



## GENERAL MANAGER'S REPORT

12<sup>th</sup> June 2007

**GM7 LOCAL GOVERNMENT COMPARATIVE DATA**  
**FILE: 319 AVB (NRN) {Folio No. \*} }**

### SUMMARY:

To provide Council with the financial and performance data of Kempsey Shire compared with other coastal Councils.

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### DESCRIPTION:

The Department of Local Government has released the comparative data for every Council in New South Wales for the 2004/05 year. The information is traditionally late as the Department needs to wait for all financial returns to be submitted prior to compiling the information.

Attached [Appendix C – Page K27](#) is comparative data internally benchmarking Kempsey Shire Council for the period 1998/99 to 2004 / 05 and comparing Kempsey Shire with 12 other coastal and adjoining Councils for the 2004 / 05 year. A full comparison report with all Councils within NSW is available if required and can be found on the Department of Local Government website [www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au).

The data has been published for a number of years but has been criticised by elected and professional groups as being of limited value as it is out of date, it often doesn't compare apples with apples e.g. Staff numbers do not account for Councils that have a strong day labour versus Councils that rely on contractors and the information does not take account of a Council's priorities e.g. A high per capita expenditure could be the result of a Council's commitment to that service rather than a measure of inefficiency.

In respect of the benchmarking of Kempsey Shire itself the major outcomes are:-

- Employee costs as a percentage of expenditure reduced
- Mean time for processing DA's reduced
- Median time for processing DA's reduced
- Rates and Charges as a percentage of total revenue remains below 50% (42.66%)
- Debt Service Ratio remains low compared to past years
- Capital Expenditure Ratio (asset maintenance and replacement / depreciation) increased

- Current Ratio (externally unrestricted current assets / externally unrestricted current liabilities) reduced
- Outstanding Rates and Charges stable but high

When comparing Kempsey with the other 12 Councils, the major outcomes are:-

- Average Residential Rates are fifth lowest
- Average Farmland Rates are fifth lowest
- Average Business Rates are fourth lowest
- We have the highest percentage of Outstanding Rates and Charges
- We have the lowest Current Ratio
- We have the second highest Debt Service Ratio
- The Capital Expenditure Ratio is sixth lowest
- Rates Outstanding is fourth highest
- Employee Costs are second highest
- Contractor Costs are fifth lowest
- We have the lowest domestic Waste Charge
- We have the third fastest DA processing times

As stated above I do not believe that the comparative data released by the Department of Local Government is of any real value. The Local Government Managers Australia (LGMA) in association with the Department and the Local Government and Shires Associations have developed a Local Government Financial Health Check. The Health Check is intended to be indicative of the financial health and presence of good business management practices being conducted at a Council. It must be recognised that not all Councils are the same, they differ in size, location, they have different growth positions and future directions.

The indicators developed in some cases demonstrate good practice via the traffic light system – Green is good, Amber is average, Red indicated problems. The indicators are:-

- Rates as a source of revenue – A measure of the degree of dependency.

### **Rate Revenue**

#### **Total Ordinary Revenue before Capital**

<b>2005/06</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2002/03</b>
43.5%	42.5%	38.42%	41.63%

- Unrestricted Current Ratio – A measure of liquidity or more particularly solvency of Council.

### **Current Assets Less Externally Restricted Current Assets**

#### **Current Liabilities Less Specific Purpose current Liabilities**

<b>2005/06</b>	<b>2004/05</b>	<b>2003/04</b>	<b>2002/03</b>
1.07	1.21	1.55	1.26

(Less than 1.00 – Red, 1.01-2.00 Amber, over 2.00 Green)

- Available Cash Position  
Cash Assets Less Internally and Externally Restricted Assets

2005/06	2004/05	2003/04	2002/03
\$329,000	\$342,000	\$1,410,000	\$621,000

- Cash Assets Less Externally Restricted Assets

2005/06	2004/05	2003/04	2002/03
\$2,804,000	\$3,692,000	\$7,588,000	\$5,466,000

- Cash Assets Less Externally Restricted Assets as a Percentage of Total Revenue

2005/06	2004/05	2003/04	2002/03
6.88%	8.70%	19.28%	17.04%

- Asset Life Position – Shows the average life of years of equipment utilised to date

**Accumulated Depreciation**  
**Total Depreciable Asset Value**

2005/06	2004/05	2003/04	2002/03
32.65%	32.04%	31.22%	30.43%

- Debt Service Ratio – Shows the amount of annual revenue necessary to service annual debt obligations

**Gross Debt Service Cost**  
**Total Revenue from Ordinary Activities**

2005/06	2004/05	2003/04	2002/03
14.28%	13.8%	13.68%	18.11%

(>20% Red, 15-20% Amber, <15% Green)

- Outstanding Rates and Charges – Measures the effectiveness of Council in recovering debts legally owed to it

2005/06	2004/05	2003/04	2002/03
8.79%	8.95%	10.59%	7.40%

(>9% Red, 6.9% Amber <6% Green)

- Revotes of Expenditure

10.31%	14.47%	16.02%	20.65%
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(>5% Red, 2-5% Amber <2% Green)

In respect of the unrestricted current ratio a reduction in Short Term Assets (current) and an increase in Short Term Liabilities will affect that ratio. In our case becoming more efficient has reduced the Ratio. For example, by reducing the amount of revotes we have reduced the amount of cash available and therefore reduced current assets. By reducing the inventory at the store and purchasing goods only when required we have once again reduced a current asset. The ratio has also been affected by

the reduction in Reserve Funds particularly ELE but steps have been taken this year and provisions have been increased in future years to build up the balance available.

There has been a lot of conjecture about Council's Debt Service Ratio. Under the Financial Health Check Council receives a green light which indicates that we are well within financially responsible limits. A concerted effort is currently underway to reduce the rate arrears balance.

**REPORT IMPLICATIONS:**

- *Environmental*

*Nil*

- *Social*

*Nil*

- *Economic (Financial)*

*Council is in good financial shape. Increased efforts will be made to reduce debtors and to maintain higher cash balances.*

- *Policy or Statutory*

*Nil*

- *General Manager's Review*

*Nil*

**RECOMMENDATION:**

**That the information be noted.**

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A V Burgess  
GENERAL MANAGER