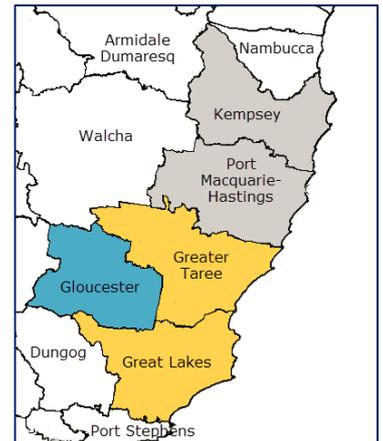


GLOUCESTER SHIRE COUNCIL – CIP

NOT FIT

Area (km ²)	2,996	Population: 2011	5,000
OLG Group	10	2031	4,850
ILGRP Group	F	Mergers: 2031	43,350 with Great Lakes 56,750 with Greater Taree 95,250 all three councils
Operating revenue (2013-14)	\$10.2m	TCorp assessment	Very weak FSR Negative Outlook
ILGRP options (no preference)	Council in Mid-North Coast JO (all shaded) or merge with Great Lakes and/or Greater Taree (both yellow).		



Assessment summary	Scale and capacity	Does not satisfy
	Financial criteria	Does not satisfy overall
	• Sustainability	Does not satisfy
	• Infrastructure and service management	Satisfies
	• Efficiency	Satisfies

Fit for the Future – NOT FIT

- The council does not satisfy the scale and capacity criterion.
- Scale and capacity is a threshold criterion which councils must satisfy to be Fit for the Future (FFTF), therefore the council is not fit.
- The council does not satisfy the financial criteria overall. Although it satisfies the infrastructure and service management and efficiency criteria, it does not satisfy the sustainability criterion.
- The council does not satisfy the sustainability criterion because its forecast to meet the operating performance ratio benchmark includes the assumed approval of a large proposed special variation which may be unreasonable.
- We consider the operating performance ratio benchmark is a key measure of financial sustainability that all Fit for the Future (FTFF) councils should meet, therefore the council is not fit.

Scale and capacity - does not satisfy

- The council's population is forecast to decline 4,850 by 2031 based on DP&E data. While the council forecasts population growth of 1.8% over the next 10 years, the population is likely to remain below 10,000, which the ILGRP considers may place a council at risk of becoming unsustainable. Our analysis suggests the council has insufficient scale to deliver services cost-effectively for its community and to partner effectively with governments compared to the merged entity. Therefore the council's proposal to stand alone does not satisfy scale and capacity.
- The council's current financial position also restricts its regional capacity, and a merged council would have a more robust revenue base.
- A merged council is likely to have improved capabilities and a more robust revenue base, greater scope to undertake new functions and projects, improved integrated planning and regional collaboration.
- The council engaged Morrison Low to undertake a business case for the suggested merger with Great Lakes Council, which showed a negative NPV from the merger. Based on this model, our analysis suggests the merger could produce net benefits of \$11m over 20 years (including the Government grant).

Sustainability - does not satisfy

- The council does not satisfy the criterion for sustainability. Its forecast for a positive operating performance ratio by 2024-25, which is largely dependent on a successful application and adoption of a large special variation which we consider may not be a reasonable assumption because it could have a high impact on ratepayers.
- We approved a special variation of 44.3% over 3 years to begin in 2015-16 (33.6% above the rate peg). The council relies on the successful application for and adoption of a special variation from 2018-19 of 44.3% cumulative over 3 years (36.6% above the rate peg). Together, these special variations result in a cumulative increase in rates of 108% over 6 years (92% above the rate peg).

- The council meets the benchmarks for the own source revenue and the building and infrastructure asset renewal ratios by 2019-20.

Infrastructure and service management – satisfies

- The council satisfies the benchmarks for the infrastructure backlog and the debt service ratios. It shows considerable improvement in the asset maintenance ratio but does not meet the benchmark.
- The council changed its asset condition assessment methodology to a risk-based approach. This led to a significant improvement in the backlog ratio from 2013-14 to 2014-15 and has contributed to the operating performance ratio improvement through lower depreciation costs.

Efficiency - satisfies

- The council meets the criterion for efficiency based on forecast decreases in real operating expenditure per capita over time.

Other relevant factors

Social and community context	<p>Gloucester Shire is a small rural area with its economy mainly based on retail and services (43%), farming (20%) and manufacturing (14%) as well as tourism industries. It includes the World Heritage listed Barrington Tops NP. It has an older demographic than the State average.</p> <p>Morrison Low compared Gloucester and Great Lakes communities, noting similar features such as demographics, a well-developed focus on environmental protection, and many aligned policies. Differences include the councils' approach to infrastructure: Gloucester focuses on maintaining the core elements, whilst Great Lakes aims to manage its environment to produce quality lifestyle opportunities through appropriate development.</p> <p>Morrison Low suggests merging unequal sized councils presents a risk of a perceived takeover by the larger council, in this case Great Lakes.</p>
Community consultation	<p>The council consulted its community via:</p> <ul style="list-style-type: none"> • an information brochure included in the rate notices and handed out at local events • its website • local radio and newspaper • staff information and workshops with councillors. <p>It undertook a survey which showed:</p> <ul style="list-style-type: none"> • 81% of respondents preferred the council to remain independent (with 11% unsure), • 55% of respondents disagreed that Gloucester should merge with Great Lakes Council (with 25% unsure). <p>Comments related to retaining a local focus and losing representation in a merger, needing to be realistic about the financial situation and potential benefits, and that rural councils require different treatment to Sydney councils.</p>
Water and/or sewer	<p>The council does not have a water/ sewer business.</p>
Submissions	<p>There were no submissions received in relation to Gloucester's proposal.</p>