

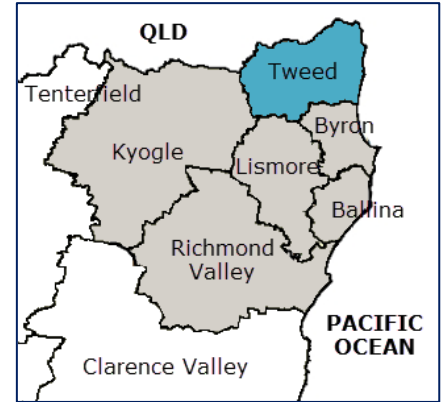
# TWEED SHIRE COUNCIL – CIP

## NOT FIT

Area (km <sup>2</sup> )	1,309	Population 2011	88,450
OLG Group	5	(2031)	109,400
ILGRP Group	G		
Operating revenue (2013-14)	\$104.7m	TCorp assessment	Moderate FSR, Neutral Outlook

ILGRP option Council in Northern Rivers JO (shaded area).

Assessment summary	Scale and capacity	<b>Satisfies</b>
	Financial criteria:	<b>Does not satisfy overall</b>
	• 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. Although it meets the efficiency criterion, the council does not meet the sustainability or the infrastructure and service management criteria.
- The council does not meet the sustainability criterion based on its operating performance ratio being below the benchmark.
- 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

- We consider the council currently meets or partially meets most of the elements of scale and capacity.
- The council's proposal is consistent with the ILGRP's option to stand alone.
- Our analysis has not identified evidence for a better alternative to the council's proposal to stand alone.

### Sustainability – does not satisfy

- The council does not meet the criterion for sustainability based on its continuing operating deficits and relatively low building and infrastructure asset renewal ratio.
- The operating performance ratio was -8.1% in 2014-15 and is forecast to remain in deficit at -4.9% 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 one percentage point to -5.9% in 2019-20.
- The building and asset renewal ratio was 54.1% in 2014-15 and is forecast to reach 52.2% by 2019-20. The own source revenue ratio is greater than the benchmark.
- The council expects to achieve operating surpluses in the longer term, following some consultation with the community. This expected improvement is based on revising service levels and increasing revenue. Consultation regarding service reviews is expected to commence in future years.

### Infrastructure and service management – does not satisfy

- The council does not satisfy the criterion for infrastructure and service management based on its infrastructure backlog and asset maintenance ratios forecast neither to improve nor meet the benchmarks.
- The council's infrastructure backlog was 7.3% in 2014-15 and is forecast to increase to 8.9% by 2019-20.
- The asset maintenance ratio was 78.5% in 2014-15 and is forecast to be 71.3% in 2019-20.
- The debt service ratio remains within the benchmark range.
- The council states it faces infrastructure and service provision challenges created by a large pensioner population (22%), dispersed populations, frequent flooding, coast erosion and tourism demands. While it has dealt with these to some extent through its large and growing rate base, it is not fully funding its current requirements. It proposes to review services, which may result in reducing the level of service to the community and/or revising the required

condition of assets, which would improve the ratios.

**Efficiency - satisfies**

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

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**Other relevant factors**

Social and community context	Tweed is expecting significant residential development to occur to meet population growth demands. The area has a growing young population, with 28% under 25 years old. Agriculture is a \$58m industry for the local economy, though tourism and commercial activity are large industries and expected to grow with further proposed airport development. Health care and social assistance are major employers. Airport passenger numbers in 2013-14 were 5.7 million. Housing affordability and availability are key challenges for the LGA.
Community consultation	The council's proposal did not include details of its community consultation.
Water and/or sewer	Tweed states it is compliant with the best practice management framework. However, it has a backlog of \$37.8m and does not current achieve full cost recovery on its operations. It has taken out significant debt to fulfil capital works obligations in recent years.
Submissions	We received one submission which raised concerns Kings Forest and Cobakai Lakes developments would create issues for current infrastructure and have changed the nature of the community in the LGA.

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