

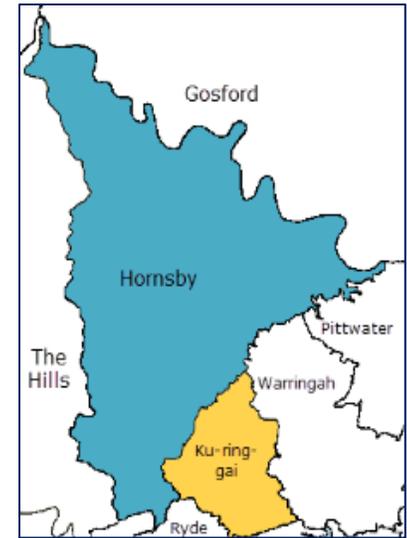
HORNSBY SHIRE COUNCIL – CIP

NOT FIT

Area (km ²)	462	Population 2011	163,800
OLG Group	7	(2031)	201,750
ILGRP Group	Sydney Metro	Merger 2011	278,400
		(2031)	352,850
Operating revenue (2013-14)	\$129.2m	TCorp assessment	Sound FSR, Neutral Outlook

ILGRP options (preference in bold) **Merge with Ku-ring-gai** (yellow) or combine as a strong JO, and move the boundary with Parramatta northward to the M2.

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

Scale and capacity – does not satisfy

- The council acknowledges it does not meet the scale and capacity criterion and has not explicitly addressed the elements of capacity in its proposal.
- The council's population is forecast to be 201,750 by 2031 compared with the forecast merger population of 352,850. Our analysis suggests that the council does not have sufficient scale to partner effectively with the governments compared to the merger.
- The council submitted a business case which showed that a merger of Hornsby and Ku-ring-gai produces net benefits. Based on this model, our analysis suggests the merger produces net benefits of \$61m over 20 years (including the Government grant).
- In addition, our independent economic consultants Ernst and Young have estimated net benefits from the merger of around \$88m over 20 years using public 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.
- Hornsby indicates it is willing to pursue the preparation of an independent merger business case with one or more of its neighbouring councils and then to further consider potential for a merger. It discussed a merger with Ku-ring-gai Council and other neighbouring councils but no agreement to merge was reached.
- Hornsby Shire Council also submitted a business case which showed that a merger with The Hills Shire Council produces net benefits. Based on this model, our analysis suggests the merger produces net benefits of \$85m over 20 years (including the Government grant). However, The Hills Shire Council did not wish to pursue this option and it was not an option identified by the ILGRP. We did not investigate further regional impacts of this proposed merger.
- The council did not demonstrate that 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.
- Our analysis is consistent with the ILGRP's preferred option for Hornsby to merge.

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.

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 and the asset maintenance ratio by 2019-20.
- The council has been reviewing its asset management practices to ensure sufficient funding to improve the ratios, and notes this is illustrated by the large increase in the asset maintenance ratio from 2014-15 to 2015-16.
- The council also meets the debt service ratio. The council indicates an intention to be debt free in the future, however this is beyond the assessment period.

Efficiency - satisfies

- The council satisfies the criteria for efficiency based on a forecast reduction in real operating expenditure per capita from 2014-15 to 2019-20.

Other relevant factors

Social and community context	<p>Hornsby Council covers 462km² with an urban area in the south including the centres of Epping, Carlingford, Pennant Hills and Hornsby. The rural area in the north includes Berowra, Brooklyn and Wisemans Ferry.</p> <p>A demographics study commissioned and submitted by Ku-ring-gai Council indicates that Hornsby and Ku-ring-gai have many similar demographics including age structures, household types, incomes, and level of cultural diversity.</p>
Community consultation	<p>Hornsby engaged Crosby Textor Research to survey community attitudes towards a merger. The number of respondents was not provided so we cannot determine if the survey was statistically representative. Key results from this research include:</p> <ul style="list-style-type: none">• 44% of the surveyed residents indicated some level of support for a merger• 47% were against a merger, of which about half were 'strongly opposed', and• 73% of respondents supported a shared services model. <p>When asked to choose, surveyed residents showed a preference for a merger with Ku-ring-gai (40%) over either The Hills Shire (27%) or a 3-council merger with Ku-ring-gai and The Hills (24%).</p>
Water and/or sewer	<p>The council does not have a water/sewer business.</p>
Submissions to IPART	<p>We received four submissions relating to Hornsby's submission, all opposed to the council merging. Reasons include:</p> <ul style="list-style-type: none">• loss of representation• reduced attention to local issues and services• lack of community consultation.
