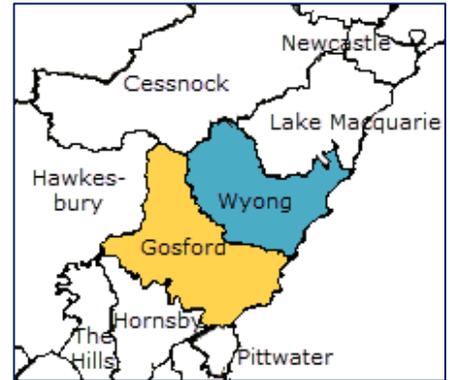


# WYONG SHIRE COUNCIL – CIP

## NOT FIT

Area (km <sup>2</sup> )	840	Population 2011	154,350
OLG Group	7	(2031)	197,850
ILGRP Group	Central Coast	Merger 2011	322,650
		(2031)	386,900
Operating revenue (2013-14)	\$149.7m	TCorp assessment	Moderate FSR Neutral Outlook
ILGRP options (no preference)	Wyong (blue) to merge with Gosford (yellow) or form a multi-purpose JO (no separate water corporation until other options properly evaluated).		



Assessment summary	Scale and capacity	<b>Does not satisfy</b>
	Financial criteria:	<b>Satisfies overall</b>
	• 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 ILGRP noted that the Central Coast would benefit from strong governance. It stated that “an amalgamation warrants further investigation, but if that option is rejected or deferred indefinitely, then a JO *should* be established and should assume responsibility for water along with other strategic functions” [emphasis added].
- Wyong’s proposal is not consistent with the objectives for the Central Coast. The council ruled out both a merger and a multi-purpose Central Coast JO with Gosford. It proposes to stand alone with ‘business improvements’. In particular, its proposal not to join a JO does not promote the objectives of strong governance for the Central Coast.
- The council’s population is forecast to be 197,850 by 2031 compared to the forecast merger population of 386,900. Our analysis indicates the council does not have sufficient scale and capacity to effectively partner with governments compared to the merger option.
- 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.
- A merged council is also likely to undertake more integrated planning that will promote better growth in the Greater Sydney region.
- The council submitted a business case from Third Horizon. Based on this model, our analysis suggests the merger produces net benefits of around \$101m over 20 years.
- In addition our independent economic consultants Ernst and Young have estimated gains from the merger of \$196m over 20 years using publically available data.
- All analyses showed large gains to the local community from a merger. Variances in calculations result from different inputs and underlying methodologies.
- We note a submission from the Mayor of Wyong supported a merger with Gosford.

### Sustainability – satisfies

- The council satisfies the sustainability criterion based on its forecast to meet the benchmarks for the operating performance ratio, own source revenue ratio and the building and infrastructure asset renewal ratio by 2019-20.
- We estimate that adjusting the operating performance ratio by removing interest income on section 94 Reserves would reduce the ratio by approximately 0.8 percentage points to -0.7% in 2019-20, which is below the benchmark. However, we consider the council has sufficient scope to adjust its revenue strategy to meet the benchmark.

### **Infrastructure and service management - satisfies**

- The council meets the infrastructure and service management criterion 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.
- The debt service ratio will remain around 0.8% throughout the assessment period. While this is quite low, it meets the benchmark. The council noted that it only borrows when Local infrastructure Renewal Scheme (LIRS) funding becomes available.

### **Efficiency - satisfies**

- The council meets the efficiency criterion based on a decrease in real operating expenditure per capita over the outlook period.

---

### **Other relevant factors**

Social and community context	The council considers the social and community differences between Wyong and Gosford lead to different strategic and delivery focus for the two councils. It considers greater regional collaboration, as well as investigation of joint service delivery with Gosford can achieve better strategic capacity outcomes.
Community consultation	The council undertook surveys to gauge FFTF understanding and community satisfaction/response to a merger. A phone survey of 2,300 residents and 200 businesses showed the majority of respondents 'strongly opposed' a merger. A third survey of council staff also found the majority (71%) opposed the merger.
Water and/or sewer	The council stated it has the third largest Water Authority in NSW after Sydney and Hunter Water with over \$2.3b in assets. We note it runs the Water Authority with Gosford. It stated that it complies with the NSW Government's Best Practice Management of Water Supply and Sewerage Framework as verified by the 2012-13 FY Annual Audit.
Submissions	<p>We received 11 submissions regarding Wyong's proposal.</p> <p>Nine submissions opposed a merger with Gosford. The concerns expressed included that Wyong's financial position would deteriorate through redirecting funds to cover Gosford's operating deficit and asset upgrades. As well, it would disenfranchise Wyong residents and take the 'local' out of local government. There were concerns that Gosford with its larger administration centre would take over Wyong.</p> <p>Two submissions supported a merger including a submission from the Mayor of Wyong. The reasons for support included that it would bring a unified voice, remove duplication, significantly increase strategic capacity and yield better outcomes for the region as a whole. One submission supporting a merger noting the flawed Third Horizon modelling in terms of using different discount rates for the different scenarios.</p> <p>Several submitters did not support the absorption of Wyong into Gosford and Lake Macquarie citing that this would create two distinctly different geographic areas requiring significantly different approaches. One submitter supported dividing Wyong between Gosford and Lake Macquarie.</p>

---