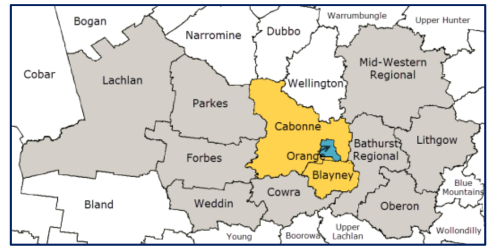
ORANGE CITY COUNCIL – CIP



NOT FIT

Area (km²)	285	Population	2011	39,400
OLG Group	4		(2031)	46,250
ILGRP Group	E	Merger	2011	52,600
			(2031)	62,700
Operating revenue (2013-14)	$59.3m	TCorp assessment		Sound FSR, Negative Outlook

ILGRP options (preference in bold): Council in Central West JO (all shaded) or **merge with Cabonne** and/or Blayney (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 satisfy to be Fit for the Future (FFTF), therefore the council is not fit.

Scale and capacity – does not satisfy

- The council did not demonstrate that its proposal to stand alone would be as good as or better than the ILGRP preferred merger. 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.
- Based on the business case submitted by Orange on a merger with Cabonne, our analysis suggests the merger could produce benefits of $27m over 20 years (including the Government grant). Morrison Low noted that the inclusion of Blayney in this merger would be expected to generate even higher benefits, although it did not research this option.
- Our analysis is consistent with the ILGRP's preferred option for Orange to merge.

Sustainability – satisfies

- The council satisfies the criterion for sustainability based on its forecast to meet the benchmarks for the operating performance ratio and the own source revenue ratio by 2019-20.
- We estimate that adjusting the operating performance ratio by removing interest income on section 94 Reserves would reduce the ratio by approximately 1.9 percentage points to -0.8% in 2019-20, which is below the benchmark. However, we consider the council has sufficient scope to adjust its revenue strategy to meet the benchmark.
- The council has forecast its building and infrastructure asset renewal ratio will be 60.3% by 2019-20, which is below the benchmark. We consider this is acceptable in the context of its performance against the other ratios.

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, the asset maintenance ratio and the debt service ratio by 2019-20.

Efficiency – satisfies

- The council meets the criterion for efficiency based on its forecast for declining real opex per capita over the period to 2019-20.

Other relevant factors	
Social and community context	The East Cabonne Ratepayers Association has been campaigning for boundary changes since 2011 to move the eastern parts of Cabonne into Orange Council. The Association supports a Cabonne-Orange merger
Community consultation	Blayney Shire and Cabonne Council resolved to submit stand-alone proposals, prior to Orange completing its community engagement. This meant the only option available to Orange was to stand-alone. Its survey found 63% believed Orange should merge with Cabonne and or Blayney Councils.
Water and/or sewer	Orange's water and sewer business is substantial with $500m of assets. Orange meets the NSW Government's Best Practice Management of Water and Sewerage Framework. The current infrastructure backlog is estimated at $1.8m. The large size of these businesses contributes to Orange's capacity and scale.
Submissions	We received one late submission in relation to Orange's proposal which opposed the merger option.