are statutorily required to be maintained, for the benefit of both Councils.

The model is scaleable, incorporating more owners or purchasers of services as required.

Below is an illustration of how the service could be governed.



This structure would create some immediate savings for each Council, initially by reducing the duplication of staff. These savings could increase in the future as systems are consolidated. The structure also lends itself to providing services for other organisations. This could be on behalf of a regional organisation or in its own right.

Naturally, this option would require the ongoing agreement of both Queanbeyan City and Palerang Councils.

Business Systems

It would be recommended that the shared back office option is commenced with the merging of the two ICT departments to one, located at one site. The computer network for the two Councils will be similar to the merged option. However, most of the applications and their databases will be exactly the same as they currently are for both Councils, with the main difference being their location in the central computer room. Under this recommendation, both Councils still pay licence fees for their own applications. Once this phase is completed, the Councils can consider separate projects for their selected back office services.

Financial

As with the 'As is' standalone option, the key assumptions made in the standalone long term financial plan are:

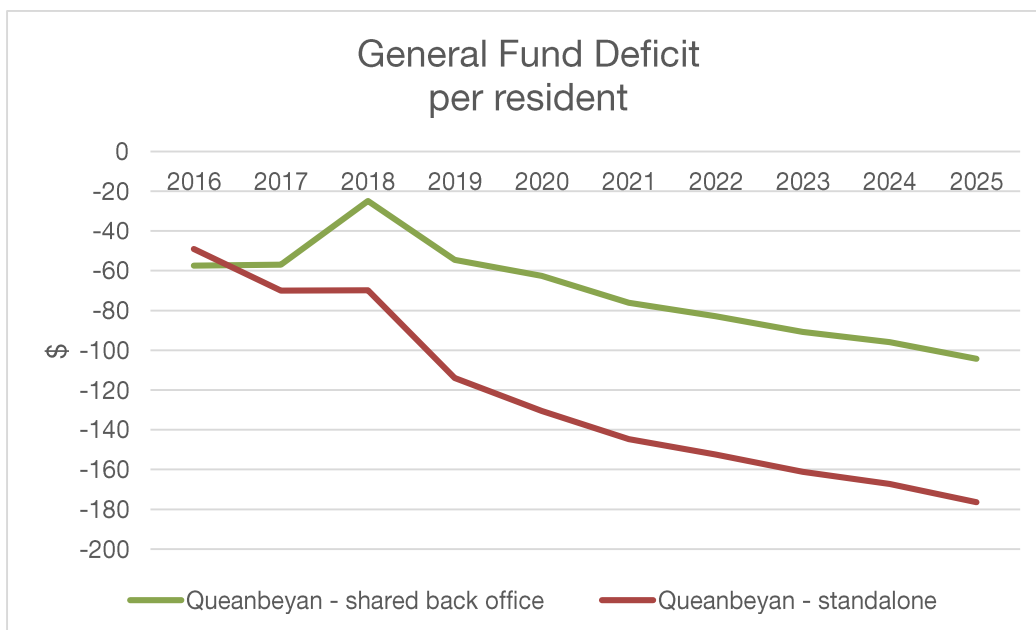
- Municipal rates to grow at the same rate of growth as their predicted population growth of 1.7%
- Grants as anticipated by Council
- Employee benefits to rise at 1% above the rate of population rate of growth
- Materials, contractors and other expenses to rise the rate of population rate of growth
- 2% efficiency in Materials and contracts and other expenses achieved over two years
- Borrowings based upon borrowings in the council long term financial plan
- Capital expenditure based upon data in the long term financial plan. A further assumption is made that unrestricted general fund cash is applied to asset renewals in sufficient quantities to enable it to meet the Fit for the Future benchmarks data as it relates to asset renewal
- Asset maintenance expenditure as a percentage of revenue will continue at 2013/14 rates
- Savings of \$2,618,000 pa resulting from shared back office split of 70% to Queanbeyan
- Reduction in 3 tier 2 positions – saving of \$663,000

These assumptions were validated at both the Councillor and staff workshops.

The 10 Year View

<i>Queanbeyan 10 year view</i>	
Underlying result	General fund deficit slow increase to \$5.52m in 2025
Total cash	Largely unchanged
Financial sustainability risk	Medium to Low
Fit for the Future criteria achieved	No With an adjustment of spending all but one of the criteria could be achieved.
Predicted asset renewal backlog in 2025	Nil.

The graph below compares the operating deficit (before capital income) per resident for the two standalone options.



The shared back office option provides potential ongoing savings for Queanbeyan Council and improves its performance against the financial criteria as shown below.

<i>Expected improvement in performance</i>				
<i>Measure/benchmark</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-6.2%	-2.7%	-5.9%	-6.9%
Own Source Revenue Ratio (Greater than 60% average over 3 years)	83%	42%	81%	81%
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	132%	131%	140%	120%
Infrastructure Backlog Ratio (Less than 2%)	0%	0%	0%	0%
Asset Maintenance Ratio (Greater than 100% average over 3 years)	103%	103%	103%	103%
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	3.2%	3.1%	3.0%	3.4%
Real Operating Expenditure per capita (A decrease in real operating expenditure per capita over time)	\$0.97	\$0.95	\$0.98	\$0.98

Conclusion

The shared back office option would provide the City of Queanbeyan with an improved financial outcome. A significant part of that saving would come through improved efficiencies, and result potentially in a reduction of staff numbers across both Councils of 28.6 fte with an annual saving of \$2.014m per annum. Even though it would not meet all the Fit for the Future criteria initially, it is conceivable that, with a few structural changes based on organisational efficiencies, it could meet these criteria in the near future.

It must be recognised that this option is significantly more complicated than the standalone option and has a higher degree of risk as it requires a high level of cooperation with another entity.

As mentioned previously, the model has not incorporated the planned increase in water and sewer fees. If implemented, this will result in both funds operating with an operating surplus. When this occurs, and they complete the necessary plans, Queanbeyan's general fund will be able to start receiving distributions from its water and sewer businesses of up to \$1m per annum. This distribution would not completely alleviate the predicted operating deficit in the general fund.

Appendices

1. Financial reports As-is
2. Financial reports Shared Back office



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Appendix 1: Financial Reports As-is

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Queabeyan

	General Fund									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income Statement										
Income from continuing operations										
Rates and annual charges	26,718	27,199	27,689	28,187	28,695	29,211	29,737	30,272	30,817	31,372
User charges and fees	5,949	6,056	6,165	6,276	6,389	6,504	6,621	6,741	6,862	6,985
Interest and investment revenue	382	236	609	144	40	354	306	142	(28)	(214)
Other revenues	1,881	1,915	1,950	1,985	2,020	2,057	2,094	2,131	2,170	2,209
Grants and contributions provided for operating purposes	6,084	6,117	6,252	6,661	6,534	6,680	6,830	6,983	7,142	7,142
Grants and contributions provided for capital purposes	4,071	938	45,162	1,750	1,975	23,638	6,301	1,015	1,029	1,029
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Income from continuing operations	45,086	42,462	87,826	45,004	45,653	68,444	51,890	47,284	47,992	48,523
Expenses from continuing operations										
Employee benefits and on-costs	21,679	21,743	22,371	23,016	23,679	24,360	25,061	25,781	26,522	27,283
Borrowing costs	908	880	851	820	916	877	836	792	745	694
Materials and contracts	18,725	19,062	19,405	19,755	20,110	20,472	20,841	21,216	21,598	21,986
Depreciation and amortisation	6,833	8,054	8,220	9,902	10,035	10,887	11,075	11,214	11,214	11,214
Impairment	-	-	-	-	-	-	-	-	-	-
Other expenses	(4,946)	(5,035)	(4,945)	(4,856)	(4,768)	(4,683)	(4,598)	(4,516)	(4,434)	(4,354)
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Expenses from continuing operations	43,198	44,704	45,902	48,636	49,971	51,914	53,214	54,487	55,644	56,823
Net Operating Result from continuing operations	1,887	(2,242)	41,924	(3,633)	(4,318)	16,531	(1,325)	(7,203)	(7,652)	(8,300)
Net operating result before grants and contributions provided for capital purposes	(2,184)	(3,180)	(3,238)	(5,383)	(6,293)	(7,107)	(7,626)	(8,218)	(8,681)	(9,329)
Statement of Comprehensive Income										
Net Operating Result for the Year	1,887	(2,242)	41,924	(3,633)	(4,318)	16,531	(1,325)	(7,203)	(7,652)	(8,300)
Other Comprehensive Income:										
Amounts which will not be reclassified subsequently to the Operating Result										
Gain (loss) on revaluation on I,PP&E	-	-	-	-	-	-	-	-	-	-
Impairment (loss) reversal relating to I,PP&E	-	-	-	-	-	-	-	-	-	-
Total Items which will not be reclassified subsequently to the Operating Result	-	-	-	-	-	-	-	-	-	-
Amounts which will be reclassified to the Operating Result	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the year	1,887	(2,242)	41,924	(3,633)	(4,318)	16,531	(1,325)	(7,203)	(7,652)	(8,300)

Statement of Financial Position

Assets

Current Assets

Cash and cash equivalents and Investments	4,182	(3,124)	15,517	(7,687)	(12,925)	2,775	358	(7,916)	(16,501)	(25,884)
Investments	-	-	-	-	-	-	-	-	-	-
Receivables	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111
Inventories	27	27	27	27	27	27	27	27	27	27
Other	166	166	166	166	166	166	166	166	166	166
Total Current Assets	5,486	(1,820)	16,821	(6,383)	(11,621)	4,079	1,662	(6,612)	(15,197)	(24,580)

Non-Current Assets

Investments	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908
Receivables	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)
Infrastructure, property, plant and equipment	386,545	391,175	415,996	435,074	435,418	435,634	436,070	436,442	436,628	436,912
Total Non-Current Assets	401,300	405,930	430,751	449,829	450,173	450,389	450,825	451,197	451,383	451,667

Total Assets

406,785	404,110	447,572	443,447	438,553	454,468	452,488	444,585	436,185	427,088
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Liabilities

Current Liabilities

Payables	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157
Borrowings	433	462	493	576	615	656	700	747	798	851
Provisions	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595
Total Current Liabilities	7,185	7,214	7,245	7,328	7,367	7,408	7,452	7,499	7,550	7,603

Non-Current Liabilities

Borrowings nc	12,757	12,295	13,802	13,226	12,611	11,955	11,255	10,508	9,710	8,859
Provisions nc	334	334	334	334	334	334	334	334	334	334
Total Non-Current Liabilities	13,091	12,629	14,136	13,560	12,945	12,289	11,589	10,842	10,044	9,193

Total Liabilities

20,276	19,843	21,381	20,888	20,312	19,697	19,041	18,341	17,594	16,796
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Net Assets

386,509	384,267	426,191	422,559	418,241	434,771	433,447	426,244	418,591	410,292
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Equity

Retained earnings	246,263	244,021	285,945	282,313	277,995	294,525	293,201	285,998	278,345	270,046
Reserves	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246
Council equity interest	-	-	-	-	-	-	-	-	-	-
Total Equity	386,509	384,267	426,191	422,559	418,241	434,771	433,447	426,244	418,591	410,292

Statement of Changes in Equity

Retained Earnings

Balance at end of previous period	234,095	246,263	244,021	285,945	282,313	277,995	294,525	293,201	285,998	278,345
Net Result for the year	1,887	(2,242)	41,924	(3,633)	(4,318)	16,531	(1,325)	(7,203)	(7,652)	(8,300)
Transfer to and (from) retained earnings	10,281									
Balance at end of period	246,263	244,021	285,945	282,313	277,995	294,525	293,201	285,998	278,345	270,046

Reserves

[illegible]

Council Equity Interest

[illegible]

Total Equity at end of reporting period

General Fund										
2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
234,095	246,263	244,021	285,945	282,313	277,995	294,525	293,201	285,998	278,345	270,046
1,887	(2,242)	41,924	(3,633)	(4,318)	16,531	(1,325)	(7,203)	(7,652)	(8,300)	
10,281										
246,263	244,021	285,945	282,313	277,995	294,525	293,201	285,998	278,345	270,046	
140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246
-	-	-	-	-	-	-	-	-	-	-
140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246
-	-	-	-	-	-	-	-	-	-	-
386,509	384,267	426,191	422,559	418,241	434,771	433,447	426,244	418,591	410,292	

Statement of Cash Flows

Cash flows from operating activities

Receipts:

Rates & annual charges	26,718	27,199	27,689	28,187	28,695	29,211	29,737	30,272	30,817	31,372
User charges & fees	5,949	6,056	6,165	6,276	6,389	6,504	6,621	6,741	6,862	6,985
Investment & interest revenue received	382	236	609	144	40	354	306	142	(28)	(214)
Grants & contributions	10,155	7,055	51,414	8,411	8,509	30,318	13,131	7,998	8,171	8,171
Other receipts	1,881	1,915	1,950	1,985	2,020	2,057	2,094	2,131	2,170	2,209

Payments:

Employee benefits & on-costs	(21,679)	(21,743)	(22,371)	(23,016)	(23,679)	(24,360)	(25,061)	(25,781)	(26,522)	(27,283)
Materials & contracts	(18,725)	(19,062)	(19,405)	(19,755)	(20,110)	(20,472)	(20,841)	(21,216)	(21,598)	(21,986)
Borrowing cost payments	(908)	(880)	(851)	(820)	(916)	(877)	(836)	(792)	(745)	(694)
Other payments	4,946	5,035	4,945	4,856	4,768	4,683	4,598	4,516	4,434	4,354

Net cash provided (or used in) operating activities

	8,720	5,812	50,144	6,269	5,717	27,418	9,750	4,011	3,562	2,914
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Cash flows from investing activities

Receipts:

Sale of investments	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts	-	-	-	-	-	-	-	-	-	-

Payments:

Purchase of investments	-	-	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment - renewal	(9,024)	(10,563)	(11,538)	(10,114)	(10,234)	(10,960)	(11,281)	(11,482)	(11,241)	(11,335)
Purchase of property, plant and equipment - new	(2,533)	(2,122)	(21,503)	(18,867)	(145)	(142)	(230)	(103)	(159)	(164)
Impairment reversal	-	-	-	-	-	-	-	-	-	-

Net cash provided (or used in) investing activities

	(11,557)	(12,684)	(33,041)	(28,980)	(10,379)	(11,103)	(11,511)	(11,586)	(11,400)	(11,499)
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Cash flows from financing activities

Receipts:

New loans	-	-	2,000	-	-	-	-	-	-	-
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Payments:

Repayment of borrowings and advances	(433)	(433)	(462)	(493)	(576)	(615)	(656)	(700)	(747)	(798)
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Net cash provided (or used in) financing activities

	(433)	(433)	1,538	(493)	(576)	(615)	(656)	(700)	(747)	(798)
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Net increase / (decrease) in cash

Cash at the beginning of the year	7,451	4,182	(3,124)	15,517	(7,687)	(12,925)	2,775	358	(7,916)	(16,501)
Cash at the end of the year	4,182	(3,124)	15,517	(7,687)	(12,925)	2,775	358	(7,916)	(16,501)	(25,884)

Appendix 2: Financial Reports Shared Back Office

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Queabeyan

Income Statement

Income from continuing operations

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rates and annual charges	26,718	27,199	27,689	28,187	28,695	29,211	29,737	30,272	30,817	31,372
User charges and fees	5,949	6,056	6,165	6,276	6,389	6,504	6,621	6,741	6,862	6,985
Interest and investment revenue	414	320	774	370	335	716	741	651	555	447
Other revenues	1,881	1,915	1,950	1,985	2,020	2,057	2,094	2,131	2,170	2,209
Grants and contributions provided for operating purposes	6,084	6,117	6,252	6,661	6,534	6,680	6,830	6,983	7,142	7,142
Grants and contributions provided for capital purposes	4,071	938	45,162	1,750	1,975	23,638	6,301	1,015	1,029	1,029
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Income from continuing operations	45,118	42,546	87,992	45,230	45,948	68,806	52,324	47,793	48,575	49,184

Expenses from continuing operations

Employee benefits and on-costs	21,962	21,110	20,597	20,725	21,142	21,804	22,485	23,184	23,903	24,642
Borrowing costs	908	880	851	820	916	877	836	792	745	694
Materials and contracts	18,846	19,183	19,215	19,368	19,523	19,875	20,232	20,597	20,967	21,345
Depreciation and amortisation	6,833	8,054	8,220	9,902	10,035	10,887	11,075	11,214	11,214	11,214
Impairment	-	-	-	-	-	-	-	-	-	-
Other expenses	(4,946)	(5,035)	(4,895)	(4,757)	(4,624)	(4,541)	(4,459)	(4,379)	(4,300)	(4,223)
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-
Total Expenses from continuing operations	43,603	44,192	43,989	46,057	46,993	48,902	50,169	51,408	52,529	53,672

Net Operating Result from continuing operations

	1,516	(1,646)	44,004	(828)	(1,044)	19,904	2,155	(3,615)	(3,954)	(4,488)
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Net operating result before grants and contributions provided for capital purposes

	(2,555)	(2,584)	(1,158)	(2,578)	(3,019)	(3,734)	(4,146)	(4,630)	(4,983)	(5,517)
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Statement of Comprehensive Income

Net Operating Result for the Year	1,516	(1,646)	44,004	(828)	(1,044)	19,904	2,155	(3,615)	(3,954)	(4,488)
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Other Comprehensive Income:

Amounts which will not be reclassified subsequently to the Operating

Gain (loss) on revaluation on I,PP&E	-	-	-	-	-	-	-	-	-	-
Impairment (loss) reversal relating to I,PP&E	-	-	-	-	-	-	-	-	-	-
Total Items which will not be reclassified subsequently to the Operating Result	-	-	-	-	-	-	-	-	-	-

Amounts which will be reclassified to the Operating Result

Total Other Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the year	1,516	(1,646)	44,004	(828)	(1,044)	19,904	2,155	(3,615)	(3,954)	(4,488)

Statement of Financial Position

Assets

Current Assets

Cash and cash equivalents and Investments	5,810	1,101	23,821	3,622	1,858	20,931	22,194	17,708	12,955	7,561
Investments	-	-	-	-	-	-	-	-	-	-
Receivables	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111	1,111
Inventories	27	27	27	27	27	27	27	27	27	27
Other	166	166	166	166	166	166	166	166	166	166
Total Current Assets	7,114	2,405	25,125	4,926	3,162	22,235	23,498	19,012	14,259	8,865

Non-Current Assets

Investments	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908	14,908
Receivables	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)
Infrastructure, property, plant and equipment	384,545	387,175	409,996	428,874	429,018	429,234	429,470	429,642	429,694	429,801
Total Non-Current Assets	399,300	401,930	424,751	443,629	443,773	443,989	444,225	444,397	444,449	444,556

Total Assets

406,414 404,335 449,876 448,556 446,935 466,224 467,724 463,409 458,708 453,422

Liabilities

Current Liabilities

Payables	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157	2,157
Borrowings	433	462	493	576	615	656	700	747	798	851
Provisions	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595
Total Current Liabilities	7,185	7,214	7,245	7,328	7,367	7,408	7,452	7,499	7,550	7,603

Non-Current Liabilities

Borrowings nc	12,757	12,295	13,802	13,226	12,611	11,955	11,255	10,508	9,710	8,859
Provisions nc	334	334	334	334	334	334	334	334	334	334
Total Non-Current Liabilities	13,091	12,629	14,136	13,560	12,945	12,289	11,589	10,842	10,044	9,193

Total Liabilities

20,276 19,843 21,381 20,888 20,312 19,697 19,041 18,341 17,594 16,796

Net Assets

386,138 384,492 428,495 427,668 426,623 446,527 448,683 445,068 441,114 436,626

Equity

Retained earnings	245,892	244,246	288,249	287,422	286,377	306,281	308,437	304,822	300,868	296,380
Reserves	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246	140,246
Council equity interest	-	-	-	-	-	-	-	-	-	-

Total Equity

386,138 384,492 428,495 427,668 426,623 446,527 448,683 445,068 441,114 436,626

Statement of Cash Flows

Cash flows from operating activities

Receipts:

Rates & annual charges	26,718	27,199	27,689	28,187	28,695	29,211	29,737	30,272	30,817	31,372
User charges & fees	5,949	6,056	6,165	6,276	6,389	6,504	6,621	6,741	6,862	6,985
Investment & interest revenue received	414	320	774	370	335	716	741	651	555	447
Grants & contributions	10,155	7,055	51,414	8,411	8,509	30,318	13,131	7,998	8,171	8,171
Other receipts	1,881	1,915	1,950	1,985	2,020	2,057	2,094	2,131	2,170	2,209

Payments:

Employee benefits & on-costs	(21,962)	(21,110)	(20,597)	(20,725)	(21,142)	(21,804)	(22,485)	(23,184)	(23,903)	(24,642)
Materials & contracts	(18,846)	(19,183)	(19,215)	(19,368)	(19,523)	(19,875)	(20,232)	(20,597)	(20,967)	(21,345)
Borrowing cost payments	(908)	(880)	(851)	(820)	(916)	(877)	(836)	(792)	(745)	(694)
Other payments	4,946	5,035	4,895	4,757	4,624	4,541	4,459	4,379	4,300	4,223

Net cash provided (or used in) operating activities

	8,349	6,408	52,224	9,074	8,991	30,791	13,230	7,599	7,260	6,726
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Cash flows from investing activities

Receipts:

Sale of investments	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Deferred debtors receipts	-	-	-	-	-	-	-	-	-	-

Payments:

Purchase of investments	-	-	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment - renewal	(7,024)	(8,563)	(9,538)	(9,914)	(10,034)	(10,960)	(11,081)	(11,282)	(11,108)	(11,157)
Purchase of property, plant and equipment - new	(2,533)	(2,122)	(21,503)	(18,867)	(145)	(142)	(230)	(103)	(159)	(164)
Impairment reversal	-	-	-	-	-	-	-	-	-	-

Net cash provided (or used in) investing activities

	(9,557)	(10,684)	(31,041)	(28,780)	(10,179)	(11,103)	(11,311)	(11,386)	(11,266)	(11,321)
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Cash flows from financing activities

Receipts:

New loans	-	-	2,000	-	-	-	-	-	-	-
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Payments:

Repayment of borrowings and advances	(433)	(433)	(462)	(493)	(576)	(615)	(656)	(700)	(747)	(798)
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Net cash provided (or used in) investing activities

	(433)	(433)	1,538	(493)	(576)	(615)	(656)	(700)	(747)	(798)
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Net increase / (decrease) in cash

	(1,641)	(4,709)	22,721	(20,199)	(1,765)	19,074	1,263	(4,486)	(4,754)	(5,393)
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Cash at the beginning of the year	7,451	5,810	1,101	23,821	3,622	1,858	20,931	22,194	17,708	12,955
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Cash at the end of the year	5,810	1,101	23,821	3,622	1,858	20,931	22,194	17,708	12,955	7,561
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