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Mr Daryl Buckingham
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18 November 2022

Dear Daryl

The Office of Local Government (OLG) routinely assesses the performance of NSW Councils. Aspects of performance can include financial performance and other factors such as the number and type of correspondence received by community members of a council area. Recently, you approached OLG to meet and discuss these matters with OLG and other senior staff within Tenterfield Shire Council.

OLG has performed some preliminary assessment of Tenterfield Shire Council's financial performance. OLG has also received a number of complaints this year from community members within the Tenterfield Council (Council) area. As a result, a further assessment of Council's financial performance was warranted.

Based on our recent meetings, OLG understands that Council has concerns over:

- Its overall financial performance
- Performance in relation to other similar councils
- Inability to reduce expenditures further without significantly impacting service delivery, particularly infrastructure (roads and bridges) maintenance
- Difficulty in securing labour to perform key functions such as infrastructure maintenance, which is also impacting costs
- Inability to increase rates sufficiently to cover rising expenditures.

During our meetings it was decided that OLG would provide a brief report to Council with analysis of:

- Council's financial performance in relation to a selected group of peer councils, those being:
 - Glenn Innes Severn
 - Gwydir
 - Kyogle
 - Upper Lachlan
 - Uralla
- Other related operational and demographic data.



This report (attached) provides analysis of data provided by council to OLG, including Financial Data Returns (FDR) and Time Series data, from the financial years 2016-17 through to 2020-21. Also included is any other publicly available information where relevant, such as information from Council's business papers. As agreed, the report is to cover key financial performance indicators, particularly in relation to other peer councils.

Key financial findings are:

- Council's net operating result before capital has declined since FY17 and turned negative in FY21. This is similar to the trend of the peer councils analysed.
- There seems to be a high reliance on grant income, shown by Council's inability to meet the Own Source Revenue KPI for the five years analysed. The majority of other councils in the group analysed perform poorly on this KPI.
- Council's overall cash balance has declined since FY18. Other councils analysed have improved their overall cash balance over the period analysed.
- Council had a negative unrestricted cash balance in FY21. This has since been restored in FY22.
- Council has struggled to meet asset management KPIs. The infrastructure backlog KPI has not been met during the five year period.
- Council's governance and administration costs have increased significantly in FY20 and FY21. OLG understands from Council that this is due to a re-allocation of income recoveries out of governance and administration costs calculations into transport and communication.

Other findings include:

- Council's average population is below average for the group and has experienced the second largest population decline.
- Unemployment is highest in the group and Council ranks lowest on the Socio-Economic Index Rating (SEIR).
- Council has the second largest land area and second lowest population in the group.
- Council's full time equivalent staff (FTE) is the lowest on the group and ranks third highest in terms of the number of people to service per staff member.
- Council is the third largest in the group for:
 - network of roads
 - road length per capita and
 - road spending as a percentage of total expenditure (32%).

We thank Council for the opportunity to openly discuss Council's concerns and we trust this information is useful for Council. If you have any issues or questions in relation to the analysis and report, you are welcome to contact David Chamberlain directly on 4428 4148.

Yours sincerely

A handwritten signature in cursive script, reading "Karin Bishop".

Karin Bishop
Director, Sector Performance and Intervention