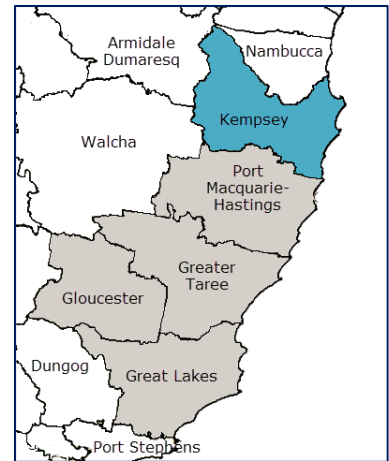


KEMPSEY SHIRE COUNCIL – CIP

NOT FIT			
Area (km ²)	3,371	Population: 2011	29,150
OLG Group	4	(2031)	30,500
ILGRP Group	G		
Operating revenue (2013-14)	\$37.7m	TCorp assessment	Weak FSR Negative Outlook
ILGRP option	Council in Mid-North Coast JO (all shaded).		
Assessment summary	Scale and capacity	Satisfies	
	Financial criteria:	Does not satisfy overall	
	• Sustainability	Does not satisfy	
	• Infrastructure and service management	Does not satisfy	
	• Efficiency	Satisfies	



Fit for the Future – NOT FIT

- The council satisfies the scale and capacity criterion.
- The council does not satisfy the financial criteria overall. The council does not meet the criterion for sustainability including the benchmark for the operating performance ratio.
- The council does not satisfy the criterion for infrastructure and service management but does meet the efficiency criterion.
- We consider a council's operating performance ratio 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 – satisfies

- The council's proposal is consistent with the ILGRP's option.
- As the ILGRP did not propose another option for this council, the council was not required to demonstrate how it met each of the elements of scale and capacity. It therefore did not provide sufficient information on the other elements of scale and capacity.
- Our analysis has not identified evidence for a better alternative to the council's proposal.
- The council engages in MIDROC and has investigated further service sharing with neighbouring councils, but its current financial position could limit its capacity for new functions and major projects.

Sustainability – does not satisfy

- The council does not satisfy the criterion for sustainability based on its forecast operating performance ratio not meeting the benchmarks.
- The council's operating performance ratio was -40.4% in 2014-15 and is forecast to reach -3.5% by 2019-20, which is below the benchmark. The council has forecast small negative results to 2024-25.
- Its building and infrastructure asset renewals ratio was 36.8% in 2014-15 and forecast to improve to 85.7 by 2019-20.
- This improvement is largely driven by lower depreciation costs as well as cost reductions.
- In its proposal, the council relies on the successful application for and adoption of a special variation from 2017-18 of 36% cumulative over 4 years (25% above the rate peg).
- The council's own source revenue ratio meets the benchmark for all years.

Infrastructure and service management - does not satisfy

- The council does not satisfy the criterion for infrastructure and service management based on its forecast for the infrastructure backlog and asset maintenance ratios not meeting the benchmarks by 2019-20.
- The council's infrastructure backlog was 9.7% in 2014-15 and is forecast to improve to 6.8% in 2019-20, which does not meet the benchmark. The council forecasts continued improvement, but still does not meet the benchmark by 2024-25.
- The council's asset maintenance ratio was 60.1% in 2014-15 and is forecast to improve to 79.5% by 2019-20.
- The council is yet to confirm the appropriate funding level for maintenance, and it is working with other MIDROC councils to develop best practice road asset management. It suggests the asset maintenance benchmark will be met by 2024-25.

- It meets the debt service ratio benchmark.

Efficiency - satisfies

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

Other relevant factors

Social and community context	The council ranks lower on the SEIFA index than most of its neighbours and other Group 4 councils. As a result, rates historically have been kept low, but the council is phasing in increases to improve its sustainability.
Community consultation	The council has not indicated that it has undertaken community consultation with regard to its Fit For the Future proposal.
Water and/or sewer	The council's annual and user charges for water and sewer have been kept well below sustainable levels, and as such these businesses do not operate at break-even. Recently it began increasing charges and expects the water and sewer services will break even within the ten year financial plan. The businesses mostly meet the requirements of the Best Practice Management Framework, and the council expects it will meet a final target in the future. The infrastructure backlog for these functions is \$37.8m but the council considers this is overstated.
Submissions	We did not receive any submissions on Kempsey's proposal.