



A message from Mayor Joanna Gash

My view, and the endorsed position of council, is that this merger proposal, presented in its current form, contains several anomalies, statement of financial processes and rating proposals that could well jeopardise Shoalhaven City Council's capability to grow and retain its 'Fit for the Future' status.

The financial figures within the proposal document simply do not add up. Additionally, the figures in the report do not reflect the State Government's 'Fit for the Future' criteria.

Furthermore, there are flaws in the assumptions of the supporting KPMG report. We have concerns the report does not adequately display the true costs of the merger.

The proposal is also silent on Shoalhaven Water.

Council has supported and continues to support the need, rationale and principles of Local Government reform. Council will continue to maintain an open and positive dialogue with the State Government on all advice, issues and concerns and leave the door open for further submissions.

Council has determined a way forward for this proposal and although the decision is ultimately out of our hands, Council will clearly communicate with the State Government that presented in its current form, the proposal is unworkable and cannot be supported.

There may be further information coming, and although Council has adopted a position, we still need to allow for additional information to be considered should it arise and make further submissions.

I encourage the community to view all the information available to Council, to visit our website, the Council Boundary Review website and to make their voices heard.

What can I do

- ▶ Read the information, including the merger proposal document on Council's website www.shoalhaven.nsw.gov.au.
- ▶ Consider all the facts and form your own opinion.
- ▶ Understand that Kiama and Shoalhaven councils have both found the current proposal to be unworkable.
- ▶ Make a submission.

Have your say! Make a submission

Submissions can be made online at www.councilboundaryreview.nsw.gov.au.

Submissions close on 28 February 2016 at 5pm.

Did you know there is a proposal for Kiama Municipal and Shoalhaven City councils to

MERGE?

Read the Facts and Considerations inside

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A message from General Manager Russ Pigg

Council feels it is important to provide the community with some of the facts about the proposal and to identify some of the things that the community need to consider when making their own minds up about the proposal.

A key concern of mine (and of many other councils throughout NSW) is the quality and the level of analysis (or lack of) that has been undertaken for the merger proposals.

The documentation provided by the State Government on 6 January, supporting the merger proposal released had some obvious errors. Some of these errors were corrected in a later version (released 21 January) but errors still remain.

For example: Including capital grants & contributions in the Operating Result figures and using the Consolidated Result (i.e. including Water & Sewerage functions) for the Infrastructure Backlog figure does not give a true indication of the financial performance of Council operations and financial capabilities.

The State Government will provide \$5 million to the merged council to cover the costs of implementing the merger. However, using the published "KPMG Financial Modelling Assumptions" Council calculates that the implementation costs will exceed \$9 million.

I encourage the community to make their own enquiries to determine whether the proposed merger will deliver the long term benefits promoted by the government and whether the proposal will be beneficial to our community.



Merger Proposal Kiama Municipal and Shoalhaven City councils

Shoalhaven Shire (later proclaimed as a City in 1979) was formed in 1948 through the amalgamation of seven councils. It has provided stability and leadership in the region for many years.

On 18 December 2015 the State Government announced it proposed to merge Kiama and Shoalhaven councils. In the merger proposal document the State government sets out the benefits it believes can be achieved. At the same time the government announced that merged councils would be subject to a "four year rate freeze" on its current rate path.

Previously the State Government set seven benchmarks for councils to meet to ensure they were classified as being 'Fit for the Future' and able to continue to deliver the services expected from communities across NSW. Council responded to IPART in June 2015 setting out its financial strategies and long term financial plan to meet those seven criteria.

On 20 October 2015, IPART released its 'Fit for the Future' report which deemed Shoalhaven City Council as being 'Fit' and recommended to 'stand alone'.

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What is the process that needs to be followed?

The process that needs to be followed is determined by the State Government and is contained in legislation. The process is managed by a State Government appointed Delegate.

The Delegate is responsible for:

- ▶ Convening a public inquiry (public meeting), to be held 3 February 2016.
- ▶ Facilitating public meetings where members of the public and Council will be able to make their presentations.
- ▶ Reviewing submissions.
- ▶ Completing a report to the Minister for Local Government and NSW Boundaries Commission recommending whether the merger should go ahead or not. This report will be made public.

The Delegate needs to consider:

- ▶ The financial advantages or disadvantages (including the economies or diseconomies of scale).
- ▶ The community of interest and geographic cohesion.
- ▶ The existing historical and traditional values and the impact of change.
- ▶ The attitude of the residents and ratepayers.
- ▶ The requirements of the area concerned in relation to elected representation for residents and ratepayers at the local level.
- ▶ The impact of any relevant proposal on the ability to provide adequate, equitable and appropriate services and facilities.
- ▶ The impact of any relevant proposal on the employment of the staff.
- ▶ The impact of any relevant proposal on rural communities.
- ▶ The desirability (or otherwise) of dividing the resulting area or areas into wards.

- ▶ Need to ensure that the opinions of each of the diverse communities of the resulting area or areas are effectively represented.
- ▶ Other factors considered relevant to the provision of efficient and effective local government in the existing and proposed new areas.

If the Merger goes ahead how will this affect me?

- ▶ The new Council will have a different name and the Local Government Area will extend from Minnamurra to North Durras.
- ▶ Council will be less financially sound in the short term, due to the imposed rate freeze policy and the anticipated costs to transition into a merged entity.
- ▶ A loss in potential revenue from the proposed rate freeze may result in reduced service levels in the short term.
- ▶ A rate harmonisation between Kiama and Shoalhaven will occur after the initial four year period and this may affect the amount you pay for your rates.
- ▶ There are many unknowns at this stage. For example: We don't know what may happen with Shoalhaven Water operations as Kiama is serviced by Sydney Water.

There may be other effects – you need to read through the facts and information to determine what these may be for you.

The Case FOR the Merger

The NSW State Government claims that the merger will provide benefits to communities including:

- ▶ A total financial benefit of \$53 million over a 20-year period that can be reinvested in better services and more infrastructure, potentially reducing the reliance on rate increases through Special Rate Variations (SRVs) to fund local infrastructure.
- ▶ The proposed merger is expected to generate, on average, around \$3 million in savings every year from 2020 onwards. Savings will primarily be from the redeployment of back office and administrative functions; streamlining of senior management roles; efficiencies from increased purchasing power of materials and contracts; and reduced expenditure on councillor fees
- ▶ Greater capacity to effectively manage and reduce the infrastructure backlog across the two councils.
- ▶ Improved strategic planning and economic development to better respond to the changing needs of the community.
- ▶ Effective representation by a council with the required scale and capacity to meet the future needs of the community.
- ▶ Providing a more effective voice for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian governments.

The Case AGAINST the Merger

Shoalhaven City Council has been found to be 'Fit for the Future' and is in a sound financial position. Council has been declared as having appropriate 'Scale and Capacity' to operate independently. The benefits suggested by the State Government are questioned for the following reasons:



- ▶ The KPMG modelling assumptions and estimated savings detailed within the merger proposal are considered optimistic and given the rate freeze policy and costs to implement a merger the new Council will not achieve the 'Fit for the Future' benchmarks in the initial years. From Council's calculations, the savings detailed in the proposal cannot be achieved, and in fact, for the first four years of the proposal, a significant loss will result.
- ▶ The NSW Government announced a four year rate freeze as part of the merger process. To be 'Fit for the Future', Shoalhaven City Council had proposed a 21% special rate variation over two years from 2017-18 which would provide approximately \$20 million additional revenue. After taking into account the \$10 million that the NSW Government is making available to merged councils, there will be a shortfall in the order of \$10 million towards making the Shoalhaven sustainable and 'Fit for the Future'.
- ▶ There are also serious questions in relation to the potential staff and councillor cost savings.
- ▶ The new Council will cover an area of 4825 sq km and will have a coastline of 179km extending from Minnamurra to North Durras creating significant management and representation challenges.
- ▶ Geographically, if Shoalhaven were to merge with Kiama Municipal Council, the distances for effective management are considered excessive, and social and economic mixes would be quite different.
- ▶ Shoalhaven City Council owns the water and sewer utility which services its residents (Shoalhaven Water). Kiama Council is part of the Sydney Water region and has a different water and sewer structure. Inconsistency of service pricing, treatment of pensioners and developers by having two water authorities will also arise.
- ▶ The Shoalhaven area has a strong and separate community of interests to the Kiama area.
- ▶ There are significant socio-economic differences between the two council areas including unemployment levels, pensioner numbers, Aboriginal population and household incomes.
- ▶ There are significant differences in education standards, housing affordability (cost and rentals) and crime statistics.
- ▶ Both councils have different priorities, focus, policy, service levels, service provision.
- ▶ 'Loss of Identity' will be a very big issue to overcome for both Kiama and Shoalhaven as the new Council will have a new 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.
- ▶ There are noticeable differences in service levels, for example, Kiama's provision of a "green bin" waste service. The significant geographical distances and the large number of towns and villages will result in significantly impairing Council's ability to effectively engage with the community and to understand community needs.