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FOREWORD

MESSAGE FROM THE MAYOR

Welcome to Queanbeyan-Palerang Regional Council's Operational Plan for 2022-23, which represents the first year of Council's Delivery Program.

The organisation is in the midst of significant change, with nine of my fellow councillors either enjoying their first term in office, or returning after a long break and we are preparing to welcome a new CEO who is an accomplished local government leader, Rebecca Ryan.

While change does create some challenges, it also creates many opportunities which this Council will tackle during our term as we strive to meet the community's needs and aspirations.

Council has been heavily impacted by a number of factors that have created financial pressure, including Covid-19, floods and bushfires, rate pegging limitations, increases in costs of services and materials and other factors.

However, we are committed to addressing these financial challenges and will be looking very closely at our expenditure and revenue over the coming months and will look to have some long-term solutions in place for the 2022-23 financial year.

The detailed budget figures in this document show a consolidated operating budget surplus of \$1.7m. While this figure may look impressive, it is the consolidated result of our general fund as well as our water, sewer and waste businesses Our General Fund, which supports the day-to-day operation of Council has a budget deficit of \$8.3m which is not a sustainable position to be in. Our cash position is a deficit of \$1.142m.



Cr Kenrick Winchester
Mayor

While our focus is on making the organisation financially sustainable, we still need to deliver services and work closely with our community. The draft Operational Plan shows that we'll invest more than \$240m across our region via our \$147m capital works program, employing more than 550 staff and providing services and programs to our growing community.

Our capital works program is largely funded by grants, contributions and loans. The highlights of our capital works program are:

- New Bungendore Pool - \$2m (pending progression of Bungendore High School proposal)
- Braidwood Pool upgrade - \$957,000
- Jerrabomberra Regional Sports Complex - \$15m
- Road upgrades and maintenance - \$7.7m
- Bungendore water upgrades - \$16.1m
- Sewage treatment plant upgrades - \$30m
- Queanbeyan Civic and Cultural Precinct - \$48m

As highlighted in our draft Revenue Policy 2022-23, Council was approved for a 2.5% rate peg for the financial year which provides an additional \$1m in revenue.

The increased revenue will assist with meeting cost increases such as staff Award increases (\$1m), emergency services levy contribution (\$1.25m) and depreciation increase (\$1.8m)

Our fees and charges will generally increase by an average of 4% while waste, water and sewer income is proposed to increase by 2.5% to meet the growing costs of for providing these services. Queanbeyan sewer costs will increase by a further 2% to assist with the funding of for the Queanbeyan Sewage Treatment Plant upgrade.

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FINANCIAL OVERVIEW - BUDGET 2022-23

BUDGET STATEMENT 2022-23

Overview

The 2022-23 budget process has been by far one of the most challenging that has faced the organisation since it was created in 2016. The impacts of natural disasters, Covid and the revenue constraints have all had a significant impact on the 2022-23 budget which has largely been prepared as a 'maintenance budget' with minimal new projects, especially from the General Fund.

During the 2022-23 financial year, Council will consider revenue options to take effect from the 2023-24 financial year. These options will require some tough decisions from Council and will be made in consultation with our community. It is noted that half of NSW councils have sought a special rate variation in the past five years, while as a merged Council, our general rates income were frozen by Government and not able to increase beyond the rate peg until 2021-22.

Council's budget has grown from a combined \$160 million at the time of merger to around \$283m in 2022-23, including \$147 million of capital works funded through a combination of capital grants, developer contributions, new loans and reserve funds.

Council's consolidated operating budget surplus of \$1.7m in 2022-23 is a drop from what was predicted in the Long Term Financial Plan (\$2.7m surplus). The Water and Sewer Fund positive results have masked the deterioration of the General Fund budget, which has fallen from a forecast operating surplus of \$6.5m, to a budget operating deficit of \$8.3m, with a cash deficit of \$1.142m.

Whilst Council has recognised \$2 million budget savings through organisational structural improvements between 2020 and 2022, like most NSW councils, the costs of operating our services and maintaining infrastructure has increased in real terms.

Council reviewed its Long-Term Financial Plan in October 2021. The Plan was prepared in accordance with the adopted Financial Strategy and Policy that outlines the principles adopted by Council designed 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.

Budget Measures

In order to address the issues highlighted in the General Fund, a number of budget adjustments were considered during the development of the draft Operational Plan.

These included more than \$2m in adjustments via a 5% reduction in materials and services, deferring recruitment for a number of vacant positions and increasing fees and charges by 4%.

Budget Impacts

As we emerge from the effects of COVID, bushfires, floods and await disaster recovery grants from Government to rebuild bridges, resheet unsealed roads and replace

infrastructure. The combined effect has impacted the General Fund results by around \$2m which has led to the deterioration in the Fund outlined above.

NSW councils are subject to a rate peg that is determined by the Independent Pricing and Regulatory Tribunal. For 2022-23, IPART announce a 0.7% rate peg. In handing down that rate peg, IPART stated:

The components of the rate peg for 2022-23 are made up of:

- *The change in the local government cost index (LGCI) to June 2021 of 0.9%.*
- *A productivity factor set to 0.0% because the ABS indices we use for the LGCI incorporate improvements in labour and capital productivity.*
- *A downward adjustment of 0.2% to remove the additional revenue that was included in the 2021-22 rate peg to meet the costs of the 2021 local government elections.*
- *A population factor for each council (see Attachment C for a table presenting the population factor for each council).*

The NSW Government has undertaken to fully fund the increase in 2021-22 emergency services levy (ESL) contributions and cover any COVID-related increases in the cost of local government elections.

Noting that the rate peg was significantly lower than previous years, and what councils had allowed for in their Long Term Financial Plans, the NSW Government allowed councils to apply for an Additional Special Variation for the 2022-23 financial year only. In June 2022, Council's application for a ASV was approved, allowing a 2.5% increase in general rate income. A 2.5% rate peg provides an additional \$1m in income.

Even with a 2.5% rate peg in 2022-23, the external cost increases have outstripped our general revenues:

- General rate revenue (2.5% increase) +\$1.059m
- Emergency service contribution to government - \$1.256m
- Award wages expense (2% + .5% super increase) -\$1,016m
- Depreciation expense -\$4m.

HARMONISATION

General Rates

Following the merger in 2016, NSW merged councils' general rates income was frozen and were unable to harmonise their rating structures until the 2020-21 financial year. QPRC undertook extensive engagement in 2019-20, including the use of a community reference panel, to consider and adopt a harmonised general rating structure for the Local Government Area. The harmonised structure was adopted in June 2020 and implemented from 1 July 2021. Our general rates income for 2022-23 is to increase by 2.5%

Waste Charges

Council has adopted a Waste Strategy for QPRC which aims to achieve the targets set by NSW Government, address inefficiencies created by the merger, meet community expectations and achieve a harmonised set of charges across the local government area. The Waste Strategy proposes a number of recommendations, including:

- Analyse collection methods to determine best method (in-house or outsource)
- Expand Food Organics and Garden Organics collection to Queanbeyan urban (inc Googong and Jerrabomberra)
- Expand education resourcing, with a specific focus on waste

- Expand bulky waste collection to all properties with urban collection service
- Introduce a general waste charge to all properties in the local government area
- Construct and operate a FOGO facility to process organics collected within the local government area
- Continue to rehabilitate landfill sites
- Reduce hours of Queanbeyan Waste Minimisation Centre
- Due to ongoing contamination issues, only provide residual waste bins in public areas.

The Strategy includes the introduction of a general waste charge to properties in the former Queanbeyan City Council area. At its extraordinary meeting on 30 June 2021, Council adopted the Waste Strategy based on Scenario 3.

Water and Sewer Charges

Council had adopted the Palerang Communities Integrated Water Cycle Management Plan (IWCMP) in 2019, introducing new developer servicing charges from 2020 and scheduling a harmonised residential and business water and sewer charging structure from 2021, in conjunction with the Queanbeyan IWCMP. Unfortunately, the Queanbeyan IWCMP will not be complete until 2022-23. The fees recommended by the Palerang IWCMP will be progressively introduced for Bungendore, Braidwood and Captains Flat urban properties from 2021-22 to fund improvements to potable water treatments, water extraction (including fractured rock at Bungendore) and sewage treatment.

The Palerang IWCMP includes a range of projects and network upgrades to ensure it remains function into the future. Funding for these were derived from Development Servicing Plans and a revised tariff structure.

Queanbeyan's water and sewer charges will be modified following the adoption of its IWCMP. Council may then examine the phased harmonisation of Palerang and Queanbeyan fees from 2023-24.

Stormwater Levy

Residents living in the Queanbeyan, Bungendore and Braidwood urban areas are charged a stormwater levy to fund the upgrade and maintenance of the urban stormwater network. In 2022-23 this levy will remain at the maximum of \$25.

OTHER FEES AND CHARGES

Water and Sewer Charges

The annual and usage charges for water and sewer have generally increased by 2.5%, with the exception of annual charges for Queanbeyan sewerage as we continue to build the capital to fund the upgrade and expansion of the sewer treatment plant (QSTP) to accommodate 75,000 future population. An additional 2% will apply to those charges over the next five years.

Fees and Charges

Discretionary fees and charges have generally increased by 4% and in line with the Pricing Policy, noting many fees are set by Government.

Growth

The QPRC local government area continues to be one of the fastest growing areas in inland NSW, with over 1,000 new residents calling the LGA home each year. We've set a target that the number of staff to resident ratio continues at around 7.5 staff per 1,000 residents – less than at the time of merger. Similarly, as we continue to build new assets such as the Bungendore and Regional Sports Complexes and commission new assets constructed by new release developments such as Googong, our asset base grows by around \$90m each year. With that brings increased maintenance demands and growth in depreciation, which in turn impacts the operating result (or bottom line).

The infrastructure capital (renewal, upgrade, new) and maintenance expenditure for 2022-23 is illustrated from page 24.

Staff

Our staff FTE has grown to deliver existing, new or expanded services into the merged LGA, appointed to fill 'gaps' in some specialisations or projects, or to 'harmonise' the level of service across the LGA. While those services, standards and levels of service are being progressively reviewed by Council (which may influence organisation structure and staffing levels later), we've seen staff FTE grow from over 400 at time of merger to around 470, with around 15% on fixed term engagement to correspond with grants and other projects.

Our investment in wages and training of staff over \$43m represents around one-third of our operational expenditure, while typically 10% of that cost supports capital infrastructure works. And as over 75% of our staff reside in the LGA, they contribute to community life and the local economy

Contracts and Supplies

Supporting local and regional business is important. Council can't always employ or provide specialist staff, plant or equipment in-house, and looks to the private sector to provide that expertise or augment our staff in peak periods of activity. We engage a trades and services panel, and regularly call quotes or tenders for the larger jobs such as road sealing, water main servicing, roadside slashing or weed spraying. More than one-third of our operating expenditure (\$60m) is paid to contractors and suppliers.

Grants

A significant contributor to the capital costs of infrastructure and operational costs of community and environmental services, is grants from the Commonwealth and NSW Governments, representing one quarter of total income.

The NSW Government in particular, has directed funds to merged councils and regional communities. While the financial assistance grants (FAG) have flat-lined in recent years for local government generally, that contribution of \$6.2 million through the Commonwealth offsets some of the gaps in human and cultural spending. Council continues to acknowledge the support from both Governments.

Collaboration

Much of the efficiency to be gained by the sector is through partnerships – especially with other governments and councils, such as the Canberra Region Joint Organisation (CRJO) and Regional Cities NSW (RCNSW). Council also works closely with NSW Department of Premier and Cabinet, Department of Regional NSW and the ACT Government through the memorandum of understanding to better align networks, policy and services across the border, to augment public and private sector investment in the region and to reduce red tape.

Services

The Operational Plan tabulates the value of each of the 25 services within the five strategic pillars of Community, Choice, Character, Connection and Capability. Clearly, the bulk of our expenditure goes on maintenance of infrastructure assets (eg roads, bridges, water, sewer, buildings) and the services they support (eg recreation, library, cultural and sports centres).

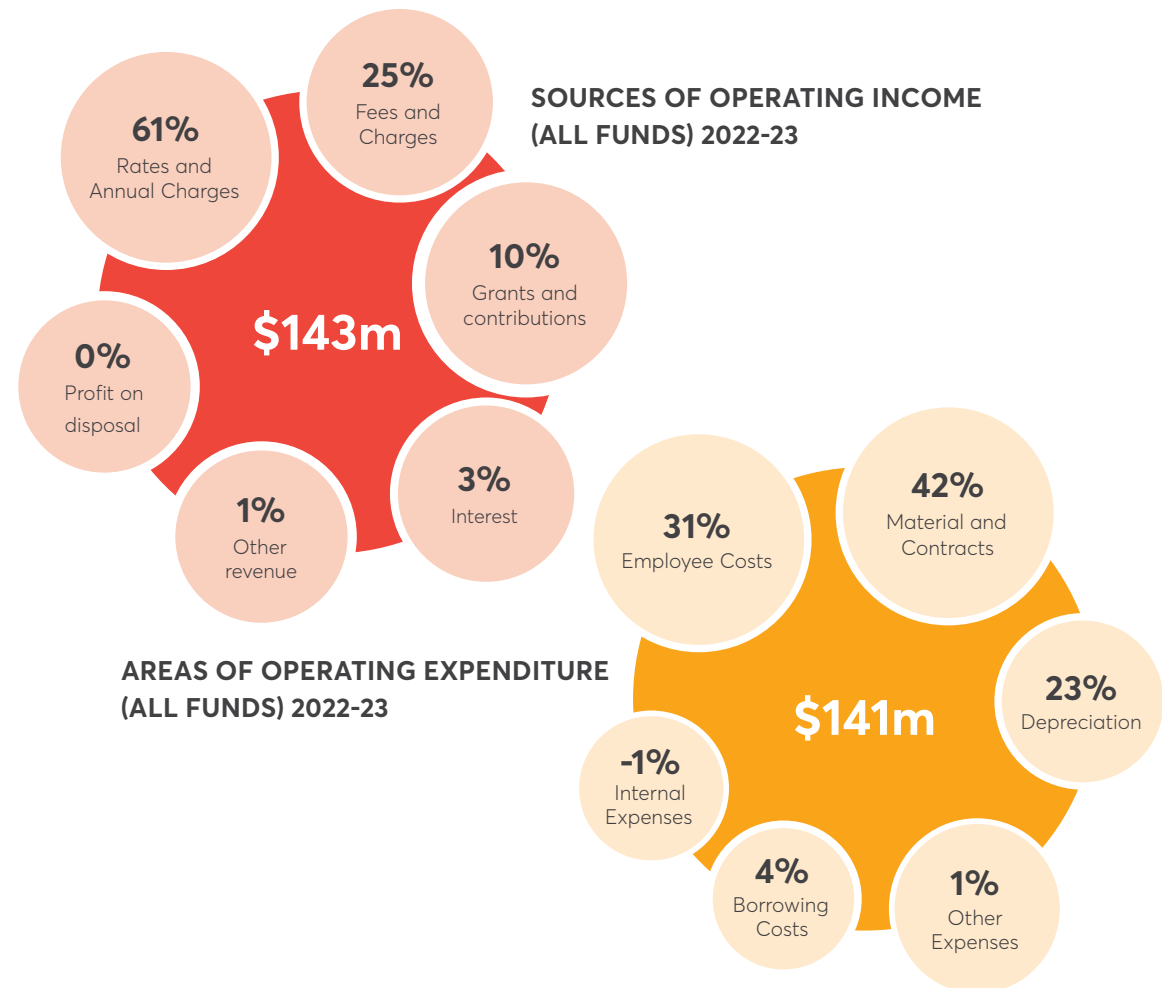
Broadly speaking, Council's 'narrow the gap' principle suggests the maintenance, renewal and debt servicing is funded by rates and annual charges, and supported by grants; while many of the services based on assets such as pools are partly funded by fees and grants. Our other services such as development activities are mostly covered by statutory and user fees.

The operational expenditure by Service is illustrated from page 32 onwards.

BUDGET POSITION - ALL FUNDS

Category	Budget 2021-22 \$,000	Budget 2022-23 \$,000
Income		
Rates and Annual Charges	78,405	84,876
User Charges & Fees	32,300	34,871
Interest	2,211	4,192
Other Revenue	2,058	1,430
Operating Grants & Contributions	37,470	18,154
Profit or Loss on Disposal	20	3
Total Income	152,464	143,526
Expense		
Employee Costs	41,699	43,480
Borrowing Costs	4,319	4,881
Materials & Services	72,828	59,776
Depreciation	34,013	32,125
Other Expenses	9,015	1,512
Total Expense	161,875	141,774
Operating Surplus/(Deficit)	9,411	1,752
Capital Income		
Capital Contributions	15,012	12,600
Capital Grants	33,804	31,208
Operating (Surplus)/Deficit after Capital	39,804	45,560
Non Cash adjustments		
Capital Contributions	(6,991)	(6,880)
Depreciation	34,013	32,125
Profit or Loss on Disposal	(20)	(3)
Capital		
Capital Works Program	(114,228)	(147,318)
Loan Principal Repayments	(7,546)	(8,362)
Sale of Assets	1,120	1,382
Proceeds from Borrowings	48,772	52,179
Net (increase) / decrease in cash	(5,476)	(31,317)
Funded by/(to)		
External reserves	107	32,486
Internal reserves	8,997	(2,311)
Unrestricted cash increase/(decrease)	3,628	(1,142)

Council has separate Funds for General income, Water, Sewer and Waste. The table above shows the full consolidated result (all funds), while the following page shows the General Fund result. General Fund is where rates income is held and supports the general operations of Council.



The NSW Office of Local Government requires all NSW councils to meet, or work towards meeting, a number of financial benchmarks which are listed below.

Ratio	Benchmark	Budget (all Funds) 2022-23
Operating Performance Ratio	>0%	1.22%
Own Source Operating Revenue Ratio	>60%	66.92%
Debt Service Cover Ratio	>2x	2.66x
Infrastructure Renewals Ratio	100%	183%
Asset Maintenance Ratio	100%	125.21%

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APPENDIX 2: DEBT OVERVIEW

Local government service delivery is very asset-intensive. That is, the sector is responsible for managing a very large value stock of assets relative to its annual operating income (for example: roads, footpaths, stormwater drainage, and community buildings).

It is often very difficult to provide these assets, both initially and when they need upgrading and replacing, without borrowing and effectively enabling the payment for these costs to be spread out over time.

An infrastructure-intensive organisation that prefers to keep debt levels very low is likely to under-invest in new additional infrastructure relative to what its operating income stream would allow, with flow-on effects on service levels.

Organisations that prefer to keep debt levels at a minimum are also likely to under-invest in asset renewal and rehabilitation. This may result in a decline in service levels and assets prematurely failing. As a result, whole-of-life costs of asset-related services will be higher.

Borrowings are not a substitute for income. Ultimately, over time, income needs to be raised to offset expenditure outlays, but borrowings do allow an organisation to accommodate a mismatch in the timing between outlay needs and income raised within a period. They effectively facilitate a 'smoothing' of annual income requirements and enable timely accommodation of capital expenditure outlays, the need for which can vary widely over different periods of time.

A well-managed organisation that is dependent on a large investment in infrastructure assets to deliver its service objectives is likely to be justified in having a considerable level of borrowings. This is particularly so if:

1. it has good financial and asset management plans
2. it has good decision-making processes
3. it makes additions and enhancements to its stock of infrastructure assets over time.

The following table summarises Council's current and future level of debt, the purpose for which the loans have been used, the annual cost of borrowings and the funding sources being used.

Project	Total project value (\$,000)	New loans (\$,000)	Interest rate	20yr principal and interest p.a	Source of funding for P&I
2021-22					
Regional Sports Complex - Stage 1	25,000	15,000	3.40%	1,037	Sports centre fees and general income (rates)
QBN Civic & Cultural Precinct	74,847	26,000	3.40%	1,797	Merger savings, water, sewer, waste attribution, lease income
Braidwood Office Refurbish & Smart Hub	250	250	3.40%	17	General income (rates)
Bungendore car park off Ellendon St	1,608	1,023	3.40%	71	General income (rates)
Braidwood car park Wallace St	845	820	3.40%	57	General income (rates)
Monaro St Upgrade (Lowe to Crawford)	15,500	5,250	3.40%	363	General income (rates)
Jim Gray Bore	647	362	3.40%	25	Water access charge
Bungendore East Bore	740	474	3.40%	33	Water access charge
Currandooly Clear Water delivery main	2,689	662	3.40%	46	Water access charge
Queanbeyan sewage treatment plant upgrade	139,000	10,000	3.40%	691	Sewer access charge, developers contributions
Efficient street lighting upgrades	3,002	200	3.40%	14	Cost savings - energy costs

Project	Total project value (\$,000)	New loans (\$,000)	Interest rate	20yr principal and interest p.a	Source of funding for P&I
2022-23					
QBN Civic & Cultural Precinct		39,661	4.00%	2,890	Merger savings, water, sewer, waste attribution, lease income
Queanbeyan sewage treatment plant upgrade		10,000	4.00%	729	Sewer access charge, developers contributions
Jim Gray Bore		271	4.00%	20	Water access charge
Bungendore East Bore		248	4.00%	18	Water access charge
Currandooly Clear Water delivery main		2,000	4.00%	146	Water access charge
2023-24					
New Bungendore Pool	10,000	4,000	4.00%	292	Developers contributions, general income (rates)
Memorial Park Development Capital	4,000	2,000	4.00%	25	Sewer access charge, developers contributions
Queanbeyan sewage treatment plant upgrade		10,000	4.00%	729	
2024-25					
Morisset car park and public domain	14,000	7,000	5.00%	556	Private parking fees, general income (rates)
Memorial Park Development Capital	4,000	2,000	5.00%	159	Cemetery fees, general income (rates)
Queanbeyan sewage treatment plant upgrade		10,000	5.00%	794	Sewer access charge, developers contributions
2025-26					
Morisset car park and public domain		7,000	5.00%	556	Private parking fees, general income (rates)
Queanbeyan sewage treatment plant upgrade		16,250	5.00%	1,290	Sewer access charge, developers contributions
2026-27					
Crawford Street Car park Upgrade- CBD Stage 6	5,000	5,000	5.00%	397	Private parking fees, general income (rates)

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APPENDIX 3: PROPERTY OVERVIEW

In line with the Property and Rental Policies, Council may:

- a. Sell or develop 'employment lands' (commercial, industrial) or residential lands to generate returns to enable investment in infrastructure. That property activity may act as a catalyst to generate private investment that create jobs or tertiary services.
- b. Use funds from land investment, or use council land holdings to leverage acquisition of other land critical to the orderly development of important urban or environmental areas
- c. Use returns from council land holdings to supplement revenue sources and minimise the demand for increasing rates above rate-pegging, or reducing services
- d. Use council land or other property to seed affordable housing or business incubation initiatives, through:
 1. Low entry lease and portion of turnover
 2. Other negotiated returns
 3. Maintaining the property in council ownership.
- e. Consider returns from land holdings to be either:
 1. Direct cash (through land sale)
 2. Infrastructure or environment offsets
 3. Long-term returns through leasehold or share of turnover of developed and managed sites.
- f. Apply commercial lease values to all properties, with any rebate or incentive recognised as a donation charged against respective functional area.

Over the coming years, Council proposes to acquire, sell, lease or gift the following properties. Unless otherwise indicated, the properties will be acquired through the 'property reserve' and proceeds from sale placed in the reserve. In addition, easements may be acquired for road, water, sewer, stormwater or pedestrian access purposes.

While sale or acquisition by private treaty is the norm, on occasions Council may by resolution, acquire property under the Just Terms Acquisition legislation. Similarly, some sales occur following receipt and assessment of unsolicited proposals.

Property, description and location	Current use	Proposed use or means of sale	Funding source (Property reserve unless stated)
Sale/Gift			
58 Morisset St, Qbn	Ex nursery	Expression of interest for sale/development lease	
66 Morisset St, Qbn	Car parking	Expression of interest for sale/development lease (airspace) with decked car park	
9 Morisset St, Qbn	Car parking	Expression of interest for sale/development lease (airspace) with decked car park	
93 Ellerton Drive, Qbn	Vacant land	Sale or lease (part)	
98 Monaro St, Qbn	Westpac and QPRC offices	Expression of interest	
256 Crawford St, Qbn	QPRC offices	Expression of interest	
257 Crawford St (part), Qbn	QPRC offices	Expression of interest	
10 Rutledge St, Qbn	QPRC offices	Expression of interest	
12 Rutledge St, Qbn	QPRC offices	Expression of interest	
5 Firethorn Pl, Qbn	Scout hall	Gift part site to Jerra Scouts for expansion of scout hall	
204 Foxlow St, Captains Flat	Health facility	Sell or re-purpose for community use	
20-22 Lorn Rd, Qbn	Council property	Sale	
Lots 11, 12 and 13 DP574879 at Majors Creek	Council property	Sale	
Acquisitions/Gift			
116 Monaro St, Qbn	Car park	Acquire part car park for consolidation	Debt
Bungendore Rd, Bgd	Farm land	Acquire for development of Bungendore Sports Hub	Grant
15 and/or 17 Gibraltar St, Bgd	Private use	Acquire for pedestrian access to Bungendore car park	Debt