



The Panel recommends . . .

Consideration of a new structural arrangement for the existing LGAs of Dubbo, Bogan, Coonamble, Gilgandra, Narramine, Warren, Wellington and Warrumbungle

Panel's Preferred Options (*"Future Directions for NSW Local Government"*)

- Amalgamate Dubbo, Narramine and Wellington to strengthen the regional centre
- Reconfigure Bogan and Warren as Local Boards, or consider merging the two councils
- Reconfigure Coonamble and Gilgandra as Local Boards, or consider merging the two councils
- No change for Warrumbungle, but could consider a merger with Gilgandra/Coonamble
- All councils to form part of a multi purpose county council, based around the regional centre of Dubbo.

NB: Data has been drawn from a number of sources including: ABS population figures, DPI population projections, TCorp analysis of councils, and information submitted by local councils in annual returns. The data should be used as a guide only for assessing the councils' size and financial challenges.

Regional characteristics

	Orana	Dubbo	Bogan	Coonamble	Gilgandra	Narramine	Warren	Warrumbungle	Wellington
Geographical area	65,317 km ²	3,428 km ²	14,608 km ²	9,925 km ²	4,836 km ²	5,264 km ²	10,763 km ²	12,381 km ²	4,112 km ²
Population 2011	80,989	40,491	3,020	4,274	4,534	6,929	2,877	9,927	8,937
Projected population 2036	78,900	46,800	2,000	2,900	3,700	6,000	1,900	8,100	7,500
Calculated annual population growth rate to 2036	-0.10%	0.58%	-1.63%	-1.54%	-0.81%	-0.57%	-1.65%	-0.81%	-0.70%
Electors 2012	54,505	27,159	1,991	2,766	3188	4541	2,056	7101	5703
Electoral arrangements	TBD	No wards. 11 councillors. Mayor is elected by council.	No wards. 9 councillors. Mayor is elected by council	No wards. 7 councillors. Mayor is elected by council	No wards. 9 councillors. Mayor is elected by council.	No wards. 9 councillors. Mayor is elected by council.	4 wards, each with 3 councillors. Mayor is elected by council.	No wards. 9 councillors. Mayor is elected by council	No wards. 9 councillors. Mayor is elected by council
Total ratepayers	39,214	16,635	1,984	2,557	2,333	3,341	1,885	5,940	4,539

Orana regional performance measures

Results presented within these tables are derived from the 2012 TCorp analysis of NSW councils. ■ Meets benchmark ■ Below benchmark

Financial sustainability

	Dubbo	Bogan	Coonamble	Gilgandra	Narromine	Warren	Warrumbungle	Wellington
Sustainability Rating	Moderate	Moderate	Sound	Weak	Moderate	Moderate	Weak	Weak
Outlook	Neutral	Neutral	Negative	Neutral	Neutral	Neutral	Negative	Neutral

Performance

	Dubbo	Bogan	Coonamble	Gilgandra	Narromine	Warren	Warrumbungle	Wellington
Operating Ratio	7.5%	5.9%	2.2%	(16.9%)	4.0%	11.0%	(10.9%)	(8.9%)
Interest Cover Ratio	8.77x	198.33x	639.43x	7.91x	90.36x	128.54x	30.45x	8.05x
Debt Service Cover Ratio	6.26x	11.11x	106.57x	3.43x	51.96x	47.74x	16.46x	4.88x
Unrestricted Current Ratio	4.74x	6.78x	7.09x	2.17x	5.18x	11.60x	4.58x	9.13x
Own Source Operating Revenue Ratio	67.4%	43.0%	48.1%	45.9%	41.6%	42.3%	46.0%	54.0%
Cash Expense Ratio	1.9 months	5.9 months	15.6 months	3.9 months	4.3 months	18.1 months	4.8 months	6.3 months

Infrastructure

	Dubbo	Bogan	Coonamble	Gilgandra	Narromine	Warren	Warrumbungle	Wellington
Infrastructure Backlog Ratio	0.05x	0.08x	0.02x	0.03x	0.05x	0.06x	0.27x	0.04x
Asset Maintenance Ratio	0.75x	0.95x	0.93x	0.72x	0.88x	0.86x	0.82x	0.56x
Building and Infrastructure Asset Renewal Ratio	0.34x	0.67x	0.57x	0.39x	0.95x	0.52x	0.44x	0.89x
Capital Expenditure Ratio	1.40x	1.13x	0.60x	0.41x	0.99x	0.91x	0.75x	0.77x

Observations

- Three Councils have a negative outlook meaning they are facing deterioration in their capacity to meet financial commitments in both the short and longer term
- The analysis shows that all councils within the grouping are experiencing challenges with infrastructure maintenance and backlog works.
- However, it would appear that a number of the smaller councils are not using their borrowing capacity to address infrastructure challenges. There are low levels of debt and high levels of cash on hand in some instances.
- Most councils have a heavy reliance on external funding, such as grants, to support their operations. All except Dubbo do not meet the benchmarks for own source operating revenue.

What do the ratios mean?

Score

Benchmark = There is no established benchmark. The Division of Local Government has assessed councils exceeding the average sector score of 10.3, as an indicative benchmark for the purposes of this report.

Operating Ratio

Benchmark = Better than negative 4%
Measures a council's ability to contain operating expenditure within operating revenue.

Interest Cover Ratio

Benchmark = Greater than 4.0x
Indicates the extent to which a council can service its interest bearing debt and take on additional borrowings.

Debt Service Cover Ratio (DSCR)

Benchmark = Greater than 2.0x
Measures the availability of cash to service debt including interest, principal and lease payments

Unrestricted Current Ratio

Benchmark = Greater than 1.5x
Specific to Local Government, designed to represent a council's ability to meet debt payments as they fall due.

Own Source Operating Revenue Ratio

Benchmark = Greater than 60%
Measures the level of a council's fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Cash Expense Cover Ratio

Benchmark = Greater than 3.0 months
Indicates the number of months a council can continue paying for its immediate expenses without additional cash inflow.

Infrastructure Backlog Ratio

Benchmark = Less than 0.02x
Shows what proportion the backlog is against total value of a council's infrastructure.

Asset Maintenance Ratio

Benchmark = Greater than 1.0x
Measures actual spending on asset maintenance, compared to required spending.

Building & Infrastructure Asset Renewal Ratio

Benchmark = Greater than 1.0x
Compares the proportion spent on infrastructure asset renewals and the asset's deterioration measured by its accounting depreciation.

Orana regional group options

Regional outlook

Like many regional councils in NSW, the councils in the Orana grouping are facing a challenging future.

The region is subject to population peaks and troughs due to drought, market conditions and vulnerability of regional manufacturing enterprises. Continued population decline is anticipated for the smaller centres, with some LGAs expecting to lose up to 38% of their current populations over the next 20 years.

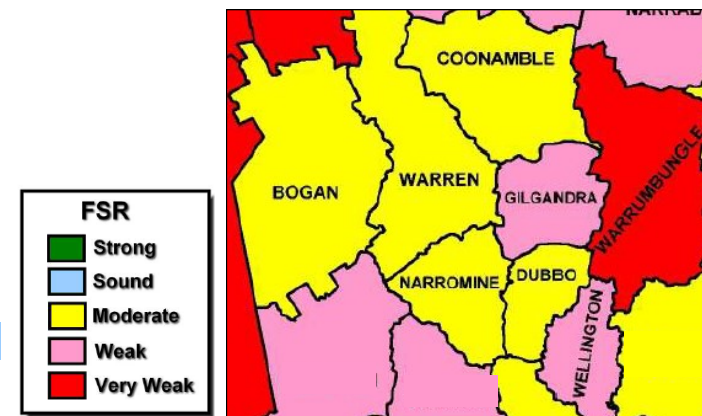
Without some form of intervention, the sustainability outlook for a number of councils within the grouping will continue to decline, particularly for areas with high infrastructure liabilities. A collective structure provides some options towards improving own-source income.

The councils within this grouping are strategically important to the State, providing strong agricultural production in grain, cotton and live-stock, with mining activity also established in some areas. It is important that the entire region remain viable.

Financial sustainability: Current position



Financial sustainability: Projected Rating



Financial data

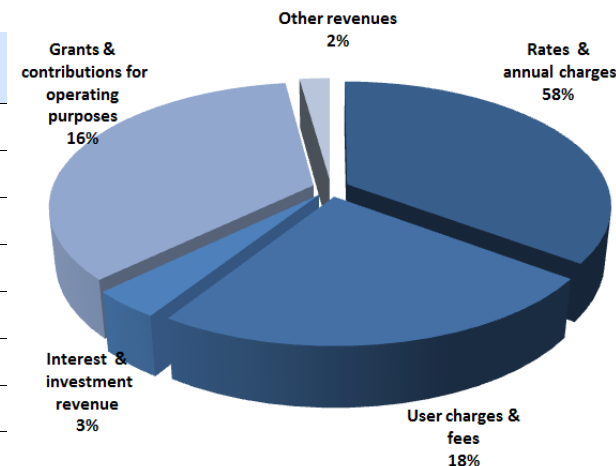
Based on 2011-2012 financial year.

Revenue Source	Orana (000's)	Dubbo (000's)	Bogan (000's)	Coonamble (000's)	Gilgandra (000's)	Narromine (000's)	Warren (000's)	Warrumbungle (000's)	Wellington (000's)
Residential rates	\$19,607	\$13,144	\$249	\$459	\$552	\$1,155	\$479	\$1,727	\$1,842
Business rates	\$8,595	\$6,816	\$179	\$123	\$159	\$352	\$155	\$517	\$294
Farmland rates	\$22,104	\$1,736	\$1,460	\$3,320	\$2,418	\$2,551	\$3,271	\$4,265	\$3,083
Mining rates	\$484	\$0	\$483	\$0	\$0	\$0	\$0	\$0	\$1
Special rates	\$1,332	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,332
Total Rates	\$52,122	\$21,696	\$2,371	\$3,902	\$3,129	\$4,058	\$3,905	\$6,509	\$6,552
Rates & annual charges	\$78,647	\$37,084	\$3,561	\$4,988	\$4,084	\$6,316	\$4,749	\$10,040	\$7,825
User fees & Charges	\$53,484	\$25,827	\$2,317	\$4,577	\$6,570	\$1,996	\$1,271	\$5,715	\$5,211
Interest & investment revenue	\$8,231	\$3,280	\$331	\$942	\$418	\$1,055	\$710	\$690	\$805
Grants & Contributions for operating purposes	\$78,340	\$13,837	\$6,272	\$7,835	\$10,856	\$8,978	\$7,062	\$15,835	\$7,665
Other revenue	\$4,872	\$889	\$265	\$756	\$737	\$472	\$433	\$774	\$546
Total TCorp revenue	\$223,574	\$80,917	\$12,746	\$19,098	\$22,665	\$18,817	\$14,225	\$33,054	\$22,052

TCorp revenue figures may exclude some revenue line items unique to the council or for the 2012 period

Version 1: Prepared to support the deliberations of the Independent Review of Local Government Panel

Orana income sources



Collectively, the Orana regional grouping provides greater diversity of revenue sources, although farmland and residential rates still represent a substantial proportion of regional income. The smaller councils currently have a heavy reliance on grants to supplement their income. A collective approach may reduce overall reliance, but a significant level of government funding may still be required.

Orana regional group options

Infrastructure management

There are substantial infrastructure backlog issues within the council grouping. None of the constituent councils currently meets the benchmarks for effective infrastructure management (see table Pg 2). Because of the fluctuating nature of regional economies, much of the infrastructure in this area was developed during previous “peak” periods (eg the wool boom of the 1950s and the decentralisation programs of the 1970s). This pattern of development means that a significant number of community assets could be nearing the end of their working life at the same time, increasing future infrastructure backlog risks for the council grouping.

Current asset position

Although roads make up the major asset class for all councils, there are also substantial water and sewerage assets within the grouping. All councils currently manage their own water and sewer operations independently.

	Orana	Dubbo	Bogan	Coonamble	Gilgandra	Narromine	Warren	Warrumbungle	Wellington
Total Roads (KM's)	11,040	1,185	1,407	1,393	1,245	1,337	964	2,276	1,234
Total Bridge Length (M)	5,822	697	747	803	788	199	790	1,310	488
Total Assets 2012 (Tcorp 000's)	\$3,368,831	\$1,510,204	\$232,106	\$210,102	\$345,537	\$158,467	\$150,531	\$462,823	\$299,061
Assets Per Capita	\$41,596	\$37,297	\$76,856	\$49,158	\$76,210	\$22,870	\$52,322	\$46,623	\$33,463
Total Infrastructure backlog (Tcorp 000's) 2012	\$179,076	\$53,256	\$6,004	\$4,124	\$9,750	\$5,419	\$7,465	\$85,523	\$7,535
Infra. Backlog Per Capita	\$2,211	\$1,315	\$1,988	\$965	\$2,150	\$782	\$2,595	\$8,615	\$843

Accessibility

Although the Orana Region (currently represented through OROC) consists of 11 LGAs and the State Orana Planning Region consists of 13 LGAs, this is considered too large a configuration for a common governance/operational structure. The eight LGAs under consideration represent general communities of interest and are within acceptable travelling times of the main service centre.

Journey	Distance	Travel time
Dubbo - Gilgandra	64.7 km	42 min
Dubbo - Narromine	40 km	28 min
Dubbo - Wellington	50.8 km	39 min
Dubbo - Warren	126 km	1 hr 25 min
Dubbo - Coonabarabran (Warrumbungle)	158	1 hr 40 min
Dubbo - Nyngan (Bogan)	165 km	1 hr 47 min
Dubbo - Coonamble	161 km	1 hr 47 min

Stronger centres, stronger voice

Regional services and planning

There are existing links between the eight councils, with smaller centres relying on Dubbo for higher level health, education, retail and government services. A common structure could provide a strong regional voice for the constituent councils, with potential to strengthen strategic focus in land use planning, water management, health care, regional infrastructure and economic development. Smaller councils currently have a limited voice in addressing issues such as mining impacts, transport, infrastructure backlogs, protection of agricultural lands and natural resource management.

The eight-council configuration would be a logical sub-set of the much larger Orana Planning Region adopted for the State's Regional Action Plan and the Regional Development Plan (13 LGAs) and may assist in delivering outcomes for the Plans. The configuration sits within the (larger) proposed Local Land Services boundary and there are logical catchment management configurations.

Health Services

Health care services are provided under the auspice of the Western NSW Local Health District. Dubbo Hospital is currently undergoing significant upgrade works to strengthen its role as a base hospital and the need to further develop the hospital's capacity is identified in the Regional Development Plan. Smaller hospitals operate within the grouping at Narromine, Nyngan, Warren, Gilgandra, Coonamble, Wellington and Warrumbungle. A number of the smaller centres have experienced difficulties in attracting specialist services such as optometry and dentistry. Councils currently auspice a number of health and wellbeing services which would otherwise not be available, for example aged care, disability services and medical centres. A common structure may provide more opportunity to "share the weight" of providing these services and encourage a more strategic approach to service delivery.

Economic development

There is potential for increased economic activity and population growth in the grouping through proposed mining activities in Dubbo, Wellington and Warrumbungle, expected to commence in 2013-14 and continue operations until at least 2036. The Orana Regional Development Plan identifies roll-out of the National Broadband Network and growth of alternative energies and "carbon farming" as potential economic opportunities for the region. A common structure with increased regional focus may assist in strengthening existing agricultural enterprise and capitalising on new opportunities. Agricultural enterprises are expected to undergo substantial change in the coming decade as the Murray Darling Basin Plan is implemented.

Transport

The Orana Regional Development Plan has identified the need for a collaborative approach by all three levels of government to improve local transport infrastructure within this grouping, particularly for the movement of agricultural products. The Draft NSW Freight and Ports Strategy supports this view, with calls for a collaborative approach between councils and State to adopt a best practice reform model for regional infrastructure, including the interface between road and rail systems and intermodal terminals. A number of strategic freight corridors - fundamental to the movement of wool, cotton and grain to NSW ports - have been identified within the council grouping. The Draft Strategy also includes a comprehensive Newell Highway Corridor Strategy to address freight movement issues within the region. According to the Strategy, freight volumes on the Newell are expected to nearly double in the next 20 years. A common structure for Orana councils may assist in working collaboratively with the State to implement strategic freight and transport improvements.

Population shift

A common structure incorporating the "satellite" councils may help to soften the impact of seasonal population shift in the smaller communities. The region is subject to population peaks and troughs due to drought and vulnerability of regional manufacturing enterprises. Continued population decline is anticipated for the smaller centres.

Cluster analysis shows moderate cross-border migration between Dubbo and Wellington (1.2 per cent) and Dubbo and Narromine (1.0 per cent). There was a net population drift from Narromine and Gilgandra into Dubbo, but the net drift from Wellington was southwards. Generally those moving into Dubbo came from a significant distance and those moving out of Dubbo were travelling a significant distance - ie relocating to the coast.