

## QUEANBEYAN COUNCIL – CIP

<b>NOT FIT</b>			
Area (km <sup>2</sup> )	172	Population 2011	40,000
OLG Group	4	(2031)	58,500
ILGRP Group	E	Merger 2011	54,850
		(2031)	79,050
Operating revenue (2013-14)	\$48.9m	TCorp assessment	Moderate FSR Neutral Outlook
ILGRP options (preference in bold)	<b>Merge with Palerang Council</b> (yellow) or council in South East JO (shaded area).		
Assessment summary	Scale and capacity	<b>Does not satisfy</b>	
	Financial criteria:	<b>Satisfies overall</b>	
	• Sustainability	Satisfies	
	• Infrastructure and service management	Satisfies	
	• Efficiency	Satisfies	



### Fit for the Future – NOT FIT

- The council does not satisfy the scale and capacity criterion.
- The council satisfies the financial criteria overall. It satisfies the sustainability, infrastructure and service management and efficiency criteria.
- Scale and capacity is a threshold criterion which councils must satisfy to be Fit for the Future (FFTF), therefore the council is not fit.

### Scale and capacity – does not satisfy

- The council was required to consider the ILGRP preferred option and demonstrate its proposal is as good as or better to achieve the scale and capacity objectives for the region.
- The council did not demonstrate its improvement proposal was at least as good as the ILGRP merger option. The efficiency improvements in the council's proposal can be realised under the merger option. In addition the merger option would provide significant further benefits.
- Queanbeyan's proposal is based on a Regional Services Model, which would involve the provision of back office functions for Palerang Council and a coordinating leadership role for neighbouring councils. This model generated better operating results for Queanbeyan than the merger, but limited details about how this model would work in practice and the impacts for Palerang were provided.
- A high level business case was provided for this model, but we were unable to calculate an NPV based on the information provided. We also note Palerang did not provide support for this shared services model in its proposal.
- Our analysis of the business case jointly commissioned by Palerang and Queanbeyan Councils calculates the merger could provide benefits of \$51m (including a Government grant of \$5m) over 20 years.
- Our analysis is consistent with the ILGRP's preferred option for Queanbeyan to merge.

### Sustainability – satisfies

- The council satisfies the criterion for sustainability based on its forecast to meet the benchmarks for the operating performance, building and infrastructure asset renewal and own source revenue ratios by 2019-20.

### Infrastructure and service management - satisfies

- The council satisfies the criterion for infrastructure and service management based on its forecast to meet the benchmarks for the infrastructure backlog, asset maintenance and debt service ratios by 2019-20.

### Efficiency - satisfies

- The council satisfies the criterion for efficiency based on its forecast for a decline in real operating expenditure per capita over the period to 2019-20.

## Other relevant factors

Social and community context	Queanbeyan notes Palerang Council has a more dispersed community, which identifies more closely with the Goulburn and Cooma council areas for shopping, schooling and health services than Queanbeyan. There is a contrast between Queanbeyan's prosperous regional centre and Palerang's largely dispersed rural population.
Community consultation	Queanbeyan notes there was overwhelming community support for remaining a stand-alone council under the Regional Service Provider model, compared to remaining stand-alone or a merger with Palerang Council. However, no further details of the outcome or process for consultation were provided.
Water and/or sewer	Queanbeyan provides water and sewer services. These services are not currently being managed on a break-even basis. It is currently not meeting the Best Practice Management of Water Supply and Sewerage Framework, but it expects to over 2015-16. No dividend was paid for these services for both 2012-13 and 2013-14. A number of significant capital projects for water and sewer will also need to be undertaken out to 2020-21, including a \$100m sewer treatment plant upgrade.
Submissions	We received two submissions on Queanbeyan's proposal from two community groups based in Palerang. These submissions did not support the ILGRP's merger as they considered the merger was unlikely to result in benefits for Palerang residents and would result in a loss of focus on rural issues. One submission also noted it was unclear if any council would purchase services from Queanbeyan under its Regional Services Model and Queanbeyan faced financial risks due to its large infrastructure backlog and population growth pressures.