



Memo To ALL COUNCILLORS
Memo From DEBRA JUST
Date 9 NOVEMBER 2015
Subject COUNCIL AGENDA 9 NOVEMBER 2015 - ITEM 9.1 –VOLUNTARY MERGER OPTIONS

Following a request for further information regarding comparative financial information detailed within Clause 1.10 on pages 14 and 15 of tonight's Agenda, staff contacted its consultant Morrison Low this morning and were advised that there was a calculation error within its database for information pertaining to both the Willoughby and North Sydney merger and Willoughby, North Sydney and Lane Cove merger.

Staff have been assured that all other calculations within the Morrison Low final report including the following have not been impacted and are correct:

- Full Northern Sydney Merger
- Financial projections and performance against benchmarks of any of the mergers

As a result I provide the following information to replace Section 1.10 with the current agenda.

1.10 Analysis of Savings and Performance of Merger Options

As part of the preparation of its *Fit for the Future* submission, Council commissioned financial modelling until 2023 of costs and savings of a merger between Willoughby and North Sydney Councils and a merger between Willoughby, North Sydney and Lane Cove Councils. Full details of costs and savings can be found in revised Attachment 7(attached).

Projections indicate that a merger between Willoughby and North Sydney would have approximate initial net costs of \$14.121M, but would ultimately have a net saving over the 8 years to 2023 of \$74.915M. The initial costs are estimated to be recovered by 2019. The majority of the savings are attained through savings related to staff costs.

Projections indicate that a merger between Willoughby, North Sydney and Lane Cove councils would have approximate initial net costs of \$29.124M, but would ultimately have a net saving over the 8 years to 2023 of \$60.117M. The initial costs are estimated to be recovered by 2020. Once again the majority of the savings are attained through savings related to staff costs.

The complexity of successfully realising these savings is obviously increased with the number of merger partners. It is also dependent on the veracity of the data that was publicly available for the purpose of modelling, including asset data.

Information detailing projections to 2023 of the *Fit for the Future* indicators for each of the merger options was also developed. Full details of performance against the Fit for the Future indicators can be found in Attachment 6.

MEMO

Net Present Value calculations indicate the savings from anticipated cash flows in today's dollar equivalent against a range of rates, in this case (4%-10%), in order to test the sensitivity of the projected cash flows/savings.

It should be noted that the following Net Present Value calculations replace those within the Final Morrison Low Report as shown below:

Willoughby/North Sydney		
NPV at 4%	NPV at 7%	NPV at 10%
Final Report		
\$40.8M	\$31.6M	\$24.4M
Corrected Information		
\$55.7M	\$44.9M	\$36.3M

Willoughby/North Sydney/Lane Cove		
NPV at 4%	NPV at 7%	NPV at 10%
Final Report		
\$44.3M	\$33.8M	\$25.7M
Corrected Information		
\$41.5M	\$31.3M	\$23.2M

Debra Just
GENERAL MANAGER