

NEWCASTLE CITY COUNCIL – CIP

NOT FIT

Area (km ²)	187	Population 2011	155,550
OLG Group	5	(2031)	190,050
ILGRP Group	Hunter Councils	Merger (2031)	352,350 407,900
Operating revenue (2013-14)	\$223.6m	TCorp assessment	Moderate FSR, Negative Outlook

ILGRP options (preference in bold) The ILGRP did not present a table of options for the Hunter region. Instead, it included a discussion of these councils in its report. The ILGRP indicated that "Newcastle and Lake Macquarie should be amalgamated."

Our approach to Hunter Councils is reflected in the table in our Methodology Paper and indicates the preferred option that Newcastle and Lake Macquarie:

Amalgamate or council in Joint Organisation (possible boundary changes).

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 190,050 by 2031 compared with the forecast merger population of 407,900. Our analysis suggests the merger would have enhanced scale to partner effectively with governments compared to the merger option.
- Our analysis suggests the merger could generate significant benefits to the local communities over 20 years.
- The council suggests there would be barriers to the merger, such as the two councils having different growth strategies, service models, community characteristics and regional focus, and both having self-contained local transport modes.
- Our analysis and findings are consistent with the ILGRP final report which concluded the preferred option was for Newcastle to merge with Lake Macquarie.

Sustainability – satisfies

- The council satisfies the criteria for sustainability based on its forecast to meet the benchmarks for the operating performance, own source revenue and building and infrastructure asset renewal ratios by 2019-20.
- The projected improvement is based on an approved special rate variation, efficiency improvements, increased revenue from commercial operations and asset sales.

Infrastructure and service management - satisfies

- The council meets the criteria for infrastructure and service management based on its forecast to meet the benchmarks for the asset maintenance ratio and debt service ratio by 2019-20.
- The council forecasts a significant improvement in its infrastructure backlog ratio to 3.0% by 2019-20 which is close to the benchmark.

Efficiency - satisfies



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- Newcastle meets the criterion for efficiency based on a forecast decline in real opex per capita.
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Other relevant factors

Social and community context	Newcastle submits it and Lake Macquarie are distinct because Newcastle's LGA is based around a city while Lake Macquarie's LGA consists of a dispersed community with numerous villages.
Community consultation	Newcastle did not undertake community consultation specific to its Fit for the Future Proposal. It has analysed results from consultation undertaken during the ILGRP's review process, some of which was focused on the Hunter region. This research shows that, broadly, the majority of respondents from the Hunter region are opposed to council mergers.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	We received two submissions relating to Newcastle City Council's proposal. One referred to financial robustness being achieved through diversity. We also received one confidential submission. We received one late submission generally supporting larger councils and in particular a Hunter Coast Council for reasons including economies of scale and political significance.
