

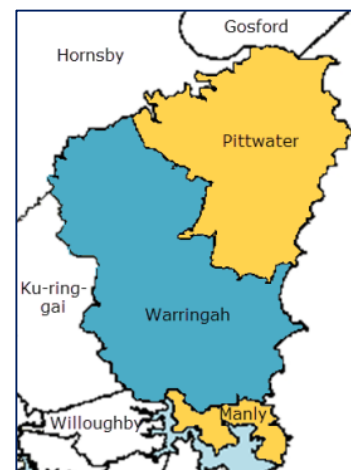
WARRINGAH COUNCIL – CIP

NOT FIT

Area (km ²)	149	Population 2011	148,400
OLG Group	3	(2031)	179,600
ILGRP Group	Sydney Metro	Merger 2011	251,650
		(2031)	310,800
Operating revenue (2013-14)	\$156m	TCorp assessment	Sound FSR Positive Outlook

ILGRP options **Merge with Pittwater and Manly Councils** (yellow) or combine as a strong JO with Pittwater and Manly Councils.

Assessment summary	Scale and capacity	Does not satisfy
	Financial criteria:	Satisfies overall
	• 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 sustainability criterion as a result of its operating performance ratio being above the benchmark.
- The council also satisfies the 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).

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 179,600 by 2031 compared with the forecast merger population of 307,000. Our analysis suggests that the council does not have sufficient scale to partner effectively with the government compared to the merger.
- Manly Council and Pittwater Council jointly commissioned a business case which showed 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 could produce net benefits of \$265 million over 20 years.
- 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.
- All analyses showed large net benefits to the local community from the merger. Variances in calculations result from different inputs and underlying methodologies.
- Warringah Council notes the ILGRP merger is its preferred option and it sought to reach an agreement with Pittwater and Manly Councils to merge via a number of forums. However, it says these councils did not support this 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 Warringah 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.

- We estimate that adjusting the operating performance ratio by removing interest income on section 94 Reserves would reduce the ratio by approximately one percentage point to 3.9% in 2019-20, which is still above the benchmark.

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 meets the criterion for efficiency based on declining real opex per capita over the period to 2019-20.

Other relevant factors

Social and community context	The council has a higher population density than Pittwater, but much lower than that of Manly. It also has an aging population compared with Manly, with 26% of residents 55 years or older (2011).
Community consultation	A 2015 survey indicated that 94% of residents in Warringah were satisfied with the council's performance, which suggests the council is already meeting community expectations. The council conducted extensive community consultation across the three northern beaches' LGAs through various media, including submissions, random telephone surveys and social media. The results from this consultation showed almost 70% of responses from across the Northern Beaches and 74% of Warringah responses support the ILGRP merger. We note these results differ from the surveys undertaken by the other two councils, which indicated strong opposition to the merger.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	We received nine submissions in relation to Warringah Council's proposal. Eight of the submissions did not support the ILGRP preferred option, as they considered the merger was unlikely to lead to efficiencies and they were concerned about a loss of local identity. One of the submissions was in favour of the ILGRP merger, stating that it would result in greater efficiencies and cost savings.
