

# WARRUMBUNGLE SHIRE COUNCIL - CIP

## NOT FIT

Area (km <sup>2</sup> )	14,820	Population	2011	9,900
OLG Group	9		(2031)	8,800
ILGRP Group	C			
Operating revenue (2013-14)	\$27.6m	TCorp assessment	Weak FSR Negative Outlook	
ILGRP option	Council in Orana JO (all shaded).			

### Assessment summary

Scale and capacity	<b>Satisfies</b>
Financial criteria:	<b>Does not satisfy overall</b>
• Sustainability	Does not satisfy
• Infrastructure and service management	Satisfies
• Efficiency	Does not satisfy

### Fit for the Future – NOT FIT

- The council satisfies the scale and capacity criterion.
- The council does not satisfy the financial criteria overall.
- Although the council satisfies the infrastructure and service management criterion, it does not satisfy the sustainability and efficiency criteria.
- The council does not satisfy the criterion for sustainability based on assumptions that are not reasonable. As a result, an adjusted forecast for its operating performance ratio does not meet the benchmark.
- We consider the operating performance ratio is a key measure of sustainability that councils must meet to be Fit for the Future, therefore the council is not fit.

### Scale and capacity – satisfies

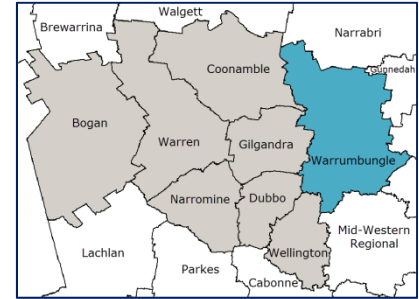
- The council's proposal is consistent with the ILGRP's option to stand alone.
- As the ILGRP did not propose another option for this council, Warrumbungle Council was not required to demonstrate how it met each of the elements of scale and capacity.
- It provided limited information against the elements of scale and capacity and we consider it meets or partially meets most of them.
- 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 satisfy the criterion for sustainability. It meets the building and infrastructure asset renewal ratio by 2019-20. However, it does not meet the operating performance ratio based on our revised calculation.
- The operating performance ratio was -14.7% in 2014-15 and is forecast (by the council) to reach 0.1% by 2024-25, which meets the benchmark.
- However, these ratios include the assumption that FAGs would increase by \$1m in 2017-18 onwards, which our analysis indicates is not reasonable. Under more realistic estimates, our analysis suggests the revised operating performance ratio is forecast to be -2.2% in 2024-25.
- For councils within OLG groups 8-11 we have assessed the own source revenue ratio with the inclusion of FAGs. The council meets the own source revenue ratio.

### 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 council plans to reduce its backlog from 5% in 2014-15 to 4% in 2019-20, by diverting funding from capital expansion to capital renewals.
- The council revalued much of its asset base in 2012-13 leading to a decrease in the cost to bring assets to satisfactory condition. It is yet to complete its revaluation for structures and stormwater drainage infrastructure and considers the backlogs for these categories to be conservatively high.



**Efficiency – does not satisfy**

- The council does not satisfy the criterion for efficiency based on our estimate of it increasing real opex per capita over time. We estimate the real operating expenditure is likely to increase from \$33.6m in 2014-15 to \$34.4m to 2019-20, while the population is forecast to decrease from around 9,900 to 9,800 between 2011 and 2021. This indicates an increasing real operating expenditure per capita ratio.

**Other relevant factors**

Social and community context	The LGA covers a large geographic area, comprising 6 towns and 13 villages. The LGA has a predominantly rural-based economy – around 24% of all employed persons were in the sheep, cattle and grain farming industry in 2011. The LGA also has a rich indigenous heritage - Aboriginal or Torres Strait Islander people represented 9.3% of the Shire's population in 2011.
Community consultation	The council conducted a rigorous and broad community consultation program for its Improvement Action Plan (IAP). The council held several internal workshop and community meetings in each of the six towns in the LGA, to inform the content of its IAP. Following public release of the IPA, the council engaged in further public consultation and publicity, including four dedicated town meetings and widespread media coverage. The CIP does not indicate the community feedback.
Water and/or sewer	The council is 90% compliant with the NSW Government Best Practice Management of Water Supply and Sewerage Framework. The council is intending to implement a water consumption charge in 2016-17 to achieve full compliance. The council is reviewing its asset backlogs and is budgeting significant asset renewal expenditure in its 2015-16 Delivery Program.
Submissions	There were no submissions were received in relation to Warrumbungle's proposal.