THE COUNCIL OF THE CITY OF BOTANY BAY – CIP

NOT FIT

Area (km²)	22	Population 2011	41,500
OLG Group	2	(2031)	56,050
ILGRP Group	Sydney Metro	Merger 2011	487,600
		(2031)	653,250
Operating revenue (2013-14)	$57.4m	TCorp assessment	Moderate FSR, Neutral Outlook

ILGRP options (preference in bold): **Merge with Randwick, Waverley, Woollahra and Sydney** (all shaded) or combine as strong JO.

Assessment summary

Scale and capacity	**Does not satisfy**
Financial criteria:	**Satisfies overall**
• Sustainability	Satisfies
• Infrastructure and service management	Satisfies
• Efficiency	Satisfies
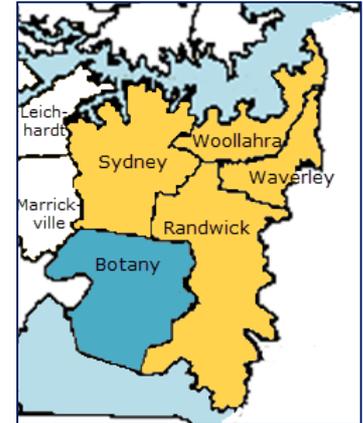
Fit for the Future – NOT FIT

- The council did not meet the criterion for scale and capacity.
- 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 has not demonstrated its stand-alone option is at least as good as a merger with any combination of the councils in the Global Sydney Council group. 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 56,050 by 2031 compared with the forecast merger population of 653,250. Our analysis suggests the council does not have sufficient scale and capacity to effectively partner with governments compared to the merger.
- The council submitted a business case which showed a merger of Marrickville, Botany Bay and Rockdale produces net benefits of $83m over 9 years. Based on this model, our analysis suggests a merger between Marrickville, Botany Bay and Rockdale produces benefits of $251m over 20 years. However, the council did not wish to pursue this option and it was not an option identified by the ILGRP. We did not investigate the further regional impacts of this proposed merger.
- Randwick City Council submitted a business case which showed a merger with Woollahra Council, Waverley Council, Council of the City of Botany Bay and Council of the City of Sydney produces net benefits. Based on this model, our analysis suggests the merger could produce benefits of $416m over 20 years (including the Government grant).
- In addition, our independent economic consultants Ernst and Young estimated net benefits from the merger of $283m over 20 years using public data (not including the Government grant).
- Using information provided by councils, our analysis also suggests a merger with Randwick, Waverley and Woollahra councils produces net benefits of $384m over 20 years.
- These analyses, whilst producing different numbers because of different inputs and underlying methodologies, showed large gains to the local community from a merger.
- Our analysis is consistent with the ILGRP's preferred option for Botany Bay to merge with neighbouring councils.
- We note the council considers a merger would disrupt its relationship with Port Botany and Sydney Airport. The council states these facilities and its relationship with these stakeholders differentiates it from other councils.

Sustainability - satisfies

- The council meets the criterion for sustainability based on a positive and increasing operating performance ratio and continued improvement in own source revenue.
- The council's building and infrastructure asset renewal ratio meets the benchmark by 2019-20.

Infrastructure and service management - satisfies

- The council meets the criterion for infrastructure and service management based on re-aligning its funding towards renewals, which reduces its infrastructure backlog from 7.8% in 2014-15 to 1.7% in 2019-20.
- The council meets the asset maintenance ratio benchmark by 2019-20.
- However, the council's 'no debt' policy inequitably burdens current ratepayers. We note the council's debt position presents an opportunity to leverage its balance sheet for future growth by reconsidering its 'no debt' policy stance, if necessary.

Efficiency - satisfies

- The council meets the criterion for efficiency based on strategies for continuous improvement that are expected to lead to a fall in real opex per capita over time.

Other relevant factors	
Social and community context	The council observes that residents in the area of Botany Bay are culturally and linguistically diverse, and there are areas of significant socio-economic disadvantage that make this community different from other Eastern Suburb communities. Further, Botany supports key infrastructure including the Port and Sydney Airport, which the council considers presents it with unique challenges relative to other councils. However, the ILGRP notes that council boundaries should not unnecessarily divide areas with strong economic (and social) inter-relationships, and the Airport precinct and the Sydney CBD have a strong economic relationship.
Community consultation	Botany informed its community about the FFTF report through community days, and sought community views through focus groups, surveys, their websites, briefings and mailed information packs. Feedback from surveys and focus groups indicates that most respondents preferred their councils to stand alone.
	However, the council's mail out in June 2013 included a simple tick the box question of whether residents wanted the council to remain independent or merge. The information provided to residents mainly highlights the losses to the community without providing genuine regard to the benefits.
	The council's information to residents also selectively quotes modelling from the Parliamentary Budget Office about the costs of mergers, which may not reflect a balanced argument.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	Three submissions were received on Botany Council's proposal. One submission was concerned about the impact of mergers on NGOs, which are funded differently by councils. We also received two confidential submissions.