

SHOALHAVEN CITY COUNCIL – CIP

FIT

Area (km ²)	4,660	Population 2011	96,200
OLG Group	5	(2031)	108,150
ILGRP Group	G		
Operating revenue (2013-14)	\$138.4m	TCorp assessment	Sound FSR Negative Outlook

ILGRP option Council in South East JO (shaded area).

Assessment summary	Scale and capacity	Satisfies
	Financial criteria:	Satisfies overall
	• Sustainability	Satisfies
	• Infrastructure and service management	Satisfies
	• Efficiency	Satisfies



Fit for the Future – FIT

- The council satisfies the scale and capacity criterion.
- The council satisfies the financial criteria overall. It satisfies the sustainability, infrastructure and service management and efficiency criteria.

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. In particular, the council has demonstrated the ability to undertake major regional projects and effective regional collaboration with the Illawarra councils and the Southern Council Group.
- Our analysis has not identified evidence for a better alternative to the council's proposal to stand alone.

Sustainability – satisfies

- The council satisfies the criterion for sustainability based on its forecast to meet the benchmarks for the operating performance and own source revenue ratios by 2019-20.
- The council relies on the successful application for and adoption of a special variation from 2017-18 of 21.0% cumulative over 2 years (15.9% above the rate peg).
- Our analysis shows that the operating performance ratio is overstated since \$2.4m in interest on section 94 reserves has been included in the operating result. If the operating performance ratio is adjusted for Section 94 interest income, the revised ratio is approximately 1.3 percentage points lower each year than the council's forecasts (based on 2012-13 data). Shoalhaven may not meet the benchmark in 2019-20 based on this analysis. However, we consider the council has sufficient scope to adjust its revenue strategy to enable it to meet the benchmark.
- The building and infrastructure asset renewal ratio was 64.9% in 2014-15 and is forecast to be 66.5% in 2019-20, which is below the benchmark. The council claims depreciation is occurring faster than renewals are required and its current level of expenditure is appropriate.

Infrastructure and service management – satisfies

- The council satisfies the criterion for infrastructure and service management, as it is forecast to meet the infrastructure backlog and debt service benchmarks by 2019-20.
- The asset maintenance ratio was 95.8% in 2014-15 and is forecast to fall to 83.7% in 2019-20, which is below the benchmark.

Efficiency – satisfies

- The council satisfies the criterion for efficiency based on a decline in real operating expenditure per capita over the outlook period to 2019-20.

Other relevant factors

Social and community context	Shoalhaven notes that if it were to merge with adjoining councils, the distances for effective management would be excessive and the social and economic mixes would be quite different. No further relevant detail was provided in its proposal in relation to this factor.
Community consultation	The proposal did not provide any details of community consultation.
Water and/or sewer	Shoalhaven Water is one of the largest local government water authorities in NSW. Its water and sewer funds achieve operating surpluses. The amount of dividend paid to the General Fund is approximately \$2.5m per annum. A dividend was paid for Shoalhaven's water and sewer businesses in 2011-12, 2012-13 and 2013-14.
Submissions	There were no submissions were received in relation to Shoalhaven's proposal.