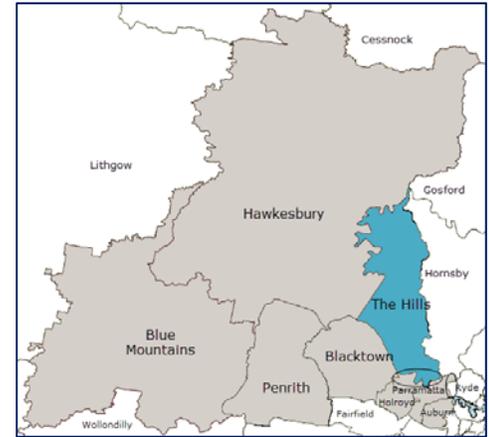


THE HILLS SHIRE COUNCIL – CIP

FIT

Area (km ²)	401	Population 2011	177,000
OLG Group	7	(2031)	280,900
ILGRP Group	Sydney Metro		
Operating revenue (2013-14)	\$158.8m	TCorp assessment	Sound FSR Positive Outlook
ILGRP options (preference in bold)	<p>No change or combine as strong Joint Organisation with Auburn, Holroyd, Parramatta, part Ryde, Blacktown, Hawkesbury, Penrith, Blue Mountains and: (all shaded)</p> <ul style="list-style-type: none"> • boundary with Parramatta shifted to M2 • possible boundary adjustments with Blacktown and Hawkesbury to facilitate NW Growth Centre • possible longer term merger with Hawkesbury. 		



Assessment summary

Scale and capacity	Satisfies
Financial criteria:	Satisfies overall
• Sustainability	Satisfies
• Infrastructure and service management	Satisfies
• Efficiency	Satisfies

Fit for the Future – FIT

- The council satisfies the scale and capacity criterion.
- The council satisfies the financial criteria overall. It satisfies the sustainability, infrastructure service and management and efficiency criteria.

Scale and capacity – satisfies

- The council's proposal is consistent with the ILGRP's preferred option to stand alone.
- Given the ILGRP's preferred option, the council was not required to demonstrate how it met each of the elements of scale and capacity.
- The council has a robust revenue base, and has the capacity to undertake new functions and major projects, partner other levels of government, and to cope with complex and unexpected change.
- Hornsby Shire Council submitted a business case that included estimates for the benefits of a merger of Hornsby and The Hills Shire Council. Based on this model, our analysis suggests the merger could produce net benefits of \$85m over 20 years (including the full Government grant). However, The Hills Shire Council did not wish to pursue this option and it was not an option identified by the ILGRP. We did not investigate further regional impacts of this proposed merger.
- The Hills Council has proposed alternative border changes expanding into neighbouring Hawkesbury, Hornsby and Parramatta LGAs, increasing its population by 59,220. It considers this is the best option which combines suburbs that are currently divided by the border, but has not undertaken financial analysis of the option. The neighbouring councils do not accept these proposals.
- The ILGRP report included an alternative for The Hills Shire Council to merge with Hawkesbury Council. Our independent consultants Ernst and Young calculated that a merger between the two councils could produce benefits \$60m over 20 years based on public data (not including the Government grant).
- While this evidence suggests a merger may be a better alternative to the council's proposal to stand alone, our finding is based on the proposal being consistent with the ILGRP preferred option for no change.

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. It has been debt free since 2002. It has a 'no debt' policy, but states it will consider borrowing for new capital in the future if it can identify a revenue source to service the debt.

Efficiency - satisfies

- The council satisfies the efficiency criterion based on a decrease in real operating expenditure ratio from 2014-15 to 2019-20.

Other relevant factors

Social and community context	<p>The council opposes the ILGRP's suggested southern boundary shift mainly because it would remove 15% of the total rate income and disturb and remove residents who have a long affinity with The Hills Shire. It also opposes the ILGRP's suggestion to potentially merge with Hawkesbury Shire Council in the longer term.</p> <p>The council proposes an alternative boundary change which would incorporate a large part of Hornsby Shire's rural area, including around 38,000 residents from Hornsby, and extend into Hawkesbury Shire and to a lesser extent into Parramatta Local Government Area. The council considers this a more logical boundary which would join currently divided suburbs and include residents who identify as being in The Hills Shire but live outside the border.</p>
Community consultation	<p>The council undertook a community survey which asked 1,244 respondents their preference to three options:</p> <ul style="list-style-type: none">• the ILGRP's suggested southern boundary change (15% support)• the option to merge with Hawkesbury (10% support), and• the option to expand the Hills' boundaries to include parts of Hornsby, Hawkesbury and Parramatta LGAs (75% support). <p>We understand this was an online self-select survey and, as such the statistical representation of the respondents could not be determined.</p>
Water and/or sewer	<p>The council does not have a water/sewer business.</p>
Submissions	<p>We received one submission relating to the council's proposal. The submission is from a Hawkesbury Shire Council representative and states its opposition to, and rejection of, the council's suggested boundary change on the grounds that:</p> <ul style="list-style-type: none">• it is inconsistent with ILGRP options• there was no meaningful consultation undertaken with Hawkesbury Shire Council or its residents• the proposed boundary change would move 13% of Hawkesbury Shire Council residents and rate base without transferring responsibility for a corresponding proportion of assets, and• the survey undertaken by The Hills Shire Council was flawed. <p>In a meeting the council said it is reticent to undertake a full merger with Hawkesbury because it said Hawkesbury has a large infrastructure backlog which would need to be funded.</p>