

CABONNE COUNCIL – CIP

NOT FIT

Area (km ²)	6,021	Population 2011	13,200
OLG Group	11	(2031)	16,450
ILGRP Group	E	Merger 2011	52,600
		(2031)	62,700
Operating revenue (2013-14)	\$30.1m	TCorp assessment	Sound FSR Neutral Outlook
ILGRP options (preference in bold)	Council in Central West JO (all shaded) or merge with Orange City Council (yellow).		



Assessment summary	Scale and capacity	Does not satisfy
	Financial criteria:	Satisfies overall
	• 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 meet 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 at least as good to achieve the scale and capacity objectives for the region.
- The council did not demonstrate its proposal was at least as good as the ILGRP preferred merger option. When compared to the merger, the council's forecast population of 16,450 in 2031 means it is unlikely to provide services cost-effectively to the local communities, advocate credibly and partner effectively with government.
- A merged council is likely to have improved capabilities, a more robust revenue base, greater scope to undertake new functions and projects, better regional collaboration and integrated planning.
- The council submitted a business case for a merger with Orange. Based on this model, our analysis suggests the merger could produce net benefits of \$27m over 20 years (including the Government grant).

Sustainability – satisfies

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

Efficiency – satisfies

- The council meets the criterion for efficiency based on its forecast for real opex per capita to reduce over the period.

Other relevant factors

Social and community context The community and social context of the two councils are vastly different, Orange is an urban/city council, while Cabonne provides rural services to dispersed small villages and communities.

Community consultation A survey was undertaken in 2013 with 93% of the 1,650 respondents opposed to a merger with Orange. Cabonne also notes more recent consultations were undertaken, including through community meetings, newsletters, radio interviews, and television and newspaper ads, which also resulted in strong community opposition to a merger and the formation of a community led anti-amalgamation group. This consultation appears to have been fairly extensive. Cabonne states its consultation was conducted in a balanced way.

Other relevant factors

Water and/or sewer	Cabonne operates its sewer business on a break even basis, while its water business operated at a loss in 2013-14. It plans to increase water charges by 10% a year and notes there is a high cost of servicing its dispersed community. It meets the requirements of the NSW Government's Best Practice Management of Water Supply and Sewerage Framework and estimates its infrastructure backlog is \$730,000 for water and \$182,000 for sewer.
Submissions	Fifteen submissions were received in relation to the council's proposal. All oppose a merger citing risks that job losses, reduced representation, reduced services, a lack of community support, financial weakness, differing demographics, a loss of social connection and a lack of evidence that a merger would produce benefits. One late submission was received that did not support the merger.
