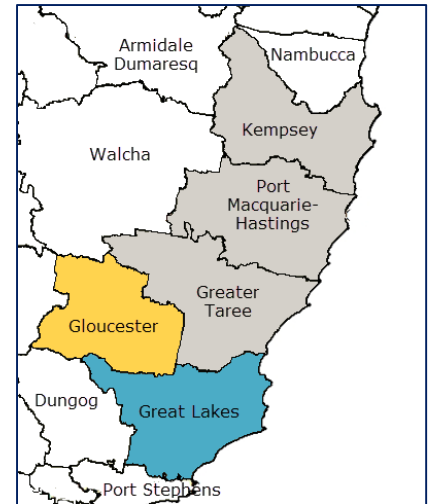


GREAT LAKES COUNCIL – CIP

FIT			
Area (km ²)	3,380	Population 2011	35,750
OLG Group	4	(2031)	38,500
ILGRP Group	G	Merger 2011	40,750
		(2031)	43,350
Operating revenue (2013-14)	\$63.5m	TCorp assessment	Moderate FSR Neutral Outlook
ILGRP options (no preference)	Council in Mid-North Coast JO (all shaded) or merge with Gloucester (yellow).		



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 and service management and efficiency criteria.

Scale and capacity – satisfies

- The council's proposal is consistent with the ILGRP's option to stand alone.
- We consider the council currently meets or partially meets most of the elements of scale and capacity.
- We note that the council is currently participating in the Hunter pilot JO and the OLG has allowed it to join the Hunter JO rather than the Mid-North Coast JO.
- The council engaged Morrison Low to undertake a business case for the ILGRP option to merge with Gloucester, which resulted in a negative NPV of -\$1m over 8 years. On this basis, both councils decided not to pursue the merger.
- Our analysis of this business case suggests the merger would generate benefits of \$11m over 20 years (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 option to stand alone.

Sustainability – satisfies

- The council satisfies the criterion for sustainability based on its forecast to meet the benchmarks for the operating performance ratio and the own source revenue ratio by 2019-20.
- Although the council's forecast to meet the operating performance ratio benchmark in 2019-20 is marginal, further improvement in the ratio is forecast to 2024-25.
- While the building and infrastructure asset renewal ratio is slightly below the benchmark in 2019-20, it peaks at around 128% in 2015-16.
- In its proposal, the council relies on the successful application for and adoption of a special variation from 2016-17 of 20.7% cumulative over 4 years (10.3% above the rate peg).

Infrastructure and service management – satisfies

- The council satisfies the criterion for infrastructure and service management based on maintaining its asset maintenance ratio at the benchmark level and having an asset backlog ratio which meets the benchmark.
- The council undertook community consultation in 2014 to determine the community's preferences regarding asset quality, cost and service levels. Feedback from this consultation resulted in a reduction in asset service levels and the required cost to bring assets to a satisfactory condition, thereby improving the infrastructure asset backlog ratio.
- The debt service ratio is forecast to meet the benchmark in 2019-20.
- The council states it historically received \$3m-\$5m in grants and contributions for capital purposes, but given the variability and uncertainty of approval surrounding these, it has conservatively included \$1.17m of grants and contributions annually from 2016-17.

Efficiency - satisfies

- The council satisfies the criterion for efficiency based on forecast decreases in real operating expenditure per capita over time.

Other relevant factors

Social and community context	Morrison Low compared Great Lakes and Gloucester communities, noting similar features such as demographics, a well-developed focus on environmental protection and many aligned policies. Differences include the councils' approaches to infrastructure: Gloucester focuses on maintaining the core elements and Great Lakes refers to managing its environment with quality lifestyle opportunities.
Community consultation	Great Lakes Council's proposal has not outlined details of any community consultation undertaken on Fit for the Future. In 2014, it consulted its community on asset service levels to inform its Asset Management Plans.
Water and/or sewer	The council does not have water/sewer businesses.
Submissions	We received 5 submissions regarding Great Lakes Council's proposal. All support amalgamation stating discontent with the current council and believing there would be benefits from a merger. Two of these submissions supported a merge with Port Stephens Councils. One late submission was received which raised concerns about council management.