

GUYRA SHIRE COUNCIL – RURAL COUNCIL PROPOSAL

NOT FIT

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|-----------------------------|--------|------------------|--------|----------------------------------|
| Area (km ²) | 4,521 | Population | 2011 | 4,500 |
| OLG Group | 9 | | (2031) | 4,850 |
| ILGRP Group | E | Merger | 2011 | 29,650 |
| | | | (2031) | 36,500 |
| Operating revenue (2013-14) | \$8.4m | TCorp assessment | | Moderate FSR Negative Outlook |

ILGRP options (preference in bold)
Merge with Armidale (yellow) or council in New England JO (all shaded).

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|--------------------|---|---------------------------------|
| 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 meet to be Fit for the Future (FFTF), therefore the council is not fit.
- The council does not satisfy the financial criteria overall. Although the council satisfies the criterion for infrastructure and service management, it does not satisfy the criteria for sustainability or efficiency.
- 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 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 Rural Council Proposal is not as good as the ILGRP's preferred option to merge with Armidale. When compared to the merger, the council's small and static population of 4,850 in 2031 means it is unlikely to cost-effectively provide services to the local communities.

Sustainability – does not satisfy

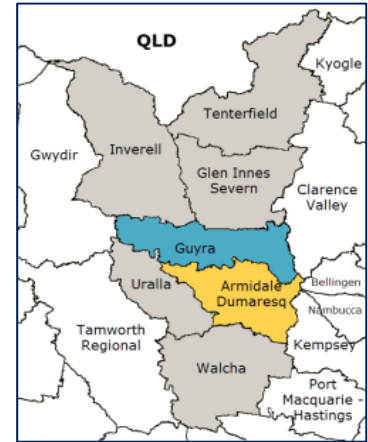
- The council does not satisfy the criterion for sustainability. The operating performance ratio was -20% in 2014-15 and is forecast to be 0% by 2024-25. However, our analysis indicates the assumptions for the improvement in operating performance ratio may be unreasonable. These are:
 - the successful application for and adoption of a permanent special variation in 2016-17 of 30% cumulative (27.5% above the rate peg), and
 - successive falls in depreciation totalling 15% and depreciation then remaining constant in nominal terms from 2015-16 onwards. This assumption suggests the council's asset base gradually decreases over time.
- The council forecasts its own source revenue and building and infrastructure asset renewal ratios will be above the benchmark by 2019-20.

Infrastructure and service management - satisfies

- The council satisfies the infrastructure and service management criterion. It is forecast to meet the benchmark for the infrastructure backlog, asset maintenance and debt service ratios over the outlook period to 2019-20.

Efficiency – does not satisfy

- The council does not meet the criterion for efficiency. Real opex per capita was \$1,977 in 2014-15 and is forecast to be \$2,157 in 2019-20.



Other relevant factors

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|------------------------------|---|
| Social and community context | According to the council, there are cultural differences between Guyra's largely rural LGA and Armidale Dumaresq's LGA, due to Armidale's size and character as an urban, university centre. |
| Community consultation | <p>The council consulted about the FTFF process via a Reference Group, public meetings and a survey. The survey was completed by over 200 people (about 5% of the LGA's population). Key survey results are:</p> <ul style="list-style-type: none">• 14% of respondents preferred the merger option (65% preferred the Rural Council model and the remainder preferred the Council Improvement Proposal).• 85% of respondents did not support the ILGRP's option to merger with Armidale Dumaresq Council (9% supported the option and the remainder were unsure).• 70% of respondents would accept a 30% rate rise if Guyra was able to be considered a Rural Council. |
| Water and/or sewer | The council's water and sewer business does not comply with the NSW Best Practice Framework. The council states the business breaks even and has a \$3.2m infrastructure backlog. As the business does not pay dividends, it would only affect the council's scale and capacity insofar as it allows the council to employ specialist staff. |
| Submissions | There were no submissions received in relation to Guyra's proposal. |