

GUNDAGAI SHIRE COUNCIL – RURAL COUNCIL PROPOSAL

NOT FIT

Area (km ²)	2457	Population 2011	3,750
OLG Group	9	(2031)	3,450
ILGRP Group	B	Merger 2011	15,000
		(2031)	14,100

Operating revenue (2013-14) \$6.7m TCorp assessment Moderate FSR Negative Outlook

ILGRP options **Merge with Tumut Council** (yellow) or Rural Council in Riverina JO (shaded area).

Assessment summary

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



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 meets the criterion for infrastructure and service management. However, the council does not meet the criteria for efficiency or sustainability. As a result, the council does not satisfy the financial criteria overall.
- We consider the operating performance ratio benchmark is a key measure of financial sustainability that all FFTF councils should meet, 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 an option to achieve the scale and capacity objectives for the region.
- The proposed Rural Council Proposal is not as good as the ILGRP's preferred option to merge with Tumut. When compared to the merger, the council's small and declining population of 3,450 in 2031 means it is unlikely to cost-effectively provide services to the local communities and advocate to or partner with government.
- Our analysis indicates the merger is likely to be a better outcome for managing strategic issues in the region.

Sustainability - does not satisfy

- The council does not satisfy the criterion for sustainability. It meets the own source revenue and the building and infrastructure asset renewal ratios by 2019-20. However, it does not meet the operating performance ratio based on our calculations.
- The operating performance ratio projected with the councils forecast was -19.0% in 2014-15 and is forecast to reach 4.0% by 2024-25. The council's long term financial plan projects income in 2015-16 to be \$13.1m, while income for 2013-14 was \$7.1m. The council forecasts an increase in revenue of approximately 40% from 2013-14 to 2015-16, which may be optimistic and is not supported by detailed figures.
- We have calculated the operating performance ratio with income growth at 35%. Our calculations indicate the operating performance ratio is forecast to be -2.6% in 2015-16 and -1.2% in 2024-25.

Infrastructure and service management - satisfies

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

Efficiency - does not satisfy

- The council does not meet the criterion for efficiency based on an increasing real opex ratio without evidence of an increase in the level or quality of services. Real opex per capita was \$1,980 in 2014-15 and is forecast to be \$2,230 in 2019-20.

Other relevant factors

Social and community context	Gundagai has one town and four small villages and maintains a road network of about 780km. Gundagai Shire has a strong history in Australian folklore with the 'Dog on the Tuckerbox'. The council considers one of its strengths is that the whole community shares the concern about keeping Gundagai's identity and unique heritage alive and strong.
Community consultation	The council undertook a community survey asking residents did they support Gundagai merging, and if yes, with what councils, giving ratepayers five options. A public forum was also held on 18 June and consultation occurred via the local newspaper. The survey did not outline the advantages and disadvantages for the proposals, but asked the residents what key factors would improve or decline following a merger. The result of the council's survey was 24% of respondents agreeing to a merger, with 50% of these agreeing it should be with Tumut.
Water and/or sewer	The council operates water and sewer businesses with surpluses before capital reported for 2013-14 of \$110,000 and \$254,000 respectively. The council reports a backlog figure of \$185,000 for both funds.
Submissions	We received one submission in relation to Gundagai council's proposal, about its management being poor.