

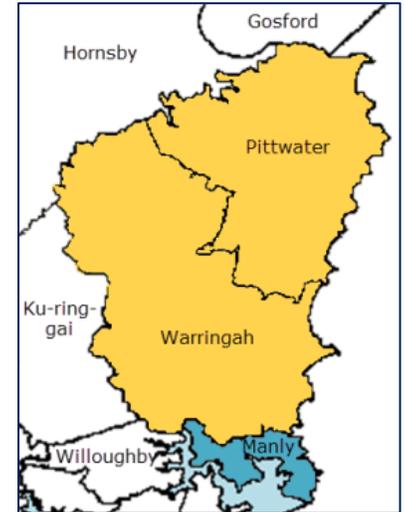
MANLY COUNCIL – CIP

NOT FIT

Area (km ²)	14.4	Population 2011	42,800
OLG Group	2	(2031)	53,600
ILGRP Group	Sydney Metro	Merger 2011	251,650
		(2031)	307,000
Operating revenue (2013-14)	\$61.6m	TCorp assessment	Sound FSR Neutral Outlook

ILGRP options (preference in bold) **Merge with Pittwater and Warringah Councils** (yellow) or combine as a strong JO with Pittwater and Warringah councils.

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

Scale and capacity – does not satisfy

- Manly Council did not demonstrate its improvement proposal was at least as good as the ILGRP merger option. The efficiency improvements in the council's proposal can be realised under the merger option. In addition the merger option would provide significant further benefits.
- The council's population is forecast to be 53,600 by 2031 compared with the forecast merger population of 307,000. Our analysis suggests that the council does not have sufficient scale to partner effectively with governments compared to the merger.
- Manly Council and Pittwater Council jointly commissioned a business case which showed a merger of Manly, Pittwater and Warringah produces net benefits. Based on this model, our analysis suggests the merger could produce net benefits of \$116m over 20 years.
- Warringah Council also commissioned a separate business case of the merger. Based on this model, our analysis suggests the merger would produce net benefits of \$265m over 20 years (including the Government grant).
- In addition, our independent economic consultants Ernst and Young estimated net benefits from the merger of around \$116m over 20 years using publically available data (not including the Government grant).
- All analyses showed large net benefits to the local community from the merger. Variances in calculations result from different inputs and underlying methodologies.
- Manly Council noted its preference is the creation of two new councils (Greater Manly and Greater Pittwater) from the existing three councils if a merger was forced. Warringah Council does not support this alternative proposal.
- Community consultation by Manly and Pittwater Councils indicated opposition to the ILGRP merger. Warringah's community consultation, which was undertaken across the three LGAs, indicated almost 70% of responses supported the ILGRP merger.
- Our analysis is consistent with the ILGRP's preferred option for Manly to merge with neighbouring councils.

Sustainability – satisfies

- The council satisfies the criterion for sustainability based on its forecast to meet the benchmarks for the operating performance ratio, the own source revenue ratio and the building and infrastructure asset renewal ratio by 2019-20.
- In its proposal, the council relies on the successful application for and adoption of a special variation in 2017-18 of 4.7% cumulative (2.2% above the rate peg).

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 ratio, the asset maintenance ratio and the debt service ratio by 2019-20.

Efficiency - satisfies

- The council meets the criterion for efficiency based on the Real Operating Expenditure per Capita showing a declining trend from 2014-15 to 2019-20.

Other relevant factors

Social and community context	Tourism is important for Manly (it has 8 million visitors annually), providing a major source of income and employment for local businesses and demand for increased expenditure by the council. In comparison to Pittwater and Warringah Councils, the council has a higher population density and a younger population with a higher income.
Community consultation	In a survey of Manly residents, with 1,963 respondents, conducted in June 2015, to determine attitudes to a "forced merger", 76% supported a merger to create two councils and 24% supported merging all three councils. A stand-alone option was not provided in the survey.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	Four submissions were received on Manly Council's proposal. Two submissions argued against the ILGRP merger option, citing concerns related to loss of local identity and representation and increases in rates. One submission received from Warringah Council was in favour of merging with Pittwater and Manly councils, which noted there would be economies of scale and greater benefits for the Northern Beaches region from the merger. We also received one confidential submission.
