DENILIQUIN COUNCIL – CIP

NOT FIT

Area (km^2)	143	Population	2011	7,300
OLG Group	4		(2031)	5,700
ILGRP Group	D	Merger Murray and Conargo	2011	16,100
			(2031)	16,150
		Merger Murray and Wakool	2011	18,550
			(2031)	17,650
Operating revenue (2013-14)	$11.1m	TCorp assessment	Moderate FSR, Negative Outlook	
ILGRP options (preference in bold)	**Merge with Conargo/Murray** and Wakool (yellow), or council in Mid-Murray JO (all shaded).			

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 meet to be Fit for the Future (FFTF), therefore the council is not fit.

Scale and capacity – does not satisfy

- The council was required to consider the ILGRP preferred option and demonstrate its proposal is at least as good to achieve the scale and capacity objectives for the region.
- The council has not demonstrated its proposal to stand alone is as good as the ILGRP identified merger option. When compared to a merger, the council's forecast population of 5,700 in 2031 (based on DP&E data) means it is unlikely to provide services cost-effectively to the local communities, advocate credibly and partner effectively with government.
- The council submitted a business case by LKS Quaero for a merger between Wakool, Murray and Deniliquin Councils, but did not identify an NPV estimate. Based on this model, our analysis suggests a merger could produce net benefits of $26m over 20 years (including the full government grant of $11m).
- Our analysis also suggests a potential Murray and Deniliquin merger could produce net benefits of $16m over 20 years (including a Government grant of $5m).
- All analyses showed large net benefits to the local community from the merger. Variances in calculations result from different inputs and underlying methodologies.
- Our analysis is consistent with the ILGRP's preferred option for Deniliquin to merge with neighbouring councils.

Sustainability – satisfies

- The council satisfies the criterion for sustainability based on its forecast to meet the benchmark for the operating performance ratio by 2019-20.
- The council's own source revenue ratio is forecast to be 53.2% by 2019-20 which is slightly below the benchmark. Its building and infrastructure asset renewal ratio is also below the benchmark. However, we consider this is acceptable in the context of its sound operating position.
- The council's building and infrastructure asset renewal ratio is forecast to be 79.2% by 2019-20, which is below the benchmark. However, its performance during the period exceeds 100% in some years based on the cyclical nature of its renewal expenditure program.
- The council's improvement in its financial position is partly due to an approved special variation of 4.5% in 2015-16 (including the rate peg) which remains in the rate base for three years to fund tourism promotion.

- The council has assumed FAGs funding is frozen until 2017-18, after which it assumes they are indexed at 3% per annum. We note the council's declining population may affect the size of its grant in future years.

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, asset maintenance and debt service ratios by 2019-20.

Efficiency - satisfies

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

Other relevant factors	
Social and community context	Deniliquin township is 750km west of Sydney, 200km west of Albury and 250km southwest of Wagga Wagga. It is 80km north of the Victorian border. It is the headquarters of the Murray Irrigation Ltd which irrigates Berriquin, Deniboota, Denimein and Wakool – these areas produce 50% of Australia's rice and 75% of NSW tomatoes.
Community consultation	The council's proposal indicates that it completed its first Community Strategic Plan in 2012 with community consultation at that time identifying a strong desire for mergers as a key priority to ensure the long term sustainability for the region. Deniliquin councillors have been supportive of the concept of mergers as an opportunity to improve regional strength.
Water and/or sewer	The council states it currently achieves the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework. The council's proposal indicates it operates its services on a break even basis, however there is an estimated $0.25m water and sewerage infrastructure backlog.
Submissions	There were no submissions received in relation to Deniliquin's proposal.