

DISCUSSION PAPER

Proposed Merger Shoalhaven City Council

&

Kiama Municipal Council

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[This Discussion paper is intended to provide factual information to ensure residents and ratepayers fully appreciate the relevant facts and implications a merger will bring.]

PROPOSED MERGER of Shoalhaven City Council and Kiama Municipal Council

On Friday 18 December'15 the NSW Premier and Minister for Local Government announced the proposed merger of the two councils.

Previous reports from IPART and the ILGRP **DID NOT** recommend a merger of Shoalhaven and Kiama and concluded that the councils could stand-alone, so this announcement comes as a bit of a surprise.

Shoalhaven City Council has a population of almost 100,000 and is the largest Regional Council in NSW (by population) outside the Newcastle/Sydney/Wollongong strip. Shoalhaven is also a reasonable geographic size. Kiama is relatively small in area and has a smaller population of approx. 21,000.

Shoalhaven City Council was assessed by IPART as "Fit" for the future both in scale and capacity AND financial sustainability BUT this was on the basis that council would raise its general rates by an extra 7 ½ % (above the ratepegging limit) in both the years 2017/18 and 2018/19 and other cost saving initiatives were also implemented. Kiama Council had also planned above ratepegging rate increases in future years.

THE MERGER PROPOSAL

What is the merger proposal?

Since the original announcement in December the Government, on 6th January'16, has released the more detailed Proposal and can be viewed at: <https://www.councilboundaryreview.nsw.gov.au/proposals/kiama-municipal-and-shoalhaven-city-councils/>

It should be noted that Council is seeking some clarification of some of the financial information in the Proposal document to confirm its source. It is also noted that the Proposal refers to 2013/14 financial data however some of the analysis in this Discussion paper has sourced data from the more recent 2014/15 Financial Statements of each council for comparative purposes.

Greg Wright has been appointed as the 'delegate' to conduct the public inquiry and when a date is advised for the public meeting it will be publicised on the website above.

Previously other documents had also been released - Fit for the Future Progress report

<http://www.fitforthefuture.nsw.gov.au/content/fit-future-progress-report> (PDF, 7MB).

[The Local Government Reform: Merger Impacts and Analysis](#) (PDF, 6MB) also outlines the Government's case for the amalgamation process.

For further information about the process you can also view the Government's website which is now live: www.councilboundaryreview.nsw.gov.au.

In the 1st announcement of the proposed merger the Government stated:

- *“\$53 million total financial benefit over 20 years and \$7.2 million improvement in annual operating result over 10 years”*
- *“A stronger balance sheet to meet local community needs & priorities including average annual savings of \$3.4 million generated by the merger from 2020”*

Comment: A reasonable estimate of the basis of this saving would be:

- Less Councillors - \$500,000 saving (estimate)
- Less Senior staff & 1 GM - \$1M to \$1.2M saving (estimate)
- Other staff savings and less overheads - \$1.7M to \$1.9M saving (estimate)

- *“For four years after the merger, the Government’s policy is that rates will be frozen at existing paths”*

Comment: That means the 7.5% rate increase above rate-pegging planned by Shoalhaven City Council for both the years of 2017/18 and 2018/19 to meet the ‘fit for the future’ criteria will NOT happen. That equates to approx \$20 million revenue (cumulative over this four year period) that will NOT be raised and spent on providing services and infrastructure renewal and maintenance. IPART’s assessment of Council as being “fit for the future” recognised the fact that Council/community requires these additional funds to be sustainable.

Similarly the planned rate increases by Kiama will NOT be allowed, and this equates to something in the order of \$1.2M per annum in the latter years.

Basically the existing rates in both council areas will be maintained and only increased by the standard ratepegging limit announced by the government each year (subject to any variations that are a consequence of a full revaluation of all properties with the council area).

- *“The NSW Government will provide \$15 million to meet merger costs and provide a head start on investing in services and infrastructure that savings from the mergers will ultimately support”*

Comment: The Government estimates that the cost to implement a merger in regional areas will be around \$5 million. This leaves \$10 million which will partly offset the “lost” revenue as mentioned above, however the cumulative impact will continue into future years.

COMPARATIVE DATA of Shoalhaven & Kiama Councils.

There are significant differences in “character” between Shoalhaven and Kiama detailed below:

Matter	Shoalhaven	Kiama	Comment
Population	97,694	21,047	The Urban area of Nowra-Bomaderry is larger than Kiama having a population of (2011 CENSUS) 32,881.
Aboriginal & Torres Strait Islander population	4.7%	1.4%	Both councils support advisory committees to discuss key issues of services and employment for Aboriginal people.
Average taxable income (2010)	\$40,194	\$49,453	On average, Kiama households have over 20% more disposable household income than Shoalhaven making it more affordable to meet costs of rates & charges.
Average Residential Rates (2013/14)	\$879	\$1,277.87	<p>Average residential rates are 45% higher in Kiama which allows for higher levels of services such as parks and gardens, street-sweeping and general maintenance. IF Shoalhaven residential rates were lifted to similar levels it would result in over \$20M additional revenue each year for better maintenance and services.</p> <p>However it should be noted that the State Government announced a “<i>four year rates freeze on current path</i>” so rates will only increase by the rate-pegging limit and Not be increased by the additional 15% that was in Council’s ‘fit for the future’ application to IPART. This means that even accounting for the \$10M grant from the State as part of the merger proposal Council will forego \$21M (Shoalhaven share) and a further \$5M est. (Kiama share) in increased rates leaving a shortfall of \$16M to renew and maintain infrastructure or provide services. However this will be partly offset by annual savings from the merger which are explained later in this paper.</p>

Matter	Shoalhaven	Kiama	Comment
Average Domestic Waste Annual Charge	\$281.58	\$433.85	<p>Kiama provide a green bin service which results in a higher overall charge. Shoalhaven's waste strategy is for the development of the Resource Recovery Park, with Alternative Waste Technology (AWT) to process waste instead of providing a green bin. The cost of extending the green bin service to Shoalhaven is over \$2m (plus significant ongoing bin collection costs) and will change type of technology process for the AWT.</p> <p>Kiama Council has expressed interest in diverting their Waste to AWT.</p>
No of Councillors	13	9	If the merger proceeds there will be a reduction in the number of councillors, possibly 13 for the whole merged area. This would reduce the costs of councillors.
No of Councillors/ population	7,515	2,339	If there were only 13 councillors for the whole area then there would be 1 councillor per 9,230 population (approx.), a significant increase on current ratios, especially for Kiama.
Full Time Equivalent Staff	759	265	Keep in mind that Shoalhaven has well over 100 employees in the Water and Wastewater operations whilst Kiama has many staff employed in the Aged Care Retirement facility so the gross figures need to be understood in this context.
Population Density/ capita/sq km	21.4	81.7	With almost 70% of Shoalhaven area being National Park, State Forest or other Crown Land, the population density is much lower.
% of Pensioners (Residential rates)	24%	20%	A higher proportion of pensioners in Shoalhaven contributes (slightly) to the lower average household income.

Matter	Shoalhaven	Kiama	Comment
Unemployment Rate (Sept '15 ABS & Department of Employment)	9.5%	4%	Employment generation is a much higher need within the Shoalhaven.
No of public swimming pools	12	6	Number of facilities provided compared to population would indicate a vast difference in service provision between the two existing councils.
No of public halls	28	20	Number of facilities provided compared to population would indicate a vast difference in service provision between the two existing councils.
No of public libraries	4	2	Number of facilities provided compared to population would indicate a vast difference in service provision between the two existing councils.
Companion Animals microchipped	43,712	7,217	This is an indicator of workload drivers for Animal Management Officers.
Open Public Space area	2,825ha	224ha	An indicator of size and scale of operations.
Total Road length	1,724kms	262kms	An indicator of size, scale and type of operations. Kiama's road network is mostly urban type roads. Shoalhaven manages a large network of rural type roads and unsealed roads along with the urban roads.
No of Active Businesses	6,709	1,660	An indicator of size and scale of operations.

Matter	Shoalhaven	Kiama	Comment
Outstanding Rates & Charges 2014/15	7.32%	1.77%	This is a significant difference that could be a result of several factors including: <ul style="list-style-type: none"> • Shoalhaven's policy of NOT taking legal action to recover outstanding rates from pensioners. • Levels of household income disparity & landowners capacity to pay rates.
Governance & Administration Expenditure/capita	\$340.50	\$851.38	As a general principle it would be expected that costs per capita diminish as size increases - refer to the "economies of scale" factor.
Environmental Expenditure/capita	\$289.71	\$275	Could imply that service levels are relatively similar in both councils.
Community Services & Amenities, Housing & Education Expenditure/capita	\$87.95	\$529.20	Disparity needs clarification however is most likely a result of the Aged Care Retirement Services provided by Kiama - a service NOT provided by Shoalhaven.
Recreation & Culture Expenditure/capita	\$200.86	\$286.64	40% higher expenditure in Kiama (which is a similar comparison to the residential rates paid) indicating either more facilities per capita OR higher service levels OR a combination of both.
Public Order, Safety & Health Expenditure/capita	\$55.50	\$49.65	Shoalhaven has high needs in the Emergency Services area particularly Rural Fire Services with significant areas of Bushfire Prone lands.
Library Service/capita	\$25.38	\$62.67	Indicator of much higher service levels in Kiama.

Source: Office of Local Government Website - Time Series Data - 2013-14 (unless otherwise stated.)

FINANCIAL COMPARISONS

The 2014/15 Financial Statements for both Council are already on the Internet at:-

www.kiama.nsw.gov.au – (type in “Financial Statements” in the “Search”)

<http://doc.shoalhaven.nsw.gov.au/displaydoc.aspx?record=D15/359678>

4 aspects are detailed below:-

Net Operating Result (before Grants for Capital Purposes) General Fund only)

Kiama Negative \$1,576,000 (*represents 11.5% of Ordinary Rates – using information in Note 3 of statements)

Shoalhaven (Note 21) Negative \$3,204,000 (*represents 6% of Ordinary Rates – using information in Note 3 of statements)

*This indicates the increase in Ordinary Rates required to achieve a break-even result. However other options are available such as reducing services to the same amount.

Cash & Investments (Note 6c in Financial Statements) (consolidated)

	*Shoalhaven	*Kiama
Internal Restrictions	\$ 34,816,000	\$ 27,079,000
External Restrictions	\$ 86,783,000	\$ 6,458,000
Unrestricted Cash	\$ 12,978,000	\$ 4,869,000
	\$134,577,000	\$ 38,406,000

*Includes Current and Non-Current Funds

- External restrictions for Shoalhaven include significant sums for water, wastewater, waste and developer contributions
- Internal restrictions for ELE’s seem adequate
- Kiama holds significant funds for Bluehaven in Internal Restrictions
- Unrestricted cash are at reasonable levels

Special Schedule 7 – Asset performance Indicators (General Fund only)

Matter	Shoalhaven	Kiama	Comment
Building, Infrastructure and other Structures Renewals Ratio	65.42%	25.81%	Benchmark is 100%. Both Councils need to expend significantly more on infrastructure renewal.
Infrastructure Backlog Ratio	2.58%	2.44%	Benchmark is 2%. Both Councils need to expend more to Reduce the backlog of works
Asset Maintenance Ratio	0.87%	0.98%	Benchmark is 1. Both Councils need to expend more funds on Asset maintenance each year. Kiama is close to the benchmark.
Capital Expenditure Ratio	1.26%	1.02%	Both Councils exceed the benchmark of 1 which indicates that each Council is spending funds on New Capital projects at the expense of Renewal and backlog works.

Statement of Performance Measurement (General Fund)

Matter	Shoalhaven (Note 13b)	Kiama (Note 13(a)(i))	Comment
Operating Performance Ratio	-1.8%	-5.27%	The FFF criteria requires a break-even position, so additional revenue is required or cost/service reductions required to achieve this benchmark.
Own Source Operating Revenue	80.19%	77.75%	These meet FFF criteria of 60%
Unrestricted Current Ratio	1.76x	3.94x	These meet expected benchmarks
Debt Service Cover Ratio	4.58x	4.76x	Meets expected benchmarks
Outstanding Rates and Annual Charges	5.58%	1.77%	Should be below 5%. Shoalhaven has a policy not to take legal action to recover outstanding rates/charges from pensioners.

Summary

Both Councils have a sound financial base. However there is insufficient revenue raised to achieve a break-even Operating Result. This requires either an increase in revenue (Rates) or a reduction in costs/services. However the option to seek additional rate revenue has been eliminated by the Government policy to freeze rates for 4 years. The predicted savings from the merger will not bridge the gap to achieve a breakeven operating net result.

Expenditure also needs to be increased on Infrastructure Renewal and addressing backlog works. A source of funds to achieve this needs to be found. Similarly, expenditure on asset maintenance also needs to be increased and source of funds found. These financial factors will make it more challenging to meet community needs.

WHAT NEEDS TO BE CONSIDERED BY THE “DELEGATE”
(and subsequently commented upon by the Boundaries Commission)

The LG Act stipulates matters to be considered – Section 263

- (a) *the financial advantages or disadvantages (including the economies or diseconomies of scale) of any relevant proposal to the residents and ratepayers of the areas concerned*

Comment: The four year rate freeze (2016/17 to 2019/20 inclusive) will seriously reduce the revenue proposed to be raised over that period by both Councils in their ‘fit for the future’ application. For Shoalhaven alone this equates to a loss of revenue of approx. \$20M which would have been realised in 2017/18 (7 ½ % SRV above ratepeg i.e. estimate \$3M) and 2018/19 (7 ½ % SRV above ratepeg i.e. estimate \$7M) and 2019/20 (\$9.7M). For Kiama it is estimated that the opportunity “loss” would be about \$1.2M.

During the same period a staff freeze is effectively in place for the first three years so savings will be limited to:

- | | |
|--|--------------------|
| • Reduction in Councillors \$500,000 p.a. | = \$2m |
| • Reduction in GM and Senior staff - \$1m p.a. | = \$4m |
| • Reduction in staff (4 th year only) say | = <u>\$2m</u> |
| (Note: assumes savings in Councillors & Senior Staff immediately applies commencing from 1/7/16) | |
| TOTAL (over 4 years) | <u>\$8m</u> |

The Government will provide the merged Council with a once off grant of \$10m for infrastructure works plus \$5M to offset the costs to implement the proposed merger.

In summary the financial impact on a new merged Council operations over the four years will be:

Loss of Rate Revenue (from planned SRV's)	\$21m
Less Savings above	\$ 8m
Less once-off grant	<u>\$10m</u>
Shortfall	<u>\$ 3M</u>

This will require a reduction in other costs or services to make up the \$3m shortfall during the four year period.

Another unknown consideration is whether the Federal Financial Assistance Grants will be reduced overall or increased for the merged Council.

Therefore in the fifth and subsequent years of the new merged council the annual savings estimated at \$3.4M will NOT offset the annual loss of rate revenue foregone by the mandated rate freeze estimated at approx \$11M p.a. from 2020/21 onwards leaving an annual shortfall of \$7.6M. This will impact on the new Councils ability to achieve the Fit for the Future benchmarks and address the infrastructure renewal & backlog shortfalls.

One of the other most significant issues to acknowledge is the 45% disparity between average residential rates in Kiama compared to Shoalhaven. This disparity is 'locked-in' for the first four years.

At some stage in the future this disparity must be rectified through a 'rates harmonisation strategy'. Subsequent councils will address this challenge. Will that mean significant increases to rates in the Shoalhaven area to 'catch up' to Kiama? Or will it mean Kiama rates are 'held' or reduced?

The Terms of Reference for the IPART Review of the local government rating system recently announced includes the need to consider *"the impact of the current rating system on residents and businesses of a merged council and the capacity of the council to establish a new equitable system of rating and transition to it in a fair and timely manner."* – see http://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/terms_of_reference_-_review_of_local_government_rating_system_-_december_2015.pdf

This IPART Review will not be completed until December 2016 and council will have an opportunity to make a submission on this topic & the review overall.

Also refer to the special section in this Discussion Paper on the Water & Wastewater impacts. The new merged council will have two separate water authorities (i.e. Sydney Water and Shoalhaven Water) both having very different pricing structures and operations. Shoalhaven Water contributes considerable sums to Shoalhaven City General Fund operations via an annual dividend (\$2.5 million per annum) and additional revenue of \$5.4M approx. as Shoalhaven Water's contribution to General Fund overheads. Council gains significant 'economies of scale' that these operations bring to the whole organisation. In a merged council situation that maintained two water utility providers, it would be fair to have the dividend funds 'ring-fenced' and only spent in the area of this water supply.

(b) *The community of interest and geographic cohesion in the existing areas and in any proposed new area*

Comment: There is no real evidence of a strong 'community of interest' between Kiama and Shoalhaven, however it would need further detailed studies to understand the travel patterns of Kiama residents - where they source employment, medical services, education, and shopping etc .

It is acknowledged Shoalhaven and Kiama do run a joint Library Cooperative to achieve efficiencies and cost savings and there is a strong tourism marketing connection between the areas via the South Coast Regional Tourism Organisation.

It is also estimated that approx. 3% of the Shoalhaven workforce comes from Kiama local government area i.e. approx. 882 persons or 10% of the Kiama workforce.

However Kiama is part of the Illawarra emergency management arrangements & is also tied with Wollongong & Shellharbour in its noxious weeds function responsibilities.

This discussion paper also shows significant socio-economic differences in unemployment, % of pensioners, % of Aboriginal population, household incomes. Further analysis would also highlight differences in education standards, housing affordability (cost and rentals) and crime statistics.

Kiama Municipality is a relatively small area in comparison to Shoalhaven. If the merger proceeds Kiama will effectively become an addition on the northern side of Shoalhaven. It could be managed in a similar manner as Ulladulla and the southern Shoalhaven, i.e.

retain a local office to provide usual customer services and local depot for field staff operations. All 'back-office' functions would eventually be merged into the central office delivering economies of scale (savings) and greater 'depth and capacity'- however it could be argued that the Illawarra Joint Organisation was established to achieve the same aims through a "shared services" model.

Community engagement would be either through setting up Community Consultative Body's in each centre of population (similar to the existing Shoalhaven situation) or establishing new 'Precinct Committees', or similar, across the new merged Council area.

'Loss of Identity' will be a very big issue to overcome for both Kiama and Shoalhaven as it would be expected that the new area would have a new Council name. Selection of a new name is a critical issue. Whilst the Kiama 'brand' would continue as it is a town name, the loss of 'Shoalhaven' as a brand name could be significant, especially given the enormous capital investment in tourism marketing already spent over many years.

(c) *The existing historical and traditional values in the existing areas and the impact of change on them*

Comment: Shoalhaven Shire (later proclaimed as a City in 1979) was formed in 1948 through the amalgamation of five councils. It has provided stability and leadership in the region for many years. Kiama Municipality is one of the oldest local government areas in NSW having governed its area for 156 years. The community may be best placed to judge whether a merger impacts on historical or traditional values in the area.

(d) *The attitude of the residents and ratepayers of the areas concerned*

Comment: To date there has been significant objections to the merger from Kiama residents particularly concerning the perceived loss of identity and representation and having far less "pull" within a much larger council. There has been little comment from Shoalhaven residents at this stage.

Member for Kiama, and Parliamentary Secretary for the Illawarra and South Coast, Gareth Ward has been vocal in the media in opposition to the merger.

The delegate will conduct a Public meeting in each council area. This Discussion paper is intended to provide factual information to ensure residents and ratepayers fully appreciate the relevant facts and implications a merger will bring.

In recent community surveys by both councils there was a high level of satisfaction with the overall performance of each individual council.

- (e) *The requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level, the desirable and appropriate relationship between elected representatives and ratepayers and residents and such other matters as it considers relevant in relation to the past and future patterns of elected representation for that area*

Comment: There is currently a vast difference in elected representation – 7,515 pop. per councillor (Shoalhaven) and 2,339 (Kiama). In a merged council with only 13 Councillors the ‘representation ratio’ would increase to 1 councillor per 9,230 population. This would be a significant change for the residents of Kiama as it is likely that only 2 or 3 councillors would come from the Kiama area in a merged situation. The workload for all councillors is already significant and would increase in proportion.

With a higher population to councillor ratio the methods of community engagement will need review and significant enhancement to ensure the public do not feel they have been disenfranchised.

- (e1) *The impact of any relevant proposal on the ability of the councils of the areas concerned to provide adequate, equitable and appropriate services and facilities*

Comment: ‘adequate services’ – the financial data above and the respective Fit for the Future submissions clearly indicates that neither council is providing adequate services in respect to infrastructure, particularly infrastructure renewal, asset maintenance and infrastructure backlog. More funds are required to achieve adequate services in this area of operations. The proposed four year rate freeze for a merged council will make it even more difficult to provide adequate services.

In regards to other services such as libraries, aquatic facilities, sport, recreation, arts the levels of service are considered adequate.

Kiama presently delivers aged care and related services. It will be a question for the new merged entity working with the community to determine whether similar services should be provided by the new council in the Shoalhaven area, and if so, how they would be financed. Alternatively a new council may wish to divest its interest in these services and sell to a private/not-for-profit provider.

'equitable services' – anecdotal evidence suggests that for some services a higher level of service is provided in Kiama compared to Shoalhaven, particularly relating to parks and gardens, street sweeping, general maintenance (subject to more detailed analysis). This is underpinned by a much higher (45% higher) average residential rate in Kiama. For a merged council the issue of 'equity' will need to be addressed. Should Shoalhaven ratepayers pay a higher rate and receive similarly higher levels of service? Or should the level of services be decreased in Kiama to bring everything down to a similar level?

Other noticeable differences in service levels include the “green bin” waste service in Kiama and the significant inequalities created by having two Water Authorities in the one local government area – detailed in a separate section of this paper.

There will be other subtle differences in service levels that require detailed analysis to uncover, especially related to staff resource & workload in different functional areas. For example a comparison of staff levels and workloads in the DA areas is as follows:

(Source: Local Performance Monitoring Spreadsheet 2014-2015 published by the Department of Planning.)

Item	Kiama	Shoalhaven
Equivalent Full Time Staff assessing Applications	Kiama 5	Shoalhaven 17
CC's issued by Council	Kiama 102	Shoalhaven 774
Subdivision Certificates issued by Council	Kiama 22	Shoalhaven 81
DA's Determined by Council	Kiama 274	Shoalhaven 1608
Value of DA's Determined	Kiama \$70,164,00	Shoalhaven \$244,245,639

No. of s96's Determined	Kiama 104	Shoalhaven 487
No. of CDC's Determined by Council	Kiama 5	Shoalhaven 32

Determination Times for DAs

	Mean gross time for DA determined	Median gross time for DA determined	Mean net time for DA determined	Median net time for DA determined
SHOALHAVEN	68	42	34	22
KIAMA	61	49	39	37

Having different levels of service in different parts of a merged area could be problematic and create an 'us' and 'them' situation which may lead to political and community tensions and unrest. It also causes confusion for residents, ratepayers, developers and staff.

'*Appropriate services and facilities*' – currently the two councils have their own unique Community Strategic Plan (CSP) setting out what the council will provide and the priorities agreed with their communities. A summary of the key differences and similarities follows:-

Kiama / Shoalhaven CSP Comparison

Focus	Shoalhaven	Kiama	Comment
Plan Structure	Five Key Result Areas; People, Place, Prosperity, Leadership and Governance	Four KRAs; Community, Environment, Economy, Civic Leadership	Other than the combining of Leadership and Governance into Civic Leadership the main KRAs are the same
	19 Objectives, 59 Strategies, 14 Key Priorities	15 Goals , 45 Strategies	The focus of Kiama's Goals and Shoalhaven's Objectives are very similar
Community Engagement	Community Engagement Strategy, Social Justice Principles	Community Engagement Strategy, Social Justice Principles and survey used	Community engagement process very similar
Vision	We will work together in the Shoalhaven to foster a safe and attractive community for people to live, work, stay and play; where sustainable growth, development and environmental protection are managed to provide a unique and relaxed lifestyle	Working together for a healthy, sustainable and caring community	Kiama's vision is focused on community while Shoalhaven's is more encompassing of a number of areas including growth and development.
Mission	To enhance Shoalhaven's strong communities, natural, rural and built environments and appropriate economic activities through strategic leadership, effective management, community engagement and innovative use of resources	Kiama Council will work to create a Municipality that has a healthy, vibrant lifestyle, beautiful environment and harmonious, connected and resilient community	Similar mission statements with the exception of economic activities not being specifically identified in Kiama's mission. Focus for Kiama is on community, health and resilience and environment.
Reporting framework	Quarterly reporting, annual report and End of Term report	Quarterly reporting, annual report and End of Term report	Framework similar only difference is quarterly reporting on progress of Operational Plan by Kiama
People / Community	2 Key Priorities (KPs): Engage the Shoalhaven community in all we do; A safe and caring community	4 Goals: Inclusive community, health safety and wellbeing, skills are recognised, vibrant liveable community, encourages active participation	All Kiama strategies could be included in Shoalhaven's 2 Key Priorities. Kiama specifically mentions old, young and volunteers. Kiama Goals and Shoalhaven Key Priorities have a similar focus.
Place / Environment	3 KPs: Bring CBDs alive and activate our waterfronts; Build road and footpath connections; Showcase our unique environments	4 Goals: Long term integrity and biodiversity of natural environment, productive use of rural land, building and cultural heritage is maintained, development is sustainable and resilient to change	Kiama has a greater focus on the natural environment Waste minimisation and facility use are also highlighted in Kiama's CSP. Focus is also placed on the use of rural land
Prosperity / Economy	3 KPs: A destination for tourists, business and events; Partner with industry, government and business; Promote Shoalhaven's positives	3 Goals: Council demonstrates leadership with local economy, sustainable distinctive economy, diverse training opportunities	All but one of Kiama's Strategies could be addressed within Shoalhaven's Key Priorities. Strategy 3.4 'Recognise and support Council's role as a significant

			employer and purchaser of goods...’ was the exception
Leadership, Governance / Civic Leadership	5 KPs: Transform the organisation to ‘can do’, Be excellent at customer service, Deliver sustainable services, Continuously improve and cut red tape, Maintain our infrastructure and Financial sustainability	4 Goals: Community access to information, finances and resources managed, ethical, legal and statutory responsibilities, open and transparent decisions.	All but one of Kiama’s Strategies could be addressed with Shoalhaven’s Key Priorities. Strategy 4.1 ‘Ensure we remain a strong, independent and sustainable Local Government Authority....’ was the exception

Summary comment: It would seem that both Shoalhaven and Kiama’s CSPs are very similar, while the structure may be different the underlying principles are very much the same. Some notable differences however include: Kiama’s significant focus on the natural environment, the role Kiama Council plays as a significant local employer as well as their concern for remaining independent.

The merged council will need to create a new CSP covering the expanded area. This will require significant community engagement and ‘negotiation’ with the community however the above summary shows there is very little philosophical difference between our areas.

(e2) The impact of any relevant proposal on the employment of the staff by the councils of the areas concerned

Comment: Legislation protects employment of existing staff (other than GM and defined senior staff) for the first three years of a merged council. However during this three year period restructures triggered by natural attrition (and dependant on what area of operations this occurs) would be conceivable but the redeployment or change in work location of existing staff could only be achieved by mutual agreement. In many respects this employment protection does build in inefficiencies from the start.

There is likely to be an immediate impact on some or all of the GMs and Directors depending how the Minister/Governor establishes the new council by proclamation.

After the three year period it is highly likely that a significant restructure would be necessary to consolidate back room operations – some job losses would be expected. The rationale of merging of services will provide for the consolidation of staff (and therefore operational savings) may only be relevant to office based functions where the service / function is delivered or supported electronically (e.g. pay roll, accounting). The geographic size of the merged Council will provide limited opportunity for consolidation of the outdoor workforce as the travel times between sites would be uneconomical. This is already a challenge with the existing boundaries of the Shoalhaven. The

merged Council is likely to commence with different culture and work practices and methodologies, which would take many years to align. All of these issues can be dealt with over time.

Benefits of managing services delivered by contract (e.g. Kerb side bin collection, capital construction etc) could be achieved through the Joint Organisation, but this requires continued collaboration & good will between councils.

(e3) *The impact of any relevant proposal on rural communities in the areas concerned*

Comment: There should not be any impact on rural communities in Shoalhaven.

There may be perceptions in the rural communities of Kiama of a decline in services and representation because of the reduction in the number of councillors available to be contacted.

(e4) *In the case of a proposal for the amalgamation of two or more areas, the desirability (or otherwise) of dividing the resulting area or areas into wards*

Comment: Shoalhaven already has three Wards. In a merged council several options are worth considering:

- Have four Wards, each with three councillor representatives plus a popularly elected Mayor. Obviously the ratio of population per councillor increases and hence representation in the Kiama area would diminish significantly and to a lesser extent in Shoalhaven.
- Retain three Wards with 4 councillors in each and redraw the boundaries to equally distribute the number of voters in each Ward.
- Have no Wards, with councillors elected by all voters across the whole area.

There are advantages & disadvantages for each system.

(e5) *In the case of a proposal for the amalgamation of two or more areas, the need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented*

Comment: See (e4)

- (f) *Such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas*

Comment: Councillors and Community may wish to identify ‘other factors to consider’.

IMPACT ON WATER AND SEWER FUNCTIONS

The provision of water and sewer functions in the Kiama LGA are the responsibility of Sydney Water, while in the Shoalhaven City Council area these functions are delivered via Shoalhaven Water, a business unit of Shoalhaven Council. There is no physical interconnection between the assets of Sydney Water and Shoalhaven Water. Should a merged Council be formed, on the face of it there would appear to be three options for the provision of water and sewerage to the new LGA – ie

1. Sydney Water to “take over” the operations of the Shoalhaven as a whole system.
2. Shoalhaven Water “take over” the operations of the water & wastewater within the Kiama area and have a “Bulk water purchase” agreement with Sydney water; or
3. Retain two water utility providers in a merged LGA

The difference in the asset characteristics of the 2 current entities is given in the table below.

	Sydney Water	Shoalhaven Water
Average Population/km watermain	223	59
Average Population/ water supply reservoir	19,970	2,345
Average Population/ water pumping station	32,218	3,428
Average Population/km sewer main	193	73
Average Population/ sewer system	193,311	6,855
Average Population/ sewer pumping station	7,160	411

The lack of connectivity and the impact of the lower density characteristics of the Shoalhaven Water operating area would suggest that any LGA merger between Shoalhaven and Kiama would mean that 2 water utility providers would need to be maintained in the new LGA. The long length of the Shoalhaven LGA (150km) would significantly increase the Sydney Water Illawarra operational area but with no economy of density. Since the legislative framework, the operating standards, the pricing characteristics, the development requirements, the asset responsibility and the customer interface are different between the 2 utilities this would be a source of confusion, inefficiency and inequity between residents within a merged LGA. Some specific issues are discussed below.

Water and Sewer Issue	Kiama	Shoalhaven	Comments
Primary Legislation	Sydney Water Act 1994 Sydney Water Regulations 2011	Local Government Act 1993 Local Government Regulations 2005	There are a number of different powers and provisions relating to water and sewer services within these acts and regulations. These difference include powers of entry onto land, penalty notice offences, compensation for damage, reporting requirements etc.
Pricing Determination	IPART	Council (by utilising the NSW Govt Best Practice Guideline)	4 year review of prices by IPART and annual review by Shoalhaven Council. See table below for 2015/16 comparative prices.
Headworks (Developer) charges	Nil	Section 64 Charges - As provided in Developer Servicing Plan and determined by Council policy – currently \$6,578 per ET for water and \$8,339 for sewer. An economic incentive concessional policy currently applies.	Would cause major development inequities in a merged Council. Development revenue is a key component of water and sewer income in Shoalhaven.

Pensioner Rebates	100% water access charge (currently 83% sewer access charge)	\$87.50 for water \$87.50 for sewer	Shoalhaven rebates as per state government levels. Would create significant inequities in a single merged LGA – see table below for comparison.
Land Development	Section 73 Compliance Certificate required from Sydney Water	Certificate of Compliance required from Council	A merged council would have different referral agencies for the same types of development.
Water Restrictions	Waterwise Rules – permanent Additional if storage drops to 50%	Levels 1-4 dependent on river flows and dam levels	An inconsistent approach in the one LGA would cause huge confusion. In addition, the Shoalhaven scheme is used as a backup to Sydney in times of drought and differing rules will create further inequities relating to security of supply.
Internal Plumbing Inspections – (Plumbing Code of Australia)	Fair Trading	Council	Delegations from Fair Trading are different for “metro” vs “regional”
Dividend payment	Sydney Water payment to State government	Shoalhaven Water payment to Council General Fund	The Shoalhaven Water and Sewer funds contribute dividends from their operations for strategic projects in the general fund – approx. \$2.5M p.a. Allocation of such dividend would be assumed to only be allocated to Shoalhaven operational area.

2015/16	Sydney	Shoalhaven
	Water	
Water Supply - service charge / annum	\$102.56	\$80.00
Water Usage charges \$/kL	\$2.28	\$1.65
Sewerage service charge / annum	\$609.16	\$772.00
Recycled water usage \$/kL	\$1.82	-
Pensioner Rebate (\$/annum) - water	\$102.56	\$87.50
Pensioner Rebate (\$/annum) - sewer	\$505.60	\$87.50
<u>Total water and sewer bills for 2015/16 based on a residential property utilising 200 kL.annum.</u>		
Total Water and Sewer Bill for 200 kL usage	\$1,166.92	\$1,182.00
Total Water and Sewer Bill for 200 kL usage (Pensioner)	\$558.76	\$1,007.00

Summary: the significant differences may cause confusion and the inequities between different areas in the one merged council area will need careful management.

CONSIDERATION OF OTHER FACTORS TO IMPLEMENT A MERGER

The publication by LGNSW – “Local Government Workplace Reform Kit: Managing Workplace Change” is a good reference to read.

http://www.lgnsw.org.au/files/imce-uploads/79/LGNSW_WorkplaceReformKit_Nov2015.pdf

At Page 10 it sets out what is generally put in a Proclamation. Also see Attachment B (Page 53) which is an extract from the Proclamation of Clarence Valley Council in 2004. In this example a single Administrator was appointed (previous Mayor of Copmanhurst Shire) and an Acting General Manager appointed (a retired GM from Broken Hill/ex-Division of Local Government employee).

One point made in this publication is that the merger should be seen as a 'brand new' organisation NOT one council 'taking over' another council – which brings with it resentment – See page 31.

Some of the key issues to plan and implement in a staged approach are set out in Section 4.2 (page 35 onwards). Much of this relates to staffing matters, policy and organisation structure and need for a change management team. This requires good skills and adequate resources to cope with the workloads involved.

Communications with councillors, staff, community and media will require dedicated resources for the whole change journey.

Once the new council is established other key issues to address include:-

- New Community Strategic Plan – refer comparative analysis within this paper
- New LEP, DCP and Planning Policies (see analysis of differences and similarities between Shoalhaven and Kiama below)
- Review existing Policies of each council and create new Policies for the merged Council
- Review existing services and service levels with the aim to harmonise across the new area and ensure equity. Already mentioned is parks and gardens, streetsweeping. Also consider differences in waste services and strategy which require long term planning.
– Kiama has a green bin.
- Harmonise Information and Communication Technology including IT & records systems across all functions
- Harmonise Revenue Policies (Rating, Fees and Charges)
- Establish new Local Emergency Management Committee and emergency operations (noting that Kiama is currently part of the Illawarra LEMC)
- Review Insurances – Shoalhaven is a 'self-insurer' under the Workers Compensation legislation, Kiama is NOT. Shoalhaven has its insurances through Statewide, Kiama does NOT.
- Operational issues of "Bank Accounts" ABN, Tax information, - further guidelines will be issued to assist.

- Review Noxious Weeds functions noting that Kiama is in a joint arrangement with Wollongong and Shellharbour councils through the Illawarra District Noxious Weeds Authority, whilst Shoalhaven is stand-alone.
- Previously mentioned is the anomaly of Shoalhaven Water and Sydney Water operating in the same LG area and the differences this creates.
- Review of existing contracts for legal status

Further reading on the “merge or NOT merge” issues is recommended at: <http://www.lgnsw.org.au/files/imce-uploads/90/To%20Merge%20or%20not%20to%20Merge%20-%20LGNSW%20Background%20Paper%20%28Feb%202015%29.pdf>

Shoalhaven/Kiama – Land Use Planning Comparison

Focus	Shoalhaven	Kiama	Comment
Illawarra-Shoalhaven Regional Plan (to 2036)			
<i>Projected Growth</i>	Additional 10,150 people/8,600 dwellings	Additional 4,600 people/2,850 dwellings	Shoalhaven projected to accommodate 16.8% of the regional population increase (+ 60,400) by 2036. Kiama projected to accommodate only 7.6%. Resulting projected regional dwelling (35,400) demand - Shoalhaven will accommodate 24% and Kiama 8%. Shoalhaven will need to focus more on accommodating additional growth (both outward and inward) than Kiama.
<i>Settlement Hierarchy</i>	Nowra/Bomaderry – identified as a ‘major regional centre. Vincentia & Ulladulla – identified as ‘regional centres’	Kiama – identified as ‘regional centre’	Reflects the size of Shoalhaven and number of existing town/villages (49), including the areas the more significant ones service. Kiama however has 3/4 smaller urban settlements servicing a much smaller geographical area.
<i>Housing Growth Commentary</i>	Substantial ‘greenfield land releases’ identified, specifically around Nowra-Bomaderry. Plan note no additional release areas required.	No current ‘greenfield land release’ areas in Kiama – need for additional release areas to be determined. Lack of land or ‘in fill’ development - will constrain housing mix and exclude	No ‘regionally significant release areas’ identified in Kiama. Significant ones in Shoalhaven around Nowra-Bomaderry (potential for 6,400 new lots). Constraints (agricultural land protection, character etc.) have meant Kiama has traditionally had limited

		young families, retirees etc. Need to review housing opportunities to respond to changing housing needs	green field release opportunities. Draft Regional Plan flagged a possible South Gerringong release area – significant community issue and does not appear in the final Plan.
	Centres identified as having potential for increased housing activity – Berry, Nowra-Bomaderry, Huskisson & Ulladulla. Specifically dual-occupancies in Huskisson & Berry.	Centres identified as having potential for increased housing activity – Kiama & Gerringong. Specifically multi-unit dwellings (and to a lesser extent apartments) in Kiama.	Focus for growth in Kiama - infill development and also redevelopment at increased densities in and around the town centres of Gerringong and Kiama to generate more feasible housing supply. This is also be a focus in centres within Shoalhaven, but to a lesser degree.
<i>Regional Economic Growth Assets</i>	'Nowra Centre' and 'Albatross Aviation Technology Park' will support growing the region's economic completeness and specific actions identified. Majority of zoned industrial land located in Wollongong and Shoalhaven. Supply is projected to meet long term regional demands. Existing industrial land mapped throughout Shoalhaven	No specific locations identified. Limited or no existing industrial zoned land in Kiama, other than the 'employment land investigation area' at Bombo Quarry.	Plan focusses economic/industrial growth in Shoalhaven given existing extent of zoned land also role of existing centres (Nowra-Bomaderry). Minimal proposals in Kiama other than possibility at Bombo Quarry (when finished) and existing small industrial zoned areas.
<i>Resource Lands</i>			
<i>Sydney Drinking Water Catchment</i>	Affects northern part around Kangaroo Valley	Affects smaller part of the western part of the LGA	Similarity between both LGA's – however amount of area in Shoalhaven appears much greater.
<i>Strategic Agricultural Lands</i>	Large area around Shoalhaven River. Important landscape feature around Berry and Kangaroo Valley.	Small area along Minnamurra River and near Gerringong/Gerroa. Important landscape feature around Jamberoo and Gerringong.	Similarity between both LGA's – however amount of area in Shoalhaven is much greater.
<i>Mineral Resources</i>	Range of small 'mineral resource' areas identified throughout LGA.	Valuable hard rock resource at Bombo Quarry. 'mineral resource' at Seven Mile Beach	Kiama has discrete resources identified, specifically Bombo Quarry, where Shoalhaven has smaller resources spread throughout LGA
<i>Natural Environment</i>			

	<p>Business zones and 3 Waterway zones. Zone Objectives are from the Standard Instrument LEP.</p>	<p>Business). No 'rural residential' type zones or waterway zones. In a lot of cases the Zone Objectives appear to have been specifically written.</p>	<p>The Zone Objectives have been tailored in Kiama whereas Shoalhaven essentially relied on the Standard Instrument ones. Shoalhaven has a broader range of permissible uses throughout its zones compared to Kiama.</p>
<i>Map Sheets</i>	<p>Approximately 520</p>	<p>Approximately 100</p>	<p>Difference in the number of map sheets is directly related to the size of the LGA and the number and mix of urban and rural areas in Shoalhaven and the complex mapping task this created.</p>
<i>Minimum Lot Size</i>	<p>25 mapped minimum lot sizes. General minimum lot size in residential zones is 500 sq m. 40ha standard in rural zones. Range of minimum lot sizes for larger lot and rural residential areas.</p>	<p>7 mapped minimum lot sizes. General minimum lot size in residential zones is 450 sq m or areas mapped down to 350 & 300 sq m. 40 ha standard in rural zones</p>	<p>Difference in the number of mapped minimum lot sizes relates to both the size of the LGA's and the fact that Shoalhaven has a range of large lot residential and rural residential areas. The general residential minimum lot size is similar, but Kiama has areas down as low as 300sq m.</p>
<i>Floor space Ratios</i>	<p>Limited mapped (2 sheets) FSR's for two commercial areas – Huskisson and Ulladulla.</p>	<p>Mapped (7 sheets) FSR's for most, if not all, residential and business zones.</p>	<p>Kiama appear to utilise FSR's to help manage appropriate development. However Shoalhaven utilises setbacks and other controls to establish allowable development.</p>
<i>Height of Buildings</i>	<p>Most lower density residential zones - 8.5m. Other areas down to 3 metres or up to 28 metres. No mapped minimum for Medium Density, Business, Industrial or Rural Zones. General control on unmapped areas is 11metres.</p>	<p>Lower density residential zones and some medium density zones - 8.5m Business/industrial zones and some medium density zones – 11m. Other zones/areas no maximum mapped height.</p>	<p>Both plans do not have maps across all zones. Have a consistent 8.5m control in residential zones. Shoalhaven has some Business zones that are mapped as high as 28m, whereas the maximum height in Kiama is 11m. The general maximum in Shoalhaven is also 11m/</p>
<i>Local Provisions</i>	<p>24 local clauses that cover generic considerations or provide for specific development in identified areas/zones. Plan includes a specific Part 6 that relates to Urban Release Areas.</p>	<p>11 local clauses that cover generic considerations. Does not include a part related to Urban Release Areas.</p>	<p>The generic clauses are similar in nature between both plans (e.g. Short Term Rental Accommodation). Shoalhaven has additional provisions that protect specific sites or provide for additional development. The lack of an Urban Release Area clause in Kiama is because there are no additional nominated areas of this nature.</p>
<i>Additional Permitted Uses</i>	<p>17 additional permitted use clauses.</p>	<p>6 additional permitted use clauses.</p>	<p>Difference relates to the size of the LGA's, complexity of Shoalhaven and the way the plans were prepared.</p>

Heritage Items	545 identified items.	163 identified items.	<p>The marked difference in numbers essentially relates to the different sized LGA's, Shoalhaven is a much larger and diverse area and as a result has considerably more identified heritage items.</p> <p><u>Concluding Comments</u> Whilst both LEP's are based on the State Governments Standard Instrument LEP and as such contain similar content, overall they are very different. Kiama's LEP was in place first and appears to have been a new plan that resulted from a detailed planning process that involved amongst other things a community panel process.</p> <p>The Shoalhaven LEP is essentially a best fit transfer from the previous LEP, with the exception of the Nowra-Bomaderry area which was a new plan.</p> <p>Thus the plans are very different in nature - this is partly to do with the difference in size of the LGA's, but also the approach that was followed in their preparation.</p> <p>The Shoalhaven LEP is more flexible and contains a broader range of provisions. The Kiama LEP on the other hand is more limited (for example number of permissible uses in zones) and does not contain a similar level of opportunity.</p> <p>Note: Kiama started a review of their LEP in mid-2015, to be completed mid-2016. LEP Review Committee assisting with this.</p>
Development Control Plan (DCP)			
	<i>Shoalhaven DCP 2014</i>	<i>Kiama DCP 2012</i>	
Generic Provisions	30 Chapters related to separate development types or provisions.	19 Chapters related to separate development types or provisions	The plans are similar in that they cover consistent development types, however there are differences. Shoalhaven's DCP captures a broader range of use types and Kiama's includes other controls, for example on child care centres.

			The size/coverage of the chapters is also different, for example Kiama’s “Flood Liabile Land” chapter is minimal, whereas Shoalhaven’s chapter on the same issue is quite large and detailed. This is essentially related to the number of floodplains in Shoalhaven.
<i>Area Specific Provisions</i>	39 Chapters related to specific locations/areas. 24 relate to the northern part of the City, 10 to the southern part, 2 to Nowra-Bomaderry Urban Release Areas and 3 to various areas throughout the City. The area specific chapters cover a wide range of locations from town centres to residential development areas to commercial/business areas.	11 Chapters related to specific locations/areas. 8 relate to residential or rural residential development areas, 2 two town centres (Kiama & Gerringong) and 1 to a quarry site.	The plans both cover various geographic areas and provide detailed controls for them, including specifically town centres. The key difference is in number of DCP’s and as a result their coverage. Because of the size of its area and diversity Shoalhaven has a broader range of more detailed chapters.
<i>Structure of Controls</i>	Most Chapters are performance based and provide a mix of ‘Mandatory Controls’, ‘Performance Criteria’ and ‘Acceptable Solutions’	Most Chapters provide set or mandatory controls.	This is the key difference between the two DCP’s - their controls are structured differently. The Shoalhaven plan is more flexible as it relies on ‘Performance Criteria’ and ‘Acceptable Solutions’, thus providing options and opportunities. The Kiama plan however includes set controls that you either meet or do not.

Summary Land Use Planning comment: As would be expected there are similarities between the key strategic land use planning documents related to Kiama and Shoalhaven given that they were prepared for similar reasons or are in a mandated format (NSW Standard Instrument LEP). The main differences relate to the difference in size and scale between the two LGA’s. As a result Shoalhaven’s plans tend to be much larger and more detailed as they cover larger areas or more diverse issues. The nature of the planning controls is also different - Shoalhaven’s plans tend to be more flexible (e.g. use of ‘acceptable solutions’ in DCP) and also allow for a broader range of development or uses (e.g. breadth of permissible uses in LEP zones); Kiama’s plans are less flexible (e.g. set controls in DCP) and provide for more specific development (e.g. less permissible uses in LEP zones) outcomes.

In regard to accommodating future growth, Shoalhaven’s plans contain a range opportunities for a combination of outward expansion of settlements or increasing densities within existing urban areas. Kiama however will accommodate its future growth through some minimal existing outward expansion,

but mainly through increased densities in existing town centres and elsewhere. This key difference is reflected in the Illawarra-Shoalhaven Regional Plan that identifies Shoalhaven as a key future growth area for the region.

CONCLUSION

Having read this Paper you may need to ask more questions or you may already have formed a view. The purpose of the Public Inquiry is to obtain feedback (submissions) from the public and council.

Is it a case of supporting the merger? If so you need to make a submission and set out your supporting reasons.

OR
Is it a case of supporting that each council remain as “stand-alone”? If so you need to make a submission and set out your supporting reasons.

The Premier and Minister for Local Government have both promoted the benefits of merger proposals across the State as:-

- *“putting downward pressure on rates”* and
- *“We are doing this for the community”*

The community need to consider all the facts and implications contained in this paper to form a view whether the proposed merger between Shoalhaven City and Kiama Municipal Councils achieves these aims.

Submissions can be lodged via the website: <https://www.councilboundaryreview.nsw.gov.au/proposals/kiama-municipal-and-shoalhaven-city-councils/>