

## PITTWATER COUNCIL – CIP

### NOT FIT

Area (km <sup>2</sup> )	90	Population 2011	60,450
OLG Group	2	(2031)	(77,600)
ILGRP Group	Sydney Metro	Merger 2011	251,650
		(2031)	(307,000)
Operating revenue (2013-14)	\$72.8m	TCorp assessment	Sound FSR Neutral Outlook

ILGRP options (preference in bold) **Merge with Manly and Warringah Councils** (yellow) or combine as a strong JO with Manly and Warringah Councils.

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 council did not demonstrate its improvement proposal was at least as good as the ILGRP 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.
- The council's population is forecast to be 77,600 by 2031 compared with the forecast merger population of 307,000. Our analysis suggests the council does not have sufficient scale to partner effectively with governments compared to the merger.
- Manly Council and Pittwater Council jointly commissioned a business case which showed that a merger of Manly, Pittwater and Warringah produces net benefits. Based on this model, our analysis suggests the merger could produce net benefits of \$116 million over 20 years (including the Government grant).
- Warringah Council also commissioned a separate business case of the merger. Based on this model, our analysis suggests the merger would produce net benefits of \$265 million over 20 years (including the Government grant).
- In addition, our independent economic consultants Ernst and Young estimated net benefits from the merger of around \$116m over 20 years using publically available data (not including the Government grant).
- All analyses showed large net benefits to the local community from the merger. Variances in calculations result from different inputs and underlying methodologies.
- Pittwater Council notes it held merger discussions with Manly and Warringah Councils but resolved to stand-alone because it considered it has strategic capacity. It also decided to not pursue a merger due to community opposition, the diverse socio-economic profiles of the merger councils, and concern that local priorities and financial sustainability would not be improved under a merger.
- We note community consultation undertaken by Pittwater and Manly councils indicated opposition to the ILGRP merger. However, Warringah's community consultation, which was undertaken across the three LGAs, indicated almost 70% of responses supported the ILGRP merger.
- Our analysis is consistent with the ILGRP's preferred option for Pittwater 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.

### **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.

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### **Other relevant factors**

Social and community context	Pittwater considers the merger councils have diverse socio-economic profiles and there is no evidence of a strong joint community of interest. Pittwater has a higher median age and lower population density than Manly and Warringah. The council also considers it has a stronger focus on the environment.
Community consultation	The council conducted a survey of 405 people, 58% did not support a "forced merger", 28% supported the creation of two new councils (Greater Manly and Greater Pittwater), and 14% supported a merger with Manly and Warringah. We note the wording of the questions in the survey may have affected the results.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	We received 47 submissions in relation to Pittwater's proposal. Two of these were in favour of the ILGRP preferred option, as they considered the council's management was poor and the merger would provide greater benefits. The majority of submissions opposed the ILGRP merger as they considered: the council was performing well, the merger is unlikely to lead to assumed efficiencies and is likely to be costly, and the merger would lead to a loss of local identity. Two late submissions were received, one which did not support the ILGRP merger and one which raised other issues. We also received four confidential submissions.

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