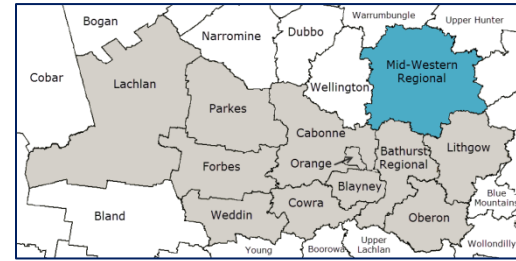


MID-WESTERN REGIONAL COUNCIL – CIP

NOT FIT

Area (km ²)	8,722	Population 2011	23,000
OLG Group	4	(2031)	25,050
ILGRP Group	G		
Operating revenue (2013-14)	\$39.7m	TCorp assessment	Sound FSR Negative Outlook



ILGRP option	Council in Central West 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. Whilst it satisfies the efficiency criterion, it does not satisfy the sustainability and infrastructure and service management criteria.
- The council does not satisfy the sustainability criterion as a result of its forecast for a negative operating performance ratio by 2019-20.
- We consider a council's operating performance ratio is a key measure of financial sustainability that all Fit for the Future (FFTF) councils should meet, therefore the council is not fit.

Scale and capacity - satisfies

- The council 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.
- As the ILGRP did not identify another option for this council, it was not required to demonstrate how it met each of the elements of scale and capacity.
- The council has demonstrated effective regional partnerships.

Sustainability – does not satisfy

- The council does not satisfy the sustainability criterion based on its forecast for an operating performance ratio of -1.9% by 2019-20.
- This council's operating performance ratio is forecast to be below the benchmark by 2019-20. The council recognises its current asset management systems and procedures are inadequate and need to improve so that accurate and reliable data can be used to monitor and improve the council's performance against the indicators for sustainability and infrastructure service management.
- The council's forecast for the own source revenue ratio and the building and infrastructure asset renewal ratio meet the benchmarks by 2019-20.

Infrastructure and service management – does not satisfy

- The council does not satisfy the infrastructure and service management criterion based on its forecast for a large infrastructure backlog and insufficient asset maintenance by 2019-20.
- The infrastructure backlog ratio was 11% in 2014-15 and is forecast to be 7% by 2019-20. This does not meet the benchmark.
- The council states its current asset management data is unreliable and places low confidence in its estimates (ie, estimates are based on engineering assessments and do not reflect community expectations or council's priorities). The council also states it has inherited duplicate assets and assets in varying conditions as a legacy of two previous amalgamations.
- The council expects improvements in the quality of asset management data will reduce the 'estimated cost to bring assets to a satisfactory condition' by at least 10% and it plans to redirect 20% of its renewal expenditure to reduce its backlog.

- The council has calculated the infrastructure backlog ratio using the current replacement cost as the denominator, instead of the written down value. This is arguably a valid measurement of the infrastructure backlog. The results of this method are more favourable but still do not meet the benchmark, showing an 8% backlog in 2013-14 and 5% backlog in 2019-20.
- The asset maintenance ratio was 89% in 2014-15 and is forecast to be 84% by 2019-20. This is below the benchmark. As noted above, the council's estimates are unreliable due to inadequate asset management systems and procedures. The council states its large network of unsealed roads is a major cause of this result and acknowledges the need to consult with the community to set realistic service levels.

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	The proposal did not contain any relevant social and community context information for this criterion.
Community consultation	The proposal did not provide any details of community consultation.
Water and/or sewer	Mid-Western Regional Council operates water and sewer businesses. It does not achieve the requirements of the NSW Government's Best Practice Management of Water Supply and Sewerage Framework. The council indicates its water and sewer infrastructure backlog is \$39.1m. The council reported surplus results for water and sewer (before capital) of \$847,000 and \$146,000 respectively for 2013-14.
Submissions	There were no submissions received in relation to Mid-Western's proposal.
