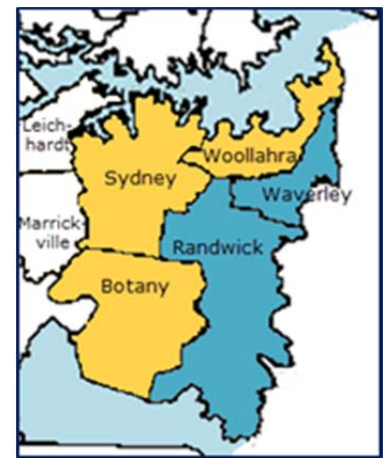


RANDWICK CITY COUNCIL AND WAVERLEY COUNCIL – MERGER PROPOSAL

FIT

	Waverley Council:	Randwick City Council:
Area (km ²)	9.2	36.3
OLG Group	2	3
ILGRP Group	Sydney Metro	Sydney Metro
Population	2011 68,700	137,800
	(2031) 82,150	174,300
Proposed merger	2011 206,500	206,500
	(2031) 256,450	256,450
ILGRP merger	2011 487,600	487,600
	(2031) 653,250	653,250
Operating revenue (2013-14)	\$113.2m	\$128.5m
TCorp assessment	Moderate FSR Positive Outlook	Sound FSR Positive Outlook
ILGRP options (preference in bold)	Merge with Randwick, Botany Bay, Woollahra and Sydney (yellow) or combine as strong JO.	Merge with Waverley, Botany Bay, Woollahra and Sydney (yellow) or combine as strong JO.



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 merger proposal for Randwick City Council (Randwick) and Waverley Council (Waverley) meets the scale and capacity criterion.
- The councils' merger proposal also satisfies the financial criteria overall. It satisfies the criteria for sustainability, infrastructure and service management and efficiency.

Scale and capacity – satisfies

- We have assessed the merger of Randwick and Waverley as fit because:
 - It does not preclude the ILGRP's preferred option of a Global Sydney Council, should the Government wish to pursue this option at some point in the future.
 - It was the best available option for these councils given neighbouring councils did not wish to join the merger proposal.
 - It builds on existing collaborations between Waverley and Randwick, which share communities of interest and similar geography.
 - It would deliver substantial benefits to their local communities when compared to the councils standing alone, including estimated cost savings of \$16m per annum according to council data, and an improvement in the operating performance ratio (OPR) from 1.7% in 2014-15 to 11.4% in 2019-20, mainly driven by efficiencies from the merger. The improvement in the OPR is significant.
- The councils submitted a business case which showed a merger of Randwick and Waverley produces net benefits. Based on this model, our analysis suggests the merger could produce net benefits of \$139 million over 20 years (including the Government grant).
- Our analysis suggests there could be significantly higher benefits if neighbouring councils were included in the merger proposal.
- In particular, under the Randwick-Waverley business case, our analysis suggests:
 - including Woollahra and Botany Bay councils in the merger proposal could produce net benefits of \$384 million over 20 years (including the Government grant), and
 - including Woollahra, Botany Bay and City of Sydney in the merger proposal could produce net benefits of \$416 million over 20 years (including the Government grant).

- Waverley and Randwick have indicated they would prefer not to have the City of Sydney included in the merger proposal.
- Both Randwick and Waverley have also indicated they each have a preference for merging with only one neighbouring council.
- We note Woollahra submitted research papers that questioned the achievability of the benefits modelled for a merger including them and argued a merger could entail additional wage costs.

Sustainability - satisfies

- The proposed merger satisfies the criterion for sustainability as the councils' forecast they will be above the benchmarks for:
 - the operating performance ratio (improving from 1.7% in 2014-15 to 11.4% by 2019-20), and
 - the own source revenue ratio and building and infrastructure asset renewal ratio by 2019-20.

Infrastructure and service management - satisfies

- The proposed merger satisfies the criterion for infrastructure and service management based on its forecast to meet the benchmarks for the infrastructure backlog, asset maintenance and debt service ratios by 2019-20.

Efficiency - satisfies

- The proposed merger satisfies the criterion for efficiency based on declining real opex per capita over time.

Other relevant factors

Social and community context	Randwick and Waverley share similar demographics and economic, social and environmental characteristics. Both councils receive many tourists as well as recreational visitors to key health and education centres. For example, the councils indicate that 9.7m people visited beaches in the area of Randwick in 2013-14. Bondi Junction and the Randwick Health and Education precinct are key strategic centres and would likely benefit from more coordinated management under a merger.
Community consultation	The councils informed their communities of the FFTF process and proposed merger through advertisements, social media, websites, briefing sessions, pop-up stalls, and newsletters and mailed information packs. Feedback from surveys and focus groups indicates that most respondents preferred their councils to stand alone as a first preference. However, if amalgamations were to occur, 90% of Randwick respondents preferred an Eastern suburbs council rather than Global Sydney. Similarly, 32% of Waverley residents would choose a merger with Randwick should amalgamations need to occur. We note the preamble to Randwick's survey did not identify any benefits for the Global Sydney merger although the information pack did.
Water and/or sewer	The councils do not have a water/sewer business.
Submissions	We received 17 submissions in relation to the Randwick and Waverley proposal including one submission on behalf of 5 councillors from Waverley. We also received one late submission and three early submissions. Most submissions indicated they were not supportive of the merger with Waverley, nor of the Global Sydney merger. Varied reasons were given including lack of consultation, a loss of local focus and identity, reduced services and higher rates. The submissions also indicated the councils were performing well.