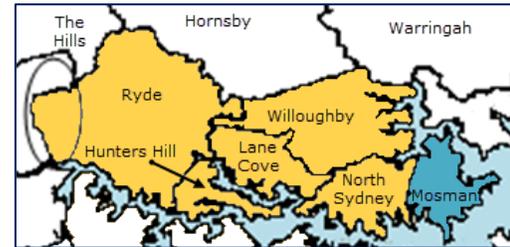


MOSMAN MUNICIPAL COUNCIL - CIP

NOT FIT

Area (km ²)	9	Population 2011	29,350
OLG Group	2	(2031)	35,350
ILGRP Group	Sydney Metro	Merger 2011	286,867
		(2031)	376,150
Operating revenue (\$2013-14)	\$41.3m	TCorp assessment	Weak FSR, Positive Outlook



ILGRP options (preference in bold) **Merge with Hunter's Hill, Lane Cove, North Sydney, Ryde (part), Willoughby** (yellow) or combine as a JO.

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

- The council did not demonstrate its proposal to stand alone would be as good as or better than the ILGRP preferred merger. 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 45,250 by 2031 compared with the forecast merger population of 376,150. Our analysis suggests the council does not have sufficient scale to partner effectively with governments compared to the merger option.
- The City of Ryde Council, Hunter's Hill City Council and Lane Cove City Council submitted a business case which showed that a merger of Lane Cove, Hunter's Hill, Mosman, North Sydney, Willoughby and part of Ryde produces net benefits. Based on this model, our analysis suggests the merger could produce net benefits of \$280 million over 20 years (including the Government grant).
- In addition, our independent consultants Ernst & Young estimated net benefits from the merger of around \$187m over 20 years using publically available data (not including the Government grant).
- These 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 Mosman to merge with neighbouring councils.

Sustainability - satisfies

- The council meets the criteria for sustainability as it is forecast to meet the benchmarks for the operating performance, own source and building and infrastructure asset renewals ratios by 2019-20.

Infrastructure and service management - satisfies

- The council meets the criteria for infrastructure and service management as it forecasts meeting the benchmarks for the infrastructure backlog ratio and debt service ratio by 2019-20.
- The council forecasts its asset maintenance ratio will be 100% by 2019-20 which is close to the benchmark of 'greater than' 100%.

Efficiency - satisfies

- The council meets the criterion for efficiency based on a forecast decline in real opex per capita from 2014-15 to 2019-20.

Other relevant factors

Social and community context	Mosman considers it has built a strong sense of local identity that is recognised within and outside the boundaries of the LGA. During the consultation process, residents argued against mergers for reasons including: a desire to maintain a local identity, the risk of reduced democracy and community spirit and concerns about whether a merged council would be as attuned to local issues as Mosman Municipal Council. Mosman is bounded on three sides by harbour; however it contains the main thoroughfare between the city and the northern beaches.
Community consultation	Mosman's community consultation shows its community strongly opposes merging. The most recent poll in 2012 found 81% of respondents opposed a merger. However, it is not clear whether balanced information on the merger options was provided as part of the poll. A submission to IPART also notes the council's survey on community preferences for standing-alone appears unbalanced.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	<p>Nine submissions were received in relation to Mosman's proposal (including one early submission). Six oppose merging citing potential risks such as the loss of local focus, less representation, reduced services, financial weakness, threat to democracy, reduced oversight, reduced community engagement, a failure to address the social dimension of local government, a lack of evidence that mergers will produce benefits and the risk of increased rates. Two submissions note the council's good performance.</p> <p>One submission supports a merger citing potential benefits including a stronger voice, better calibre councillors and reduced influence of special interest groups. This submission supports merging with North Sydney. We also received one confidential submission.</p>
