

KOGARAH CITY COUNCIL – CIP

NOT FIT

Area (km ²)	15	Population	2011	58,900
OLG Group	3		(2031)	76,350
ILGRP Group	Metropolitan Sydney	Merger	2011	390,300
			(2031)	497,500
Operating revenue (2013-14)	\$46.3m	TCorp assessment	Moderate FSR	Neutral Outlook

ILGRP options (preferences in bold). **Merge with Canterbury, Hurstville and Rockdale** (blue and yellow) or combine as a strong Joint Organisation, also including Sutherland (grey) **and** adjust Rockdale boundary at airport.



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 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 further benefits such as delivering infrastructure in accordance with the South Subregion plan, and managing the Georges River catchment.
- The council's population is forecast to be 76,350 by 2031 compared with the forecast merger population of 497,500. Our analysis suggests 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 Canterbury, Kogarah, Hurstville and Rockdale produces net benefits. Based on this model, our analysis suggests the merger could produce net benefits of \$280m over 20 years (including the Government grant).
- In addition, our independent consultants Ernst & Young estimated net benefits from the merger of \$172m 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.
- Our analysis is consistent with the ILGRP's preferred option for Kogarah 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.
- The council's improvement in financial performance is driven by a special variation of 21.8% over four years approved in 2013 for asset renewal purposes.
- The council has also revised its asset management practices to provide more accurate depreciation forecasts, and the required asset renewal expenditures.

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 declining real opex per capita by 2019-20.

Other relevant factors

Social and community context	Kogarah is 14km south of the Sydney CBD and includes four public and private hospitals. The council states the LGA is known for its sporting history, parks and foreshore. In an area of 20km ² the council states it has 169km of sealed roads, 219km of footpaths, 56 children's playgrounds and 189 hectares of open space. Affordability of housing was cited as a key issue for its community.
Community consultation	<p>The council has conducted a significant amount of consultation for its proposal to stand alone. The council circulated information brochures to all its residents in April 2015, and undertook a telephone survey of around 600 randomly selected residents. The council also conducted two consultation sessions in October 2014 and May 2015. The telephone survey found 90% of residents did not support the ILGRP preferred merger option, and 85% supported Kogarah to stand alone.</p> <p>We note the telephone consultation stated that Kogarah residents would be worse off under any merger proposal because of higher rates and more council debt. This may have had a material impact on the respondents' choice of answers.</p>
Water and/or sewer	The council does not have a water/sewer business.
Submissions	We received three submissions about Kogarah's proposal. All three submissions stated the merger would lead to a poorer outcome for Kogarah's residents eg, loss of local identity, and higher rates.
