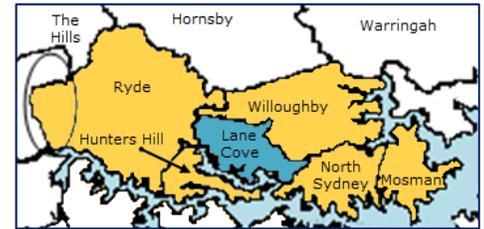


LANE COVE COUNCIL - CIP

NOT FIT

Area (km ²)	11	Population 2011	33,250
OLG Group	2	(2031)	45,250
ILGRP Group	Sydney Metro	Merger 2011	286,867
		(2031)	376,150
Operating revenue (2013-14)	\$37.2m	TCorp assessment	Sound FSR Negative Outlook



ILGRP options (preference in bold)
Merge with Hunter's Hill, 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 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 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 net benefits from the merger of \$187m over 20 years using public 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.
- 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.
- Our analysis is consistent with the ILGRP's preferred option for Lane Cove 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.

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 ratios by 2019-20.
- The council does not meet the debt service ratio benchmark. The council has a "no debt" policy.

Efficiency - satisfies

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

Other relevant factors

Social and community context	The council states the area has a strong sense of community. Morrison Low noted Lane Cove's community is quite contained with a strong village identity, due to its boundaries ie, foreshore and main arterial roads.
Community consultation	According to consultation results, 35% of survey respondents support a stand-alone council while 47% support the JRA proposal. The council states that survey respondent's support continuing to stand alone due to the council's high levels of performance.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	There were no submissions received in relation to Lane Cove's proposal.
