

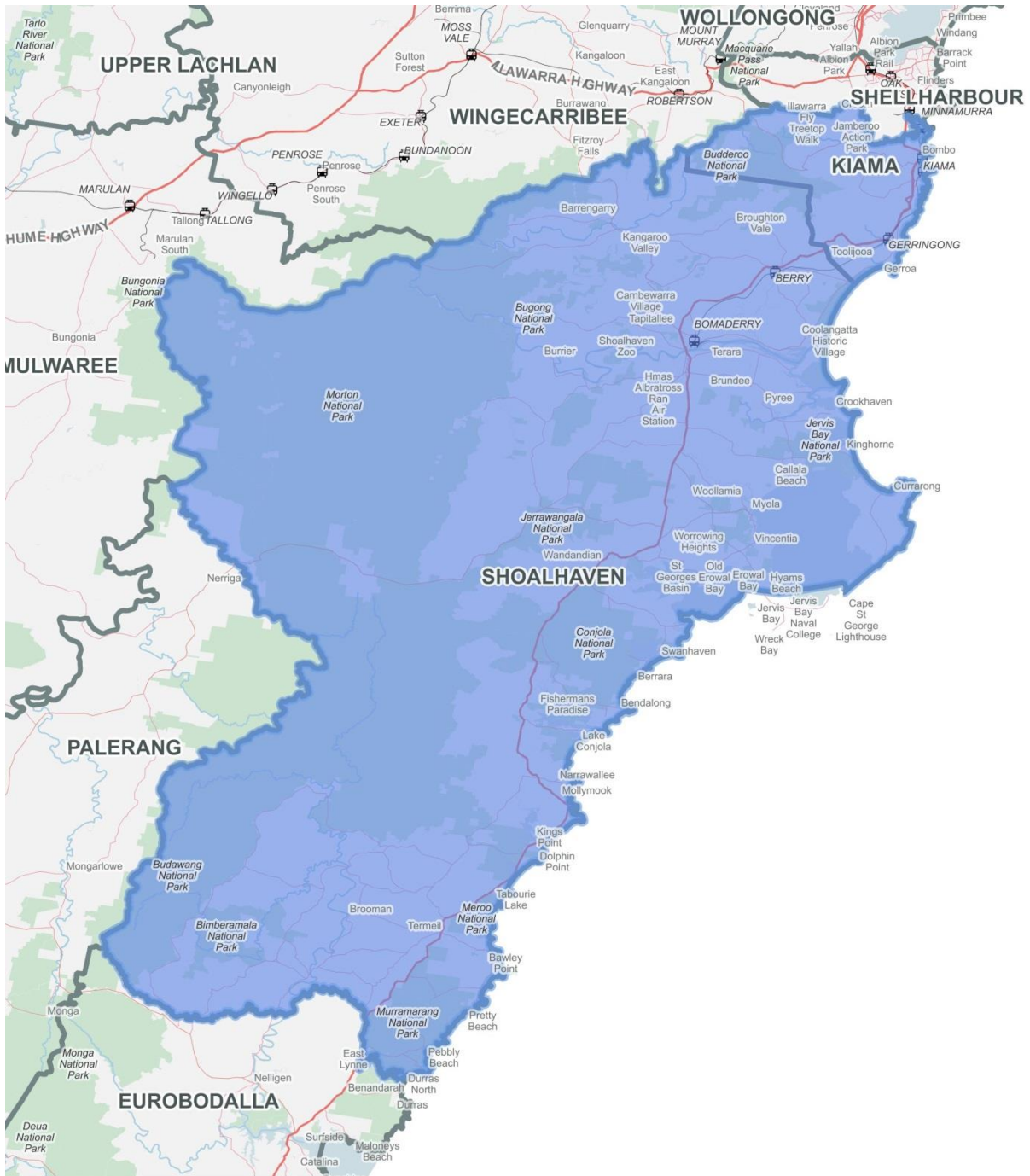
Merger Proposal:

Kiama Municipal Council Shoalhaven City Council

JANUARY 2016



Figure 1: Proposed new local government area



Proposed merger: Kiama and Shoalhaven

Data sources: Land and Property Information
Datum and Projection: GDA94



- Proposal Area
- Current LGA Boundaries
- Suburbs
- Waterbodies
- Open space
- Roads
- Rivers
- Rail

MINISTER'S FOREWORD

Four years of extensive consultation, research and analysis have demonstrated that change is needed in local government to strengthen local communities.

Independent experts have concluded that NSW cannot sustain 152 councils – twice as many as Queensland and Victoria.

After considering the clear need for change, the Independent Local Government Review Panel (ILGRP) research and recommendations, the assessment of councils by the Independent Pricing and Regulatory Tribunal (IPART), council merger preferences, community views and the unique needs and characteristics of each area, I am putting forward the proposal to merge the local government areas of Kiama and Shoalhaven.

The proposed merger will create a council better able to meet the needs of the community into the future and will provide significant benefits for the community.

This document details the benefits the merger will provide 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;
- 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; and
- 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.

With the merger savings, NSW Government funding of \$15 million – and a stronger voice – the new council will be better able to provide the services and infrastructure that matter to the community, projects like:

- improved local roads and public transport options, pedestrian paths and cycleways;
- improved facilities to meet the needs of the large and growing ageing population in the area; and
- initiatives to promote economic growth, by attracting additional services, facilities and businesses to the area.

The savings, combined with the Government's policy to freeze existing rate paths for four years, will ensure that ratepayers get a better deal.

A suitably qualified delegate of the NSW Chief Executive of the Office of Local Government will consider this proposal against criteria set out in the *Local Government Act (1993)*, and undertake public consultation to seek community views.

I look forward to receiving the report on the proposal and the comments from the independent Local Government Boundaries Commission.



Minister Paul Toole

January 2016

EXECUTIVE SUMMARY

The Illawarra communities of Kiama and Shoalhaven share common characteristics and connections and will benefit by up to \$53 million from a merged council with a stronger capability to deliver on community priorities and meet the future needs of its residents.



Introduction

This is a proposal by the Minister for Local Government under section 218E(1) of the *Local Government Act (1993)* for the merger of Kiama and Shoalhaven local government areas.¹ This merger proposal sets out the impacts, benefits and opportunities of creating a new council.

The creation of this new council will bring together communities with similar expectations in terms of demands for services, infrastructure and facilities. These communities share a common affinity with the natural environment and benefit from a strong local tourism sector.

The proposal has been informed by four years of extensive council and community consultation and is supported by independent analysis and modelling by KPMG.

IPART determined that Kiama Municipal and Shoalhaven City councils each satisfied scale and capacity benchmarks. Shoalhaven City Council also met financial criteria and was judged 'fit' to remain as a standalone entity. However, IPART assessed that Kiama Municipal Council did not meet key financial benchmarks and as a result was 'not fit' to deliver on behalf of residents and meet future community needs.

The new council for the new local government area will not only oversee an economy that shares

many similar residential, workforce and industry characteristics, but will have enhanced scale and capacity to help it deliver on local infrastructure priorities such as investing in road infrastructure and facilities for the area's ageing population.

Impacts, Benefits and Opportunities

A range of benefits and opportunities has been identified from the proposed merger, including a stronger balance sheet to meet local community needs and priorities.

Analysis by KPMG shows the new council has the potential to generate net savings to council operations of \$38 million over 20 years.

The analysis also shows 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.²

The NSW Government has announced a funding package to support merging councils that would result in \$15 million being made available should the proposed merger proceed.

These savings may enable the new council to reduce its reliance on rate increases to fund new and improved community infrastructure.

¹ The end result if the proposal is implemented is that a new local government area will be created. For simplicity throughout this document, we have referred to a new council rather than a new local government area.

² NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

Each of the two councils intends to request SRVs from IPART:

- Kiama Municipal Council intends to request a cumulative SRV of 9.7 per cent over a three-year period from 2018–19; and
- Shoalhaven City Council intends to request a cumulative SRV of 15.9 per cent over a two-year period from 2017–18.³

The proposed merger is also expected to result in simplified council regulations for many residents and businesses in the Kiama Municipal and Shoalhaven City council areas, given each council is currently responsible for separate and potentially inconsistent regulatory environments. Regulatory benefits include consistency in approaches to development approvals, health and safety, building maintenance, traffic management and waste management.

The proposed merger will provide significant opportunities to strengthen the role and strategic capacity of the new council to partner with the NSW and Australian governments on major infrastructure projects, delivery of services and focus on regional priorities.

This could assist in:

- reducing the \$48 million infrastructure backlog across the Kiama and Shoalhaven area;
- helping to increase opportunities to retain young people in the local area through more training, employment and a better mix of housing;

- meeting the needs of a large and growing older population; and
- managing population growth in a sustainable manner to retain the distinct coastal/rural atmosphere and standard of living and lifestyle that local residents value.

While a merged council will increase the current ratio of residents to elected councillors, the new ratio is likely to be comparable with levels currently experienced by other communities across regional NSW.

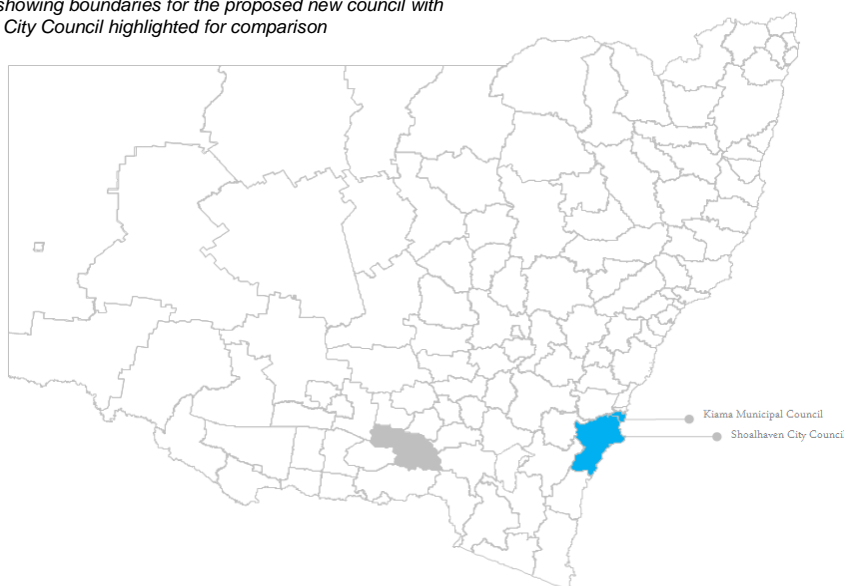
Next Steps

This merger proposal will be referred for examination and report under the *Local Government Act (1993)*.

Local communities have an important role to play in helping ensure the new council meets their current and future needs for services and infrastructure and will have an opportunity to provide input on how the new council should be structured.

Local communities will have an opportunity to attend the public inquiry that will be held for this merger proposal and an opportunity to provide written submissions. For details please visit www.councilboundaryreview.nsw.gov.au.

Figure 2: Map showing boundaries for the proposed new council with Wagga Wagga City Council highlighted for comparison



³ The SRV figures for Kiama Municipal and Shoalhaven City councils were corrected on 20 January 2016.

INTRODUCTION

This merger proposal has been informed by an extensive four-year consultation and review process.

The NSW Government has been working with local councils and communities since 2011 to strengthen council performance and ensure local government is well placed to meet future community needs.

A first key step in that process was the ILGRP's comprehensive review of local government and subsequent recommendations for wide-ranging structural reform and improvements to the system. In response, the NSW Government initiated the *Fit for the Future* reforms that required each local council to self-assess against key performance indicators and submit proposals demonstrating how they would meet future community needs.

The NSW Government appointed IPART in 2015 to assess each council's submission. IPART has now completed its assessment of 139 proposals (received from 144 councils) and concluded 60 per cent of councils are 'not fit' for the future. Many of these councils did not meet the elements of the 'scale and capacity' criterion (refer Box 1 below).

Kiama Municipal and Shoalhaven City councils each submitted *Fit for the Future* proposals to remain as standalone councils. In assessing each council's submission, IPART determined that both councils had sufficient scale and capacity to meet community needs. However, while Shoalhaven was assessed as 'fit' for the future, Kiama did not meet the required financial benchmarks and was assessed as 'not fit' on that basis.

The ILGRP recommended that Kiama remain as a standalone council on the basis that it appeared sustainable for at least the medium term. Given the assessment that Kiama is 'not fit' for the future, the Panel commented that Shoalhaven might be an appropriate partner for Kiama. The NSW Government believes a merger of Shoalhaven and Kiama should be considered to strengthen the region for the benefit of local communities.

Box 1: Overview of scale and capacity

Key elements of 'scale and capacity'

- Scale and capacity is a minimum requirement because it is the best indicator of a council's ability to govern effectively and provide a strong voice for its community. At a practical level, this includes being able to:
 - undertake regional planning and strategic delivery of projects;
 - address challenges and opportunities, particularly infrastructure backlogs and improving financial sustainability;
 - be an effective partner for NSW and Australian governments on delivering infrastructure projects and other cross-government initiatives; and
- function as a modern organisation with:
 - staffing capacity and expertise at a level that is currently not practical or economically possible for small councils;
 - innovative and creative approaches to service delivery; and
 - the resources to deliver better training and attract professionals into leadership and specialist roles.

A NEW COUNCIL FOR THE KIAMA AND SHOALHAVEN REGION

The proposed new council will be responsible for infrastructure and service delivery to around 120,000 residents across the Kiama Municipal and Shoalhaven City areas.

The creation of a new council provides the opportunity to bring together the communities from across the local government areas of Kiama and Shoalhaven. These communities have similar lifestyles, a common affinity with the coastal environment, and strong tourism industries.

The new council will be responsible for infrastructure and service delivery to more than 133,000 residents by 2031. This reflects the expected population growth across the region of 0.6 per cent per annum.⁴ With its valued coastal and rural environment providing a strong attraction to tourists, both councils experience significant increases in population during holiday periods, often tripling the population of the two areas.

The proposed merger aligns with the approach of the NSW Government's Regional Plan for the Illawarra-Shoalhaven which recognises the importance of encouraging sustainable development in the places most suited to growth, while protecting high value coastal and rural areas from development. The plan has been developed to plan for the future population's needs for housing, jobs, infrastructure and a healthy environment. The NSW Government has identified a number of regional priorities that are directly relevant to the proposed new council. These priorities relate to:

- providing accessible, efficient and integrated regional transport by improving road infrastructure, including the Princes Highway Foxground and Berry bypass, and a \$94 million investment for new state-of-the-art trains to service the area;
- supporting the needs of an ageing population through the \$62 million development of a Centre of Excellence for Aged Care within the Kiama Hospital site. This will include a 134-bed aged care facility, independent and assisted living units, and offices for in-home carer support services. Similarly, expanding the capacity of the Shoalhaven District Memorial Hospital at Nowra through a new Cancer Care Centre;
- planning for the growth of Nowra town centre through supporting the development of the health care sector, better integrating recreational and commercial activity in the town, and improving public transport and cycleways;
- managing the future residential growth capacity of the broader Nowra-Bomaderry area to accommodate the housing needs of Nowra and boost its role as a regional centre; and
- growing the tourism sector through maintaining the natural assets of the area, improving infrastructure, building attractions, and enhancing the sector's expertise.

A new council with appropriate scale and capacity will be better able to partner with the NSW Government on the implementation of these regional priorities.




The establishment of a new council will also provide an opportunity to generate savings and efficiencies and reduce duplication, including through streamlining senior executive positions and the many layers of current regulations. Any savings generated by a merger of these two councils could be redirected to improving local community infrastructure, lowering residential rates and/or enhancing service delivery. An overview of the current performance of the two existing councils and the projected performance of the new proposed entity is provided below in Figure 3.

In addition, while IPART found that both councils have adequate scale and capacity, Kiama Municipal Council is 'not fit' due to its failure to meet a key financial sustainability benchmark. A merger between these councils could generate additional efficiency savings and provide enhanced scale and capacity to better plan and coordinate investment in critical infrastructure and services. This should also put the new council in a

⁴ NSW Department of Planning & Environment 2014, NSW Projections (Population, Household and Dwellings).

better position to advocate to the NSW and Australian governments for the regional investments that will be needed for the future.

Figure 3: Council profiles⁵

	Kiama Municipal Council	Shoalhaven City Council	New Council
			
Population (2014)	21,314	99,016	120,330
Area	258 sq km	4,567 sq km	4,825 sq km
IPART Rating	NOT FIT	FIT	The new council will likely have enhanced scale and capacity to better meet the future service and infrastructure needs of the community.
Operating Revenue (2013–14)	\$51.6m	\$153.9m	\$283.9m (projected 2019–2020)
Operating Result (2013–14)	-\$4.1m	\$1.6m	+\$6.2m projected improvement to 2019–20 operating results
Asset Base	\$155.4m	\$1.9bn	\$2.0bn
Infrastructure Backlog	2 per cent	2 per cent	2 per cent

Sources: Australian Bureau of Statistics, Department of Planning and Environment, Office of Local Government, Council Long Term Financial Plans, Fit for the Future submissions to IPART and IPART Assessment of Council Fit for the Future Proposals.

Note: Totals may not sum due to rounding. Estimates of the new council's operating performance and financial position are based on an aggregation of each existing council's projected position as stated in respective Long Term Financial Plans (2013–14). In addition, it is assumed efficiency savings are generated from a merger, and this is reflected in the projected 2019–20 operating result for the new council. Further details are available in NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

⁵ 2013-14 operating revenue figures were corrected on 20 January 2016.

BENEFITS, OPPORTUNITIES AND IMPACTS

The proposed merger has the potential to provide a \$53 million benefit to communities over 20 years which could support investment in critical local infrastructure and services and/or be utilised to address rate pressures.

Financial Benefits of the Proposed Merger

Analysis by KPMG in 2015 shows the proposed merger has the potential to generate a net financial saving of \$38 million to the new council over 20 years. The proposed merger is expected to generate, on average, around \$3 million in savings every year from 2020 onwards.⁶ Consequently, the merged council will have a balance sheet that is stronger and in a better position to meet local community needs and priorities.

Gross savings over 20 years are modelled to be due to:

- streamlining senior management roles (\$6 million);
- redeployment of back office and administrative functions (\$32 million);
- efficiencies generated through increased purchasing power of materials and contracts (\$8 million); and
- a reduction in the overall number of elected officials that will in turn reduce expenditure on councillor fees (estimated at \$260,000).⁷

In addition, the NSW Government has announced a funding package to support merging councils that would result in \$15 million being made available should the proposed merger proceed.

The implementation costs associated with the proposed merger (for example, information and communications technology, office relocation and workforce training, signage and legal costs) are expected to be surpassed by the accumulated net savings generated by the merger within a four-year payback period. The Local Government Act contains protections for three years for all council employees below senior staff level.

Merger benefits could be reinvested to:

- improve infrastructure – annual savings could be redirected towards infrastructure renewal or capital works including increasing facilities for a large and growing ageing population. Savings redirected in this way could lead to additional expenditure of \$38 million over 20 years;
- enhance service delivery – redeployment of duplicate back office and administration functions and streamlining of senior management roles could provide the basis for employing an additional 60 staff to provide frontline services. This could include services such as libraries and community services; and
- reduce rate pressures – annual savings could be used to reduce the need for SRVs to fund community infrastructure and/or avoid future rate increases.

The expected operating performance ratio of each council for the next 10 years is illustrated in Figure 4.⁸

Both councils are projecting an improvement in their operating performance ratio over the next 10 years, though by 2025 both will remain in a negative operating position (spending more than they collect). This merger proposal will provide the new council with the opportunity to strengthen its balance sheet and enhance its financial sustainability through:

- net financial savings of \$38 million to the new council over 20 years;
- achieving efficiencies across council operations through, for example, the removal of duplicated back office roles and functions, and streamlining senior management;

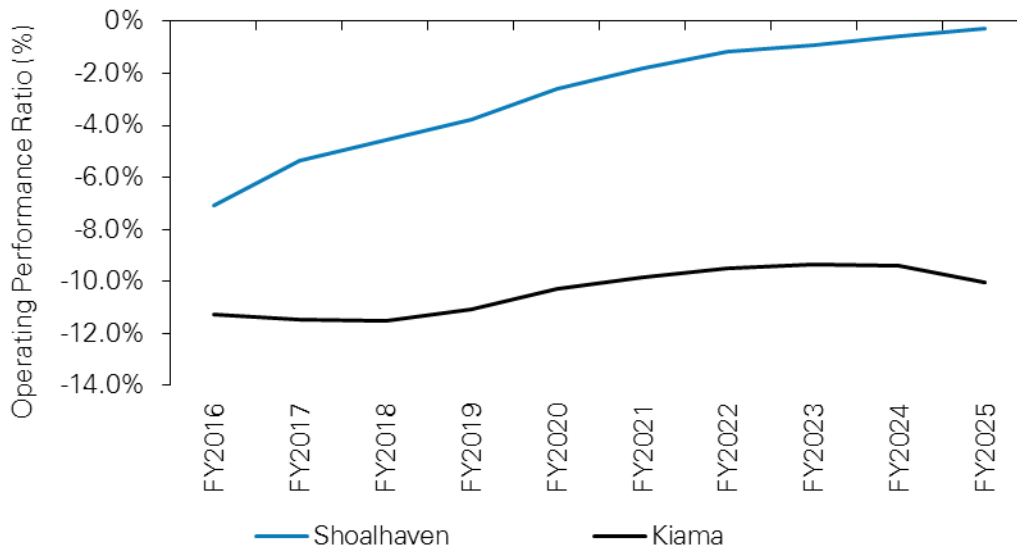
⁶ NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

⁷ NSW Government (2015), Local Government Reform: Merger Impacts and Analysis, December.

⁸ This ratio measures a Council's achievement of containing operating expenditure within operating revenue. It is important to distinguish that this ratio is focussing on operating performance and hence capital grants and contributions, fair value adjustments and reversal of revaluation decrements are excluded. The wording in this footnote was corrected on 20 January 2016.

- establishing a larger entity with revenue that is expected to exceed \$328 million per year by 2025;
- an asset base of approximately \$2 billion to be managed by the merged council; and
- greater capacity to effectively manage and reduce the \$48 million infrastructure backlog across the area by maintaining and upgrading community assets and improving services.

Figure 4: Projected operating performance ratio by council (2016–2025)⁹



Source: Council Long Term Financial Plans (2013-14).

Note: Operating performance ratio measures a council's ability to contain operating expenditure within operating income.

Opportunities for Improved Services and Infrastructure

The efficiencies and savings generated by the merger will allow the new council to invest in improved service levels and/or a greater range of services and address the infrastructure backlog across the two councils. Examples of local infrastructure and service priorities that could be funded by merger-generated savings include projects such as:

- improved coordination of infrastructure to support new urban development, including roads, services and public transport options, pedestrian paths and cycleways;
- improved health services and facilities to meet the needs of the large and growing ageing population in the region; and
- initiatives to promote economic growth, for example promoting tourism opportunities as well as attracting high technology industry associated with the defence sector, which will attract additional services, facilities and businesses to the area.

Regulatory Benefits

There are currently 152 separate regulatory and compliance regimes inconsistently applied across local council boundaries in NSW. These many layers of regulations are making it hard for people to do business, build homes and access services they need. NSW businesses rated local councils as second to only the Australian Tax Office as the most frequently used regulatory body, and highest for complexity in dealings.¹⁰

It can be expected that the proposed merger will result in simplified council regulations for many Kiama and Shoalhaven residents and businesses. Kiama Municipal Council and Shoalhaven City Council are each

⁹ This figure was corrected on 20 January 2016.

¹⁰ NSW Business Chamber, 2012 Red Tape Survey.

responsible for separate and potentially inconsistent regulatory environments. A merged council provides an opportunity to streamline and harmonise regulations.

Adopting best practice regulatory activities will generate efficiencies for a merged council and benefit local residents and businesses. For example:

- the compliance burden will be reduced and simplified for a small business owner with multiple outlets across neighbouring towns in different council areas; and
- residents can have greater confidence that development applications will be subject to a more uniform process than the existing variation in regulations, which can add to the cost and complexity of home renovations and building approvals.

Impact on Rates

Both councils have indicated that a future rate increase may be needed to meet local community and infrastructure needs.¹¹ For example:

- Kiama Municipal Council intends to request a cumulative SRV of 9.7 per cent over a three-year period from 2018–19; and
- Shoalhaven City Council intends to request a cumulative SRV of 15.9 per cent over a two-year period from 2017–18.¹²

The savings generated by a merger may enable the new council to reduce reliance on rate increases to fund community infrastructure.

In addition, the proposed merger will bring together a range of residential, farmland and business premises across the area, providing the new council with a larger rate base on which to set ratings policies and improve the sustainability of council revenue. Table 1 outlines the mix of business, farmland and residential rating assessments that underpin current rate revenue across the area.

Table 1: Comparison of rateable businesses and residential properties (total and percentage share)

Council	Business rating assessments		Residential rating assessments		Farmland rating assessments	
Kiama Municipal Council	481	5%	9,033	92%	336	3%
Shoalhaven City Council	2,225	4%	52,497	94%	975	2%
Merged council	2,706	4%	61,530	94%	1,311	2%

Source: NSW Office of Local Government, Council Annual Data Returns (2013-14).

Local Representation

The ratio of residents to elected councillors in both councils is markedly different. This reflects the wide variation in resident populations and number of councillors. While the proposed merger will increase the ratio of residents to elected councillors, the ratio, based on councillor numbers in the existing councils, is likely to be less than those currently experienced in other NSW councils, including the more populous Lake Macquarie Council (Table 2). For the purpose of analysis of merger benefits, this proposal has assumed that the new Council will have the same number of councillors as Shoalhaven City Council, as this has the largest number of councillors of the councils covered by this proposal. The Government welcomes feedback through the consultation process on the appropriate number of councillors for the new council.

Some councils in NSW have wards where each ward electorate elects an equal number of councillors to make up the whole council. Community views on the desirability of wards for a new council will be sought through the consultation process.

¹¹The wording in this sentence was corrected on 20 January 2016.

¹²The SRV figures for Kiama Municipal and Shoalhaven City councils were corrected on 20 January 2016.

Table 2: Changes to local representation in Kiama and Shoalhaven

Council	Number of councillors	Number of residents (2014)	Residents per councillor
Kiama Municipal Council	9	21,314	2,368
Shoalhaven City Council	13	99,016	7,617
Merged council	13*	120,330	9,256
Lake Macquarie Council	13	160,021	12,309

* The Kiama and Shoalhaven communities will have an opportunity to shape how a new merged council will be structured and function, including the appropriate number of elected councillors. Fifteen elected councillors is the maximum number currently permitted under the NSW Local Government Act (1993).

Source: Australian Bureau of Statistics, *Estimated Resident Population 2014*; and NSW Office of Local Government, *Council Annual Data Returns (2013-14)*.

The new council will be in a position to use its larger scale and capacity to more effectively advocate for the needs of the Kiama and Shoalhaven communities. As the new council will represent a more significant share of the broader area's population, and have a substantial economic base, it will be able to negotiate more effectively on behalf of its residents. It will also have improved strategic capacity to partner with the NSW and Australian governments, including on major infrastructure initiatives and community services, such as facilities to meet the area's ageing population, and regional planning and development.

The many ways communities currently engage with these councils will continue, including through public forums, committees, surveys and strategic planning. Councillors will also continue to represent local community interests while also taking a more regional approach to economic development and strategic planning.

THE LOCAL COMMUNITY

The communities across the Kiama and Shoalhaven areas share common characteristics and connections. The proposed new council will have enhanced scale and capacity and be better placed to shape and deliver the economic development, community services and infrastructure that underpin the lifestyle of these communities.

Geography and Environment

The proposed new council will incorporate the communities currently within the Kiama Municipal and Shoalhaven City local government areas. These communities are located on the south coast of NSW, approximately 120 kilometres from Sydney and 200 kilometres from Canberra.

The area has a number of large urban centres surrounded by coastal and rural hinterlands. The area is known for its pristine natural environment, with over 170 kilometres of coastline and a number of headlands, rivers, bays, lakes and major creeks. The Shoalhaven River runs through the regional centre of Nowra and across a floodplain to the sea at Crookhaven. National parks, state forests and vacant Crown land make up over 70 per cent of the area. The natural environment is an important draw for residents and is considered a major asset by the community. The close proximity of the area to the major cities of Sydney and Canberra has made it an attractive tourist destination.

Local Economy

The local economy is characterised by:

- varying levels of household income, with Kiama having a relatively high average household income of \$80,534, well above the regional NSW average of \$65,168, while Shoalhaven's average is lower at \$56,887;¹³
- varying rates of unemployment, with Kiama's at 3.4 per cent, whilst Shoalhaven's is 9.8 per cent. This compares to the 7.3 per cent regional NSW average;
- markedly different employment growth rates, with Kiama experiencing growth of 2.2 per cent and Shoalhaven a decline of 1.5 per cent. The regional NSW average is 0.6 per cent growth;
- a well-educated population – 64 per cent of adults in Kiama have post-school qualifications compared with 55 per cent in Shoalhaven. Both are above the regional NSW average of 53 per cent; and
- similar industry profiles. Health care and social assistance is the largest sector in Shoalhaven, and the second largest in Kiama. The largest sector in Kiama is education and training.

Table 3 provides a snapshot of the local business profile of each council. More than 8,000 local businesses across the area contribute more than 43,000 jobs to the local economy.

A major source of income for local communities is the tourism sector, which draws in visitors from the major population centres of Sydney and Canberra. The natural environment and vast biodiversity has made this part of the south coast an attractive holiday destination. The South Coast Regional Tourism Organisation's Destination Management Plan outlines elements required to grow the tourism sector, including enhancing regional assets; building relationships, attractions and activities; market diversification; infrastructure provision; and skills development.

The health care sector also provides significant employment, with Kiama Hospital and the Shoalhaven District Memorial Hospital located within the area. There is also a number of aged care facilities that provide employment opportunities and support elderly residents in the area.

¹³ The average household income figures for Kiama and Shoalhaven were corrected on 20 January 2016.

With its two defence bases, access to Albatross Technology Park and attractive options for executive housing, the new council also has an opportunity to boost its high technology and defence-related industry potential.

Table 3: Local business and employment profile

Council	Number of businesses	Local jobs	Largest sector
Kiama Municipal Council	1,614	9,188	Education & Training
Shoalhaven City Council	6,471	33,847	Health Care & Social Assistance
Merged council	8,085	43,035	Health Care & Social Assistance

Source: Australian Bureau of Statistics, *Business Counts and Employment by Industry (2014)*

The area is well connected through regional transport networks. The South Coast train line extends from Sydney to Bomaderry in Shoalhaven's north. The area is also connected to Sydney through the Princes Highway and to Canberra along Braidwood Road, the Hume Highway and Remembrance Drive. The regional transport infrastructure connecting the south coast to Sydney and Canberra has also enabled significant inflows of people to the area for tourism.

Residents of the south coast typically commute to a workplace within the area or to employment opportunities in the adjoining areas of Shellharbour and Wollongong. Residents in the area also take advantage of:

- health services through the Kiama Hospital, Shoalhaven District Memorial Hospital and the teaching hospital at Wollongong;
- aged care facilities including the Shoalhaven Nursing Home, Anglicare Chesalon Nursing Home and Blue Haven Nursing Home and Retirement Village;
- retail outlets, hospitality and hardware stores located in the commercial centres of Nowra, Kiama and Ulladulla; and
- outdoor recreation and leisure activities across the area.

The business profile across the area, and the corresponding workforce, will require relatively similar services and infrastructure. A merged council will be better placed to deliver these services and infrastructure in a coordinated manner.

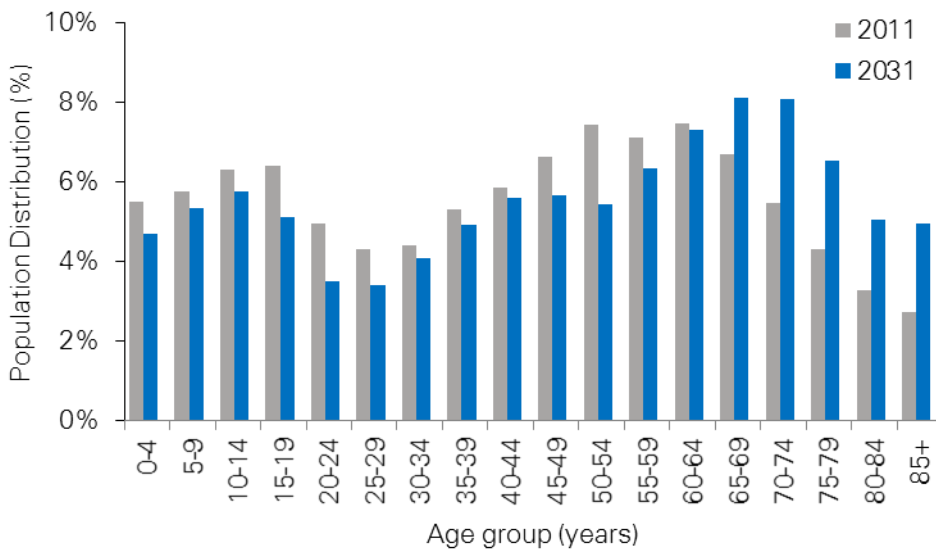
Population and Housing

The new council will be responsible for infrastructure and service delivery to more than 133,000 residents by 2031. Significant residential development sites are located around the Nowra-Bomaderry area, as well as at Vincentia and Ulladulla. Infill development opportunities exist in the urban centres of Nowra, Kiama and Ulladulla.

The south coast of NSW is a popular area for retirement and this is reflected in Census statistics showing a larger proportion of people aged 65 and older than elsewhere in the state. This proportion is expected to increase significantly over the next 20 years (Figure 5).

A strong council with appropriate scale and capacity is needed to respond and adapt to the changing service needs of the community. An ageing population is likely to further increase demand for community health services, the creation and maintenance of accessible parks and leisure areas, and community outreach services.

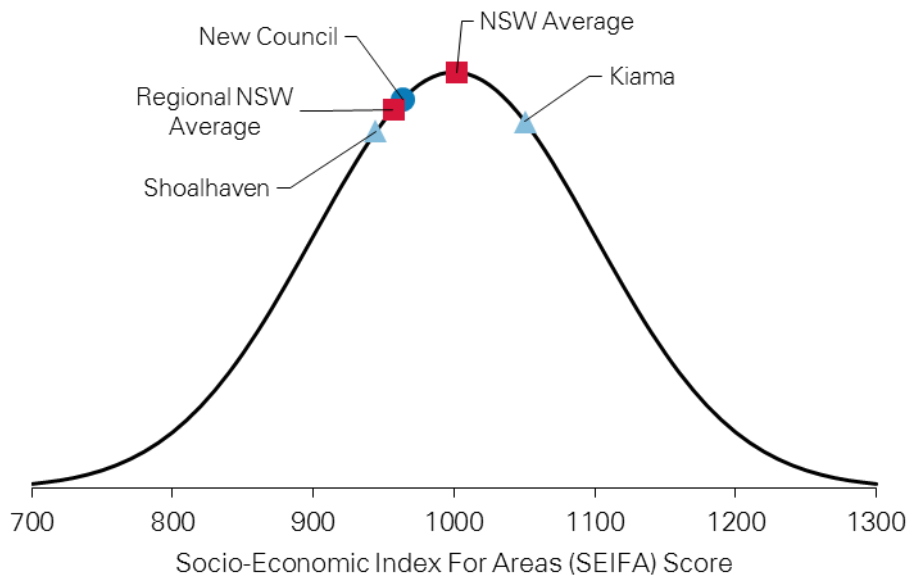
Figure 5: Change in population distribution, by age cohort (2011 v 2031)



Source: NSW Department of Planning & Environment, 2014 NSW Projections (Population, Household and Dwellings).

From a socio-economic standpoint and in comparison with the rest of regional NSW, the Kiama community is relatively advantaged whilst the Shoalhaven community is marginally disadvantaged. The Socio-Economic Index for Areas (SEIFA), illustrated in Figure 6, measures a range of factors to rate an individual council’s relative socio-economic advantage. The councils in the Kiama and Shoalhaven areas have SEIFA scores that are either side of the NSW and regional NSW averages. This reflects the characteristics across the Kiama and Shoalhaven communities in relation to, for example, household income, education, employment and occupation. The merged council is likely to have a SEIFA score which is slightly higher than the regional NSW average, but below the NSW average.

Figure 6: Comparison of councils' socio-economic profile



Source: Australian Bureau of Statistics, SEIFA 2011 by Local Government Area

Table 4 outlines the current mix of housing types across the area. A merged council provides an opportunity to apply a more regional and strategic focus to planning for the additional 9,150 households and associated amenities that are predicted by 2031. A regional approach can also help to ensure any pressures and challenges associated with population growth and housing development are not unreasonably concentrated in particular localities.

Table 4: Dwelling types in the Kiama and Shoalhaven area (total number and per cent)

Dwelling type	Kiama Municipal Council		Shoalhaven City Council	
	Number	Per cent	Number	Per cent
Separate house	7,461	79%	45,720	89%
Medium density	1,372	15%	4,620	9%
High density	428	5%	86	>1%
Other	142	2%	962	2%
Total private dwellings	9,403		51,388	

Source: Australian Bureau of Statistics, Census (2011), Dwelling Structure by Local Government Area.

Shared Community Values and Interests

These communities are bound by their sense of place on the south coast. Box 2 provides examples of community organisations, services and activities that have a presence across the area.

Box 2: Examples of common community services and facilities

Shared regional services and facilities

Examples of community services which operate across the area include:

- the University of Wollongong, which has a campus at Mundamia, west of Nowra, as well as its main campus at Wollongong;
- health care services, including Kiama Hospital and Shoalhaven District Memorial Hospital;
- Community Colleges Kiama & Shoalhaven, an independent, not-for-profit association that provides high quality adult education courses and is staffed by local volunteers;
- the Shoalhaven Arts Centre and the Old Fire Station Community Arts Centre, which are a major focus for culture and art in the Shoalhaven and Kiama areas;
- the Illawarra ABC and i98FM radio stations, which are broadcast across the Illawarra area; and
- the *Kiama Independent* and the *South Coast Register*, which are local newspapers delivered across the south coast area.

Kiama Municipal Council and Shoalhaven City Council have already been collaborating in a number of ways, for example through:

- sharing contracts for materials and trade services;
- running a library cooperative;
- the Illawarra pilot Joint Organisation (JO). The JO is designed to provide a new way for local councils to engage with the NSW Government, and to commit councils to collaborating in the long term to develop and support a shared vision. The pilot will test and refine the JO model and member councils are currently involved in supporting shared services across the JO. These shared services include regional procurement, training opportunities, fire safety, building maintenance and cleaning, and professional services; and
- the previous regional organisation, the Southern Councils Group (prior to joining the Illawarra pilot JO). Some of the projects that the councils have previously collaborated on through the Southern Councils Group include programs to support carers in the area, programs to prevent illegal waste dumping and a regional waste strategy.

The connections between the councils and communities are evident in these existing partnerships and collaborations. A new council will be better placed to deliver these services and projects into the future, without relying on voluntary collaboration.

CONCLUSION

This proposal to create a merged council has the potential to provide a range of benefits to local communities, including:

- a \$53 million total financial benefit over a 20-year period that may be used to deliver better community services, enhance infrastructure and/or lower rates;
- NSW Government funding of \$15 million to meet merger costs and provide a head start on investing in services and infrastructure that the savings from mergers will ultimately support;
- greater efficiencies through the removal of back office and administrative functions, increased purchasing power of materials and contracts, and reduced expenditure on councillor fees, all of which are expected, on average, to generate savings of around \$3 million every year from 2020 onwards;
- greater capacity to effectively manage and reduce the \$48 million infrastructure backlog across the two councils by maintaining and upgrading community assets;
- reducing the reliance on rate increases through SRVs to fund local community infrastructure projects and services;
- better integrating strategic planning and economic development to more efficiently respond to the changing needs of the community;
- building on the shared communities of interest and strong local identity across the area;
- providing effective representation through a council with the required scale and capacity to meet the future needs of the community; and
- being a more effective advocate for the area's interests and better able to deliver on priorities in partnership with the NSW and Australian governments.

NEXT STEPS

Every community will have an opportunity to help shape a new council for their area.

Community Engagement

This merger proposal will be referred to the Chief Executive of the Office of Local Government for examination and report under the *Local Government Act (1993)*. The Chief Executive proposes to delegate this function to a suitably qualified person. The delegate will consider this proposal as required under the Act, including against statutory criteria and hold a public inquiry. The delegate will also undertake public consultation to seek community views. The delegate is also required by the Act to provide the delegate's report to an independent Boundaries Commission for review and comment. The Minister for Local Government under the legislation may decide whether or not to recommend to the Governor that the merger proposal be implemented. For the factors a delegate must consider when examining a merger proposal (under section 263 of the *Local Government Act (1993)*), please refer to the Appendix to this document.

Through the merger assessment process, there will be opportunities for communities and stakeholders to consider merger proposals and have their say. Each merger proposal will be the subject of a public inquiry where the community can hear about and discuss the proposal. Through the consultation process, the delegate will ensure that the opinions of each of the diverse communities of the resulting area or areas will be effectively represented.

Further information about the process is available on the Local Government Reform website at www.councilboundaryreview.nsw.gov.au, including:

- details about the proposed mergers;
- information about the delegate for your area;
- dates for public meetings; and
- a portal to provide a written submission.

Appendix

The following table outlines the factors that a delegate must consider under section 263 of the *Local Government Act (1993)* when examining a proposal. The section references outline where the criteria have been addressed in this merger proposal.

<i>Legislative criteria</i>	<i>Section reference</i>
(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	Benefits, Opportunities and Impacts
(b) the community of interest and geographic cohesion in the existing areas and in any proposed new area	The Local Community
(c) the existing historical and traditional values in the existing areas and the impact of change on them	The Local Community
(d) the attitude of the residents and ratepayers of the areas concerned	There is a public consultation process which includes a public inquiry allowing for the views of residents and ratepayers to be considered.
(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	Local Representation
(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	Benefits, Opportunities and Impacts
(e2) the impact of any relevant proposal on the employment of the staff by the councils of the areas concerned	Financial Benefits of the Proposed Merger
(e3) the impact of any relevant proposal on rural communities in the areas concerned	The Local Community
(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	Local Representation
(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	Next Steps
(f) such other factors as it considers relevant to the provision of efficient and effective local government in the existing and proposed new areas	Benefits, Opportunities and Impacts



For more information visit:
www.councilboundaryreview.nsw.gov.au

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