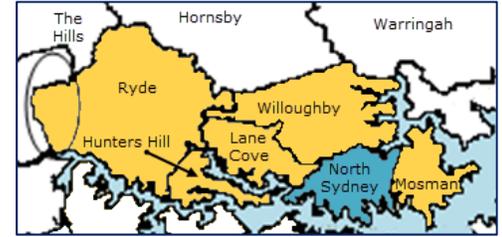


NORTH SYDNEY COUNCIL – CIP

NOT FIT

Area (km ²)	1	Population 2011	66,750
OLG Group	2	(2031)	85,750
ILGRP Group	Sydney Metro	Merger 2011	286,867
		(2031)	376,150
Operating revenue (2013-14)	\$108.7m	TCorp assessment	Moderate FSR, Neutral Outlook



ILGRP options (preference in bold) **Merge with Hunter's Hill, Lane Cove, Mosman, North Sydney, 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	Does not satisfy

Fit for the Future – NOT FIT

- The council does not satisfy the scale and capacity criterion.
- The council satisfies the financial criteria overall. Although it does not meet the efficiency criterion, the council satisfies the sustainability and infrastructure and service management 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 87,750 by 2031 compared with the forecast merger population of 376,150. Our analysis suggests the council does not have sufficient scale to partner effectively with the governments compared to the merger option.
- The City of Ryde Council, Hunter's Hill Council and Lane Cove Council submitted a business case which showed that a merger of Lane Cove, Hunters Hill, Mosman, North Sydney, Willoughby and part of Ryde produces net benefits. Based on this model, our analysis suggests the merger could produce net benefits of \$280 million over 20 years (including the Government grant).
- In addition, our independent consultants Ernst and Young estimated net benefits from the merger of around \$187m 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 North Sydney to merge with neighbouring councils.

Sustainability - satisfies

- The council meets the criterion for sustainability based on its forecast to meet the benchmarks for the operating performance ratio, own source revenue ratio and building and infrastructure asset renewal ratio by 2019-20.
- In its proposal, the council relies on the successful application for and adoption of a special variation in 2019-20 of 7.0% cumulative (4.5% above the rate peg).

Infrastructure and service management - satisfies

- The council meets the criterion for infrastructure and service management based on it meeting the infrastructure backlog, asset maintenance and debt service ratio benchmarks by 2019-20.

Efficiency – does not satisfy

- The council does not satisfy the criterion for efficiency based on increasing real opex per capita of \$1,240 in 2014-15 rising to \$1,410 in 2019-20.

- To meet the benchmark, the council states it would need to reduce real operating expenditure by \$32m over the five years to 2019-20. It does not intend to make such a reduction.

Other relevant factors

Social and community context	The Morrison Low report notes communities are generally identified by suburb rather than LGA.
Community consultation	Polling results repeatedly show most North Sydney residents do not support council mergers. However, the extent of information provided to inform the community about the implications of these mergers is unclear.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	We received one submission in relation to North Sydney's proposal. It requested North Sydney remain a stand-alone council, noting that it is large enough. One late submission was received from a councillor, which included a petition with over 1,000 signatures opposed to the merger.
