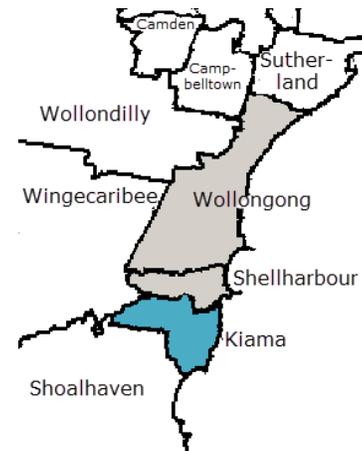


## KIAMA MUNICIPAL COUNCIL – CIP

<b>NOT FIT</b>			
Area (km <sup>2</sup> )	258	Population 2011	20,800
OLG Group	4	(2031)	25,450
ILGRP Group	Illawarra		
Operating revenue (2013-14)	48.8m	TCorp assessment	Moderate FSR Neutral Outlook
ILGRP options (no preference)	Council in Illawarra JO (all shaded).		
Assessment summary	Scale and capacity	<b>Satisfies</b>	
	Financial criteria:	<b>Does not satisfy overall</b>	
	• Sustainability	Does not satisfy	
	• Infrastructure and service management	Satisfies	
	• Efficiency	Does not satisfy	



### Fit for the Future – NOT FIT

- The council satisfies the scale and capacity criterion.
- The council does not satisfy the financial criteria overall. Although it satisfies the infrastructure and service management criterion, it does not satisfy the sustainability and efficiency criteria.
- The council does not satisfy the sustainability criterion based on its forecast for a negative operating performance ratio by 2019-20.
- We consider a council's operating performance ratio is a key measure of financial sustainability that all Fit for the Future (FFTF) councils must meet, therefore the council is not fit.

### Scale and capacity – satisfies

- The council proposal is consistent with the ILGRP's option.
- Given the ILGRP's preferred option, the council was not required to demonstrate how it met each of the elements of scale and capacity.
- However, the council meets some of the elements of scale and capacity including effective regional collaboration.
- Our analysis has not identified evidence for a better alternative to the council's proposal to stand alone.

### Sustainability – does not satisfy

- The council does not satisfy the sustainability criterion. It does not meet the operating performance and building and infrastructure asset renewal benchmarks by 2019-20.
- The operating performance ratio was -7.7% in 2014-15 and is forecast to be -6.1% by 2019-20 which does not meet the benchmark. These figures rely on a number of assumptions, including the successful application for and adoption of a special variation from 2018-19 of 17.4% cumulative over 3 years (9.7% above the rate peg).
- The council cites the construction of a \$62m Centre of Excellence in Aged Care as contributing to its poor operating performance ratio. While this Centre is forecast to produce revenue from 2018 onwards, our analysis suggests it may be earning a low return on capital. Lower returns on capital are appropriate for councils pursuing social or other objectives supported by the local community.
- The council has forecast it will meet the benchmark for the own source revenue ratio by 2019-20.

### Infrastructure and service management – satisfies

- The council satisfies the infrastructure and service management criterion based on meeting the infrastructure backlog and debt service ratios by 2019-20. However, the council is close to exceeding the debt service benchmark by 2019-20 due to borrowing needed to fund its Centre of Excellence in Aged Care.
- While the council marginally misses the asset maintenance benchmark, it indicates it has identified optimal asset maintenance based on community expectations, the life of assets and that renewals are accounted for in its Asset Management Plan and Long Term Financial Plan.

**Efficiency – does not satisfy**

- The council does not meet the efficiency criterion based on an increase in real operating expenditure per capita from \$2,200 in 2014-15 to \$2,450 in 2019-20.

**Other relevant factors**

Social and community context	A Kiama Council Community Survey in 2011 identified that 76% of residents were satisfied or very satisfied with Kiama Council's overall performance and only 3% were dissatisfied (based on 531 phone interviews and a 70% completion rate).
Community consultation	Kiama Council indicates its community expresses a strong desire for it to remain independent. However, it does not identify how it obtained this result.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	No submissions were received in relation to Kiama's proposal.