

SNOWY RIVER SHIRE COUNCIL – CIP

NOT FIT			
Area (km ²)	6,029	Population	2011 7,750 (2031) 8,650
OLG Group	10		
ILGRP Group	D	Merger (3 councils)	2011 20,400 (2031) 21,600
Operating revenue (2013-14)	\$21.1m	TCorp assessment	Moderate FSR Negative Outlook
ILGRP options (no preference)	Council in South East JO (shaded area) or merge with Bombala/Cooma-Monaro.		
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, the council 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 FFTF councils should meet, therefore the council is not fit.

Scale and capacity - does not satisfy

- The council's population is forecast to be 8,650 by 2031 based on DP&E data and slightly higher with council forecasts. Our analysis suggests the council has insufficient scale to deliver services cost-effectively for its community and to partner effectively with governments. Therefore the council's proposal to stand alone does not satisfy scale and capacity.
- Most of the efficiency strategies from the council improvement proposal could be realised in addition to the merger gains under the merger alternative.
- 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.
- Our analysis of a business case for a merger of Snowy River, Cooma-Monaro and Bombala Councils and commissioned by these three councils suggests the merger could generate benefits to the community of \$22m over 20 years (including the Government grant). This represents larger benefits than the three councils' share services arrangement and suggests merging is likely to be better than Snowy River's proposal to stand-alone.
- Our analysis is consistent with the ILGRP, which suggested there would be benefits from the option of Snowy River merging with Cooma-Monaro and Bombala councils.

Sustainability – does not satisfy

- The council does not satisfy the sustainability criterion. The council's operating performance ratio was -14% in 2014-15 and is forecast to reach 3% by 2024-25. The council relies on the successful application for and adoption of two large special variations from 2016-17. Together these are 95.8% cumulative over 10 years (67.8% above the rate peg).
- Our analysis suggests this assumption may not be reasonable. As the council is limited to seven years of increases, we note the first seven years would accumulate to 69% (50% above the rate peg). In addition, the council's average residential rates in 2013-14 were 23% higher than the OLG group average.
- The council has forecast it will meet the benchmark for the own source revenue ratio and the forecast shows improvement in the building and infrastructure asset renewal ratios by 2019-20.

Infrastructure and service management - satisfies

- The council satisfies the criterion for infrastructure and service management based on meeting the benchmarks for the asset maintenance and debt service ratios by 2019-20.
- The infrastructure backlog was 9.7% in 2014-15 and is forecast to reach 7.1% by 2019-20. While this result shows improvement, it remains above the benchmark in 2019-20.
- The council changed its approach to measuring the infrastructure backlog. This caused the backlog to fall significantly. Nevertheless, the forecast for the infrastructure backlog ratio does not meet the benchmark and there is relatively minor improvement in this ratio over the outlook period.

Efficiency - satisfies

- The council satisfies the criterion for efficiency based on a decline in real operating expenditure over the period to 2019-20.

Other relevant factors

Social and community context

The Snowy River LGA is on the eastern slopes of the Snowy Mountains ranges and Kosciuszko National Park, and extends over hilly farmland. The median age is 38 and the accommodation industry is the main employer. Sheep, beef and grain farming constitutes 6.7% of employment.

Community consultation

The council consulted with the community via fliers, community meetings and media releases. It completed a phone survey, which shows:

- 66% of respondents preferred the stand-alone option, and
- 31% of respondents preferred the merger option.

The reasons provided for wanting to stand alone include a desire for locally provided services, better representation and responsiveness to local issues.

The council also conducted an online survey. Of the 506 respondents, 60% preferred the stand-alone option. Community forums in four towns indicated around 82% of attendees also supported this option. We note these types of survey are subject to self-selection bias.

Water and/or sewer

Snowy River Shire Council states its water and sewerage business meets the NSW Government Best Practice Management Framework and at break-even, and currently has an infrastructure backlog of \$16.3m. We consider the water and sewerage operations may affect the council's scale and capacity insofar as it allows the council to employ specialist staff.

Submissions

We received one submission from the Eucumbene Chamber of Commerce, opposing Snowy River Council's intention to close the Adaminaby pool because this would be economically inefficient, ineffective and inequitable.

In a meeting, the council made the following points:

- The council would prefer to stand-alone and emphasised the community's support for this preference.
- In a merger scenario, the council is concerned the performance of the stronger council would trend towards that of the weaker council. Accordingly, if the council is required to merge, it would prefer to be the lead party in any such merger.
- If the council is required to merge with just one council, its first preference would be to merge with Bombala Council.