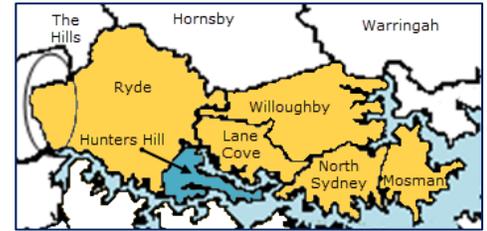


HUNTER'S HILL COUNCIL - CIP

NOT FIT

Area (km ²)	6	Population 2011	13,900
OLG Group	2	(2031)	17,500
ILGRP Group	Sydney Metro	Merger 2011	286,867
		(2031)	376,150
Operating revenue (\$2013-14)	\$12.6m	TCorp assessment	Moderate FSR Neutral Outlook



ILGRP options (preference in bold) **Merge with Lane Cove, Mosman, 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 meet to be Fit for the Future (FFTF), therefore the council is not fit.

Scale and capacity - does not satisfy

- The council did not demonstrate that its proposal to stand alone would be as good as or better than the 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 17,500 by 2031 compared with the forecast merger population of 376,150. Our analysis suggests that the council does not have sufficient scale to partner effectively with governments compared to the merger.
- The 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 produces net benefits of \$280 million over 20 years (including the Government grant).
- In addition, our independent consultants Ernst & Young estimated gains from the merger of \$187m over 20 years using public data (not including the Government grant).
- These analyses showed large gains to the local community from the merger. Variances in calculations result from different inputs and underlying methodologies.
- As an alternative to a merger, Hunters Hill, Ryde and Lane Cove councils submitted a common proposal to create a Joint Regional Authority (JRA). According to the councils, this would provide the benefits of shared services and centralised planning and development without the disruption of a merger. It would generate net benefits over 15 years of \$0.5m, or \$3.4m if it also included Mosman, North Sydney and Willoughby. The proposal does not fully quantify any efficiency savings that may also eventuate under the JRA. The preferred merger is likely to provide a higher level of efficiency savings than the JRA.

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 permanent special variation in 2017-18 of 11.2% cumulative (8.7% 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 and the asset maintenance ratio by 2019-20.

Efficiency - satisfies

- The council meets the criterion for efficiency based on declining real opex per capita over the period to 2019-20.

Other relevant factors

Social and community context	The council states the municipality is a very contained community with a strong identity. We consider this is due the council's residents living on a peninsular and note this would help to create a cohesive community.
Community consultation	The council undertook telephone polling and an online survey. The number of respondents in both cases was around 400. According to the telephone survey, 81% of respondents support the council standing-alone and exploring the JRA, while 59% support standing alone. According to the online survey, 56% of respondents support the council standing-alone and exploring the JRA while 53% support standing alone.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	<p>We received 23 submissions for Hunters Hill. Ten oppose merging citing potential risks such as the loss of local focus, more high-rise, greater distance to council chambers, less representation, higher rates, and a lack of evidence that mergers will produce benefits. Eight support merging citing that the current council is mismanaged, not meeting the needs of its residents and that merged councils are less wasteful, have less duplication and will enable access to facilities in other LGAs.</p> <p>Four support the JRA citing reasons including the support of the community, the benefits of shared services while retaining a local focus.</p> <p>One submission states the council is not meeting current needs and believes Gladesville should be managed by Lane Cove. A few submissions supported Gladesville being under one LGA. Another submission noted the community consultation meetings were not balanced.</p>
