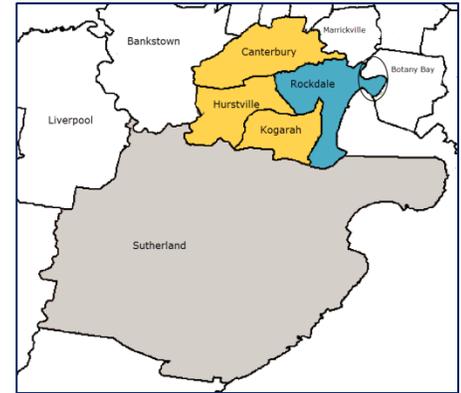


ROCKDALE CITY COUNCIL – CIP

NOT FIT

Area (km ²)	28	Population	2011	103,500
OLG Group	3		(2031)	134,350
ILGRP Group	Metropolitan Sydney	Merger	2011	390,300
			(2031)	497,500
Operating revenue (2013-14)	\$75m	TCorp assessment	Moderate FSR	Neutral Outlook

ILGRP option (preference in bold) **Merge with Canterbury, Kogarah and Hurstville** (blue and yellow) or Combine as strong JO, 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 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 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 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 134,350 by 2031 compared with the forecast merger population of 497,500. 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 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 and Young estimated net benefits from the merger of \$172m over 20 years using public data.
- 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 Rockdale 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 is based on the continuation of a special variation in 2013 (3% above the rate peg) for asset renewals, and lower depreciation costs arising from an external review of the council's asset management practices by Morrison Low.

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 satisfies the criterion for efficiency based on a decline in real operating expenditure per capita over the outlook period to 2019-20.

Other relevant factors

Social and community context	Rockdale has a culturally diverse population. Around 50% of its residents were born overseas and 60% of its residents speak a language other than English at home.
Community consultation	The council consulted on merger options with its community. This included four merger options with different combinations of the ILGRP preferred merger councils, the Airport Councils merger (with Botany Bay and Marrickville councils), and its proposal to be a stand-alone council. There were almost an equal number supporting the stand alone proposal (35%) and a St George council merger (but with Hurstville and Kogarah only).
Water and/or sewer Submissions	The council does not have a water/sewer business. We received four submissions about Rockdale's proposal. Three submissions objected to the boundary change proposal to exclude the Sydney Airport area. We also received one confidential submission.