

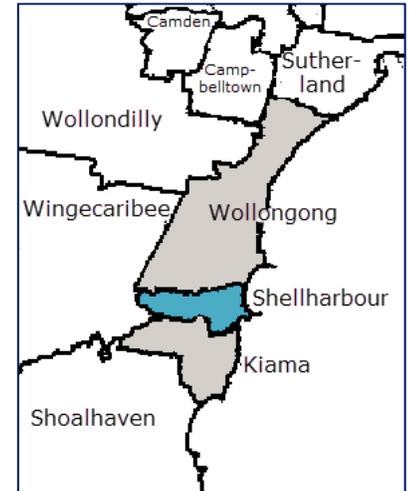
SHELLHARBOUR CITY COUNCIL – CIP

NOT FIT

Area (km ²)	147	Population 2011	66,200
OLG Group	4	(2031)	84,250
ILGRP Group	Illawarra		
Operating revenue (2013-14)	\$69.3m	TCorp assessment	Moderate FSR Negative Outlook

ILGRP option Council in Illawarra JO (shaded area).

Assessment summary	Scale and capacity	Satisfies
	Financial criteria:	Does not satisfy overall
	• Sustainability	Does not satisfy
	• Infrastructure and service management	Satisfies
	• Efficiency	Satisfies



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 and efficiency criteria, it does not satisfy the sustainability criterion.
- 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 preferred option to stand alone.
- 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. In particular, the council has a robust revenue base and has demonstrated effective regional partnerships.
- 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 benchmarks for the operating performance ratio and the building and infrastructure asset renewal ratio by 2019-20.
- The council's operating performance ratio was -12.2% in 2014-15 and is forecast to be -0.8% 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 2.6 percentage points to -3.4% in 2019-20, which is further below the benchmark.
- The building and infrastructure asset renewal ratio was 50.9% in 2014-15 and is forecast to be 70.5% in 2019-20. However, this does peak at a relatively high ratio of 131.14% in 2016-17.
- 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 its forecast to meet the benchmarks for the infrastructure backlog ratio and debt service ratio by 2019-20.
- The council has forecast improvement close to benchmark in the asset maintenance ratio throughout the period to 2019-20.

Efficiency – satisfies

- The council meets the efficiency criterion based on a decrease in real operating expenditure per capita to 2019-20. However, we note this decrease is relatively small and the council's performance is inconsistent over the outlook period.

Other relevant factors

Social and community context	Shellharbour is a growing LGA with a 27% population increase forecast over the next 20 years. It is close to major port facilities at Port Kembla and within 100km of major metropolitan areas at Wollongong, Sydney and Canberra. The council has actively collaborated with neighbouring councils Wollongong, Shoalhaven and Kiama and has formed a JO with them.
Community consultation	The council's proposal notes its community engagement strategy included elements of its action plan in response to Fit for the Future. There is no further information on how these elements were addressed.
Water and/or sewer	The council does not have a water/sewer business.
Submissions	We received one confidential submission regarding the council's proposal.
