

LITHGOW CITY COUNCIL – CIP

NOT FIT

Area (km ²)	4,464	Population 2011	20,850
CLG Group	4	(2031)	20,600
ILGRP Group	G		
Operating revenue (2013-14)	\$22.1m	TCorp assessment	Sound F&R 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	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. While it satisfies the infrastructure and service management criterion, it does not satisfy the sustainability and efficiency 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 (FTFF) 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.
- 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.
- 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 sustainability criterion based on its forecast for an operating performance ratio of -9.0% by 2019-20, which does not meet the benchmark.
- The council's building and infrastructure asset renewal ratio is forecast to be 69.0% by 2019-20 which is below the benchmark.

Infrastructure and service management – satisfies

- The council satisfies the criterion for infrastructure and service management based on meeting the benchmarks for the infrastructure backlog, asset maintenance and debt service ratios by 2019-20.

Efficiency – does not satisfy

- The council does not meet the efficiency criterion based on its forecast increase in real opex per capita over the period to 2019-20.

Other relevant factors

Social and community context	Lithgow City Council stated it undertook meetings with neighbouring councils including Bathurst Council, Blayney Council, and Oberon Council. However, Lithgow City Council notes that these councils were not interested in pursuing potential mergers, rather options to increase productivity through bulk purchasing and other cost saving areas were discussed.
Community consultation	Lithgow City Council indicates that it informed the community about the Fit for the Future process as part of public meetings. However, no details were provided in its proposal in relation to the feedback provided by the community.
Water and/or sewer	Lithgow City Council operates water and sewer businesses. Both funds reported a surplus (before capital) for 2013-14. The council reports that the cost to bring the water and sewer assets to satisfactory standard is \$24.1m. Lithgow City Council does not meet the requirements of the NSW Government's Best Practice Management of Water Supply and Sewerage Framework.
Submissions	We received one submission in relation to Lithgow's proposal. It expresses concerns about the accounting treatment of particular assets and the subsequent effect on financial information provided by the council in its Fit for The Future submission.