

Reference: B9273 19/61510

16 October 2019



South Australian Productivity Commission
GPO Box 2343
ADELAIDE SA 5001

Via: sapc@sa.gov.au

Dear Chair Dr Butlin, Commissioners Tate and Findlay

Thank you for releasing your "Inquiry into Local Government Costs and Efficiency – draft report" for input and comment.

The Barossa Council has reviewed and made comment against the suggestions and requests for information. Please find enclosed the submission endorsed at our Council meeting of 15 October 2019.

Should you require further information please contact our Chief Executive Officer, Mr Martin McCarthy at mmccarthy@barossa.sa.gov.au or 0418 787 886.

Once again thank you for the opportunity to comment.

Yours sincerely

Bim Lange
Mayor

Cc: Mr Matt Pinnegar, Chief Executive Officer, SA Local Government Association



premium wine food tourism heritage lifestyle community

The Barossa Council Submission to the SA Productivity Commission Draft Report into Local Government

Utilising LGA Summary Analysis of Draft Recommendations

Draft recommendations to the South Australian Government

To lower local government costs and enhance local government financial accountability, the Commission proposes that the South Australian Government:	LGA Secretariat comments	Council comments
<p>1. Lift the capacity of local councils to identify and address opportunities to reduce their cost base and improve their operations by:</p> <p>In conjunction with local government, defining and establishing a sector wide performance monitoring framework that would enable comparisons between councils and over time to assist decision making by council leaders and to inform communities, including by:</p> <ul style="list-style-type: none"> i. Establishing common key performance indicators (KPIs) for inputs, outputs, service standards and financial indicators; ii. Optimising existing information held by the South Australian Government, especially that gathered by the South Australian Local Government Grants Commission; iii. Filling the gaps in the current information; iv. Publishing information in a contextualised form designed to assist individual councils. 	<p>This draft recommendation broadly aligns with the LGA's Local Government Reform Agenda advocacy for a sector-wide benchmarking program.</p>	<p>Agree with LGA position</p> <p>The basis of systems are already in place with all councils required to set their Annual Business Plan and Budgets, particularly the financial aspects thereof in relation to standardised documentation. The same applies to the production of the Annual Financial Statements and Annual Reports. Various information by regulation needs to be included within the documents. There is no reason reporting could not be further defined and directly applied to other strategic documents such as the Asset Management Plan and the Long Term Financial Plan.</p> <p>Move the system to more efficient plans around a single set of service levels and standards incorporating a rotation of service review processes and report performance against financial and non-financial outcomes and outputs thereby moving away from static and disconnected State planning and reporting requirements.</p> <p>The current state driven mandatory reporting for local government centres on the non-discretionary elements of council service delivery (ie due to obligations set out in legislation/regulation) – which covers core pillars like financial accountability, planning, building, health, dog and cat management, any grant funding obligations there is no common framework in place for measuring all services and no reporting is outcome based whether it is in relation to discretionary or non-discretionary services (it is all inputs/output activity based measurement). The focus being placed on clear definitions of services and service levels and accountability mechanisms (financial, activity and outcome based) being built around that is critical to the success of</p>

		such a reform. A basic high level scorecard that then cascades or rolls down into more detailed reporting at the service level may be a model to move forward with.
2. Facilitating benchmarking by clusters of councils through an appropriate mix of incentives for councils to participate and expectations that they will report information publicly in a format consistent with the framework.	This draft recommendation broadly aligns with the LGA's Local Government Reform Agenda advocacy for a sector-wide benchmarking program.	<p>Agree with LGA position</p> <p>See comments to 1 above.</p> <p>Caution needs to be taken to develop flexible benchmarking systems that allow for local variations in social and economic drivers of efficiency. As a general principle, governments exist to provide services that are not necessary likely to be provided privately and whilst we must strive for efficient and effective government, there will always be some disconnect between those principles and the need to service the community at a local level due to market or public sector gaps. For instance many regional and rural Councils provide passenger transport networks due to the absence of private or State provided public transport (understandably), however due to the scale of services delivered, Councils cannot be compared with benchmarking outcomes for public sector transport say in a metropolitan area.</p>
<p>3. Further lower council costs by addressing aspects of the relationship between the South Australian Government and local government by:</p> <p><u>In the short term</u></p> <p>i. Identifying and addressing inefficiency and red tape from the South Australian Government mandated services and other legislated requirements on:</p> <p style="padding-left: 40px;">a) councils</p> <p style="padding-left: 40px;">b) communities.</p> <p>ii. Adopting a strong South Australian Government review process for any measures affecting local government;</p> <p>iii. Clarifying local government responsibilities, including service standards, for mandated services.</p>	<p>This draft recommendation broadly aligns with the LGA's advocacy for Local Government to be considered as a partner in Government and that we should be provided with an early seat at table when there are proposed changes which will impact on councils.</p> <p>The LGA is advocating for the following changes to the governance arrangements between state and local government:</p> <ul style="list-style-type: none"> • Update the State/Local Government Relations Agreement to strengthen engagement with local government on changes to legislation, policies and programs that are likely to have a direct financial impact on councils. • Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements. 	<p>Agree with LGA position.</p> <p>The State should also invest in re-establishing a red tape reduction process and actually deliver rapid reforms.</p>
<u>In the medium term</u>	The LGA is advocating for the following changes to the governance arrangements between state and local government:	<p>Agree with LGA position.</p> <p>The discussion about clarifying the Principal role of Councils (section 6), the functions of a council (section 7) and the</p>

<p>iv. Clarifying the respective responsibilities of the South Australian and local governments to remove unnecessary overlaps, or duplication and reduce uncertainty between governments.</p>	<ul style="list-style-type: none"> • Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements • Cease mandating through state laws that local government must perform functions for the state government. 	<p>principles to be observed by Councils (section 8) is long overdue to be clarified, especially around the issue of duplication of effort between governmental tiers.</p> <p>This discussion also ought to be facilitated between the Federal and State spheres of government to gain clear direction of definable roles and reduce duplication between all levels of Government.</p>
<p><u>In the long term</u></p> <p>v. Clarifying relevant aspects of s6, s7 and s8 of the Local Government Act 1999 to reflect an appropriate division between the levels of government and to make clearer the range of options available to councils in the performance of legislated functions.</p>	<p>The LGA is advocating for the following changes to the governance arrangements between state and local government:</p> <ul style="list-style-type: none"> • Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements • Cease mandating through state laws that local government must perform functions for the state government. 	<p>Agree with LGA position.</p>

Draft advice to South Australian councils

To guide and assist councils to improve efficiency and to create capacity to pass on cost reductions to rate payers, the Commission suggests that local government:	LGA Secretariat comments	Council comments
<p>1. As a body, facilitate in depth benchmarking between councils by:</p> <p>i. Establishing a Community of Practice sponsored by the Local Government Association, to share among other elements:</p> <ul style="list-style-type: none"> a) Methods, tools and approaches; b) Skilling of council staff; c) Panel of competent providers; and d) Lessons learned and examples of success. <p>ii. Assisting in “matchmaking” South Australian councils that seek deep benchmarking opportunities (noting value of groups of councils at different levels) with other councils, including interstate comparisons;</p> <p>iii. Collectively undertaking a regular sector-wide analysis of efficiency measures.</p>	<p>The local government sector is working consistently to achieve greater efficiency, transparency and accountability.</p> <p>The LGA currently assists members via LGA Education and Training which provides access to relevant training programs and the LGA Members Site which provides a wide range of guidelines, model policies, tools and best practice examples to assist members.</p> <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	<p>Generally agree with LGA position/comments.</p> <p>See cautionary notes at 2 above in “Draft Advice to South Australian Government”.</p> <p>There is a lack of professional training, support, guidance provided in the performance measurement and reporting space and it need to be seen as a clear role in the sector. The education and training currently on offer is not targeted to this area of skill development, it is currently self-directed learning by individual officers of council, there is no Community of Practice (like the HR practitioners group, LGFMG, LGAP and the many other information sharing/collaboration groups) or professional groups/overarching bodies. The Barossa Council has determined a framework based on the work and training through Stacey Barr, however much more would be achieved if there were relevant/comparable frameworks to our peers and tools/templates and draft measures we could tap into.</p>
<p>2. Prioritise, in any systems upgrades, focus on improving collection, retrieval, analysis and presentation of information for planning, decision making, monitoring and managing performance.</p>	<p>This advice is broadly consistent with the LGA’s Local Government Reform agenda.</p> <p>The LGA’s sensible plan for local government reform identified that to build trust, communities require certainty that councils are delivering the right services at the right cost.</p> <p>A best practice program of service reviews with strong community engagement will assist in building community confidence and demonstrating efficiencies.</p> <p>In addition, the proposal for councils to adopt a revenue policy describing what mix of revenue options it proposes to adopt for each of its services and why it has made such choices would increase transparency and accountability.</p>	<p>Generally agree with LGA position/comments.</p> <p>The clear opportunity is to reform local government by driving accountability, transparency, planning and reporting through a service level plan and model, similar to that of New Zealand Councils and requiring review of service plans over a period of time for relevant, need, efficiency, value for money and the like.</p> <p>Measuring and improving existing strategic frameworks and systems and learning through benchmarking are agreed but will potentially result in incremental improvement, however driving the sector through systems of efficient planning, delivery and review through services is a seismic shift that could achieve improved decision making and reform at a more</p>

	<p>While the legislative framework should set our clear expectations regarding continuous improvement and service efficiency, it should not limit the sector to one prescribed approach.</p>	<p>rapid pace. The ultimate goal being the Council will have a clear understanding of the inputs, resources, outputs and outcomes of each service they provide, it can be more equally benchmarked and the community more informed what the outcomes are for the rates and taxes paid.</p>
<p>3. Enhance the transparency and accountability of their operations by councils:</p> <p>i. When considering new, or material changes to, council services, undertaking an independent review that includes consideration and analysis of alternatives to councils providing the service directly, community consultation; and publishing a report;</p> <p>ii. Including in their external audits an examination of service reviews and program evaluations; and</p> <p>iii. Incorporating in their published long-term asset and financial plans and draft annual budgets advice on whether changes to the scope or level of services are planned and their implications for council expenditure.</p>	<p>Any proposed framework should identify opportunities for further improvement, without duplicating existing measures or creating greater uncertainty.</p> <p>For example, the LGA's Financial Sustainability program and the work done by the SALGFMG and the LG External Auditor's committee in increasing standards and ensuring councils use consistent definitions and interpretation of the Australian Accounting Standards have already contributed towards greater transparency and accountability in local government in South Australia.</p> <p>Clarification was sought from the Productivity Commission in the workshop held on 4 September regarding their intent around the draft advice to conduct 'an independent review' (3.i.). They advised that they consider that the decision to conduct an independent review should reflect the materiality of the proposed change and be scalable in line with the extent of the materiality.</p>	<p>Noted LGA's position/comments.</p> <p>See comments in 2 above in "Draft Advice to South Australian Councils".</p>

Chapter 2 – Structure, development and reform

The chapter of the report examines the history, structure and evolution of the local government sector, particularly the legislative and governance environments which affect councils' decisions on the services delivered to their communities. It also considers the influence of the Australian Government on the capacity of councils to deliver services.

Finally, the chapter briefly examines some key local government reforms aimed at either efficiency improvement or cost reduction in other jurisdictions.

2.1: Funding

FAGs funding is untied once distributed to the local government sector. From time to time the Australian Government also provides specific purpose grants to councils of either a capital (e.g. GFC School grants scheme) or operating nature (e.g. Adelaide Hills Council case study, Chapter 3) to achieve its particular policy objectives.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1. How does the untied nature of FAG funding affect council decisions to provide non-mandatory services?</p>	<p>Financial Assistance Grants (FAGs), which are un-tied in the hands of local Councils, are intended to improve Local Government's capacity to provide communities with an equitable level of services and to increase the effectiveness and efficiency of Local Government.</p> <p>The LGA Policy Manual (7.3.6 Untied and Specific Purpose Grants) states:</p> <p>Local government acknowledges that grants from other spheres of government are most beneficial when untied, and available unconditionally for a wide range of purposes. Local government shall continue to welcome grants from federal/state governments and negotiate terms that will most benefit local communities.</p> <p>The LGA would not be supportive of any suggestion to 'tie' FAG funding to specific purposes however advice is sought from member councils regarding whether it would be beneficial to have a 'statement of expectations' for any further increases above the current level of FAGs funding which expresses the priorities of the Commonwealth and would allow councils to better articulate back to the Commonwealth how councils activities are assisting in the delivery of those priorities.</p>	<p>Agree with the LGA's position/comments.</p> <p>The real discussion around this issue is the actual level of FAGS funding as a proportion of total Federal Funding available to the States, which in our view ought to increase in line with the original intention of the funding program many years ago.</p> <p>In particular South Australia's share of the pie has been set at an unrealistically low proportion in comparison to the other states. This has in part been recognised through additional funding through the Supplementary Funding program for SA only (approximately \$23m per annum). However, there is no guarantee that this additional funding program will continue into the future. The LGA and the State Government must continue with advocacy in this regard; we acknowledge though that the way ahead is difficult for a number of reasons.</p>
<p>2. How does other Australian Government program or project funding to councils, of a more ad hoc nature, affect council expenditure?</p>	<p>Grant funding, whilst representing an opportunity to leverage funds to carry out projects which may otherwise not be achievable, can actually work against local government's focus on renewal and replacement of existing assets as grant funding is predominately focused on capital 'new' works rather than 'renewal' or 'maintenance'.</p> <p>Often within grant programs there is also a requirement to provide matching funding, plus there are the associated increase in interest costs, maintenance and depreciation following the construction of the asset. These additional costs also apply for assets vested by developers or by other levels of government.</p> <p>Grant funding is also often tied to a particular outcome or function (for example – funds must be used on open space or arts/culture projects) these areas may not be the highest</p>	<p>Agree with the LGA's position/comments.</p> <p>The Barossa Council has enjoyed some success over the years with specific funding for small, medium and large projects; but acknowledges that these projects are generally for new or upgraded infrastructure and do require (generally) some form of matching funding from the Council.</p> <p>The challenges going forward are to have shovel ready projects with sufficient internal financing capacity whilst maintaining existing services and growth of those services with pressure on revenue growth and support the economy.</p>

	<p>priority area within a council's asset management plan however, in order not to miss out on funding opportunities, projects are brought forward or re-prioritised.</p> <p>There may also be examples of some grant programs which are set up with the best intentions but, for various reasons, SA councils have limited access as they don't fit the current guidelines.</p> <p>For example, the Commonwealth Government will provide \$640 million from 2015-16 to 2022-23, with an on-going commitment of \$85 million each following year to upgrade and replace bridges to enhance access for local communities and facilitate higher productivity vehicle access. However, over the life of the program, South Australia has been awarded 23 projects (out of 511 projects awarded nationally) and received total funding of just \$12 million (out of over \$395 million awarded nationally).</p> <p>The criteria for program and project funding need to be fit for purpose to support council needs, if Commonwealth funding is to support council financial sustainability.</p>	<p>The ability to fit plans into programs is strained especially as we move more to economic development outcomes being the priority, there needs to be some balance to community and social outcomes in programs going forward.</p> <p>The effect of future expenditure of Council should be predicated on proper forecasting and pursuing projects that are needed rather than wanted and this falls to Council undertaking long term community, economic and financial planning and not chasing the funding because it is there, the challenge being the need to manage community expectations when these funding streams are released and available.</p>
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2.2: Competitive neutrality policy

The principle of competitive neutrality is given legislative expression in South Australia through the Government Business Enterprises (Competition) Act 1996 and applies to the business activities of publicly-owned entities whose activities include “producing goods and/or services for sale in the market place with the intention of making a profit and providing financial returns to their owners”. Local government business activities must also comply with the CPA.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1.How, if at all, do the requirements of competitive neutrality policy affect councils' decision making on whether, and how, to provide services to their communities?</p> <p>This may include direct provision of services or contracting the services from private sector providers.</p>	<p>The LGA Secretariat is currently exploring local, national and international business models used by the local government sector to manage commercial operations and explore any current legislative barriers or opportunities that would enable greater innovation and investment in commercial activities, in order to offset the cost of council services for the community.</p> <p>A survey of councils has been completed and a discussion paper is being prepared that will be presented to GAROC for consideration in November 2019.</p>	<p>Noted LGA's position/comments.</p> <p>For specific matters where activities that are of a commercial nature for instance caravan parks this is considered a necessary component of thinking and future decision making.</p> <p>However, Councils may undertake activities due to local market failure and need in rural and regional areas.</p> <p>Competitive neutrality is therefore not a significant consideration in decision making.</p>

2.3: Financial management

The local government reform process of the 1990s consisted of legislative changes and other structural reforms. Subsequently there was a new focus on financial management reforms.

The LGASA's Financial Sustainability Program (FSP) produced resources to assist councils to achieve and maintain financial sustainability.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
1. How have the financial management program reforms affected councils' ability and incentives to manage costs?	The LGA's submission in response to the Commission's Methodology Paper reported the improvement in the financial performance of councils and the Commission noted that, while some councils are recording deficits, the sector as a whole has moved from deficit to surplus.	Agree with the LGA's position/comments.
2. What changes to the type or quality of financial management information would assist councils to improve their decision making and contribute to better performance?	The LGA are open to suggestions of improvements that can be made to further assist member councils.	<p>Drive financials from the perspective of the user not technical accounting requirements, constant change and interpretation of accounting standards and trying to apply commercial concepts is distorting figures and comparables.</p> <p>Develop KPI's that truly represent performance against service levels and standards and remove unhelpful requirements such as asset ratios that do not represent the true position of a community's asset pool.</p> <p>Embed strategic financial and budget management as a mandatory training requirement for Elected Members. Rather than training on the requirements of the Act, the sector should be providing practical training to support members to understand what the numbers mean.</p>
3. Is there a need for a stronger external auditing process to increase councils' compliance with their legislated responsibility to produce long-term asset and financial management plans and lift the quality of these plans? If so, what form should it take?	<p>The LGA notes that there is no independent or external body (including the SA Auditor-General) that has adversely commented on the standard of external audits conducted by SA councils.</p> <p>We also note that the Auditor-General does not support the suggestion, in the recent Office of Local Government Discussion Paper on Local Government Reform, that he be given oversight of the external audit function of SA councils.</p> <p>The LGA proposes to use a best practice approach to encourage councils to make the best use of their audit committees.</p> <p>Each council is required to establish an Audit Committee to, among other things, review the financial statements of the council, provide advice on council's Strategic Management Plan and Annual Business Plan and review the adequacy of council's internal controls and financial management systems.</p>	<p>Agree with the LGA's position/comments.</p> <p>No there is more than sufficient oversight and auditing ultimately is sound. the key is upfront reform and reduction of effort into unproductive duplication and shifting that investment into a system of simplicity and continuous improvement through reform outlined at comment 2 above in "Draft Advice to South Australian Councils".</p>

	<p>Many councils have voluntarily expanded the role of their audit committee beyond what is legally required.</p> <p>Each audit committee must have at least one independent member and it is widely acknowledged within the sector that having more than one independent member, including an independent Chair is best practice.</p> <p>The way in which many councils have established their audit committees demonstrates that a heavy-handed legislative response is not always required to achieve positive change within local government.</p>	
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2.4: Workforce planning

Training and upskilling can lift labour productivity and the efficiency of local councils. The literature suggests there is considerable variation in the workforce capabilities of councils.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
1. Have councils experienced any issues with attracting and retaining workers or securing workers with specific skills?	<p>Anecdotally, the recruitment and retention of staff can be difficult particularly for regional councils.</p> <p>Drivers may include a lack of qualified individuals locally, remoteness of location, the inability of councils to compete with the private sector and the lack of opportunity for career progression.</p>	<p>Agree with the LGA's position/comments.</p> <p>The Barossa Council does have challenges in accessing suitably qualified and experienced staff in areas such as health officers, engineering, building surveying, and planning. However, does attract large fields for vacancies in practically all other areas of the business.</p> <p>Our Workforce Plan and Culture Program aim to deliver and plan for the future, including the development of staff where possible. However the reality is in some areas there are insufficient resources in the sector generally and more work needs to be done to increase the pool of resources that we require to meet future demand.</p>
2. Are these issues unique to individual councils?	The LGA will be guided by comments from member councils.	The Barossa Council opinion is that these issues would not be unique to individual councils, rather many of the staff positions noted above would reflect a general shortage of available personnel across the sector.
3. Is there value in a sector-wide or region-wide approach to workforce planning and the development of specific skills to support councils?	<p>The LGA currently assists members via LGA Education and Training which provides access to relevant training programs.</p> <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	<p>Consider that the issue goes wider than sector wide training programs. Some of the positions discussed above require university degree qualifications, particularly for those in the Planning and Building sectors for example.</p> <p>Where the sector does need to be involved is in the promotion of working for or in the local government sector as a viable long term career opportunity and working with secondary and tertiary institutions to promote local</p>

		<p>government as a destination industry. This would also involve incorporating discussion around comparative salary opportunities against private entities undertaking similar functions.</p> <p>We also have to work on models of flexibility and contemporary employment to attract and retain our future generations, this needs to be achieved both at a local level but also through reform of our industrial relations landscape to be more tailorable for individuals or like groups, adaptable, and flexible.</p>
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2.5: Resource sharing

Within the local government sector, resource sharing currently occurs in a variety of forms and at different levels of legal and administrative formality, ranging from the highly informal, such as information sharing arrangements between councils, to formal legal structures, including subsidiaries established under sections 42 or 43 of the LG Act.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
1. What is the potential for additional use of resource sharing to deliver efficiencies and other benefits to participating councils?	The LGA will be guided by comments from member councils.	Resource sharing and any other initiatives to drive efficiencies should be pursued. The main barriers to success experienced by Council in participating in shared resource/collaborative arrangements have been managing relationships, access to appropriate resources and well documented and understood deliverables along with the need to prioritise one's own entity above all others. There is also a reality that the arrangements are borne either from unmet needs especially in rural and regional settings but equally there is no legislative intent or driver towards shared service models; whilst we advocate for less legislative burden there may also be some mechanism that encourages the pursuit of alternative delivery models. Perhaps this will be achieved through benchmarking processes.
2. In councils' experiences of resource sharing, what works and what does not? Why?	Councils are asked to provide further examples of resource sharing.	See response to 1 above.
3. Are there any impediments to the greater uptake of various forms of collaboration or resource sharing?	The LGA will be guided by comments from member councils.	See response to 1 above.
4. What challenges, if any, do councils face in making use of the provisions contained in sections 42 and 43 and	The LGA Secretariat is currently exploring local, national and international business models used by the local government sector to manage commercial operations and explore any current legislative barriers or opportunities that would enable greater	The provisions do not assist with efficiencies and in reality result in duplication of systems especially S42 committees who have to replicate or seek support from the parent entity

<p>Schedule 2 of the Local Government Act 1999 to deliver effective and efficient services to their communities?</p>	<p>innovation and investment in commercial activities, in order to offset the cost of council services for the community.</p> <p>A survey of councils has been completed and a discussion paper is being prepared that will be presented to GAROC for consideration in November 2019.</p>	<p>for everything from financial, risk, works, procurement and other day to day activities. Regionally there is also a diminishing interest in membership of Boards which are established as voluntary, due to the legislative burden, ultimately diminishing the pool of required skills to manage matters entrusted to formal S42 and 43 committees.</p>
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Chapter 3 – Local government costs

This chapter examines trends and changes in council operating expenditure and likely explanations for these changes. To understand the cost drivers, the Commission examined councils' costs for the period from 2008-09 to 2017-18 on both a resource (or input) basis and a function or service (output) basis.

3.1: Materials, contracts and other costs

Materials, contracts and other costs is the most substantial category of expenditure for councils making up approximately 41 per cent of total operating expenditure.

The average rate of increase for materials and contract expenditure, over the last 10 years, was 4.0 per cent annually and this was similar across both urban and rural councils.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1. What are the main drivers of materials, contracts and other costs for rural small and medium councils?</p>	<p>Drivers may include a lack of suppliers locally, remoteness of location and competition with the private sector. Councils are asked to provide examples.</p>	<p>Agree with the LGA's position/comments.</p> <p>The fact we do not buy materials and arrangements of a domestic nature that also leaves us exposed to national and international markets for things like bitumen, being a petroleum based product, and waste disposal systems. We also have increased costs associated with legislative and licensing burdens in business being passed through.</p> <p>Macro-economic settings and other government spending crowding out the market has impacts.</p>
<p>2. In what ways do current council procurement practices affect expenditure on materials, contracts and other costs?</p>	<p>The LGA will be guided by comments from member councils.</p>	<p>This is a fine line, but Councils have significant control over procurement but it must be balanced with risk and timing. Procurement practices are becoming more sophisticated and state and local based initiatives are valuable such as State electricity contracts and Barossa Regional Procurement Group collaborative model.</p> <p>These opportunities provide councils with the means to reduce or contain costs, thereby providing savings to residents and ratepayers in the provision of services and development of infrastructure. Sometimes though local government because of its specific nature and or requirements encounter limited supplier pools for service provision.</p> <p>There are however diminishing returns on collaborate purchasing models and much of the work now is centred on slowing cost growth as much of the low hanging fruit has</p>

been achieved. There are also barriers around competition policy and laws.

3.2: Population density

The population of South Australia continues to grow and its composition is changing. This growth is creating external cost pressure in many councils. The annual increase in population growth in the urban metropolitan and fringe council group will potentially exacerbate cost pressures. Changes in the demographic composition will also drive changes in expenditures as an ageing population brings increased demand for access to its services.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
1. How does increasing population density and urban infill impact on council service costs?	Growth areas – may require councils to increase service levels and/or introduce additional services, may also speed up consumption of assets.	This will depend on the development. Small infill results in increasing costs without the return. Larger infill and greenfield sites, again depending on a raft of issues such as location to essential infrastructure, community, social and health services (at all levels of government), topography, soil types and the like will add cost but does have some mechanism (especially large greenfield sites) to structure financially sustainable long term models.

3.3: Sector wide service standards

While acknowledging the use of surveys by a significant number of councils, the Commission has not been able to obtain any standardised sector-wide quality or service standard data to analyse the effects of changes in service standards on council operating costs.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
1. How do councils currently define and measure standards of service delivery?	Some councils undertake formal service reviews and/or community surveys to ensure the services they provide are relevant to their communities and are financially sustainable in the long term, a number of known examples of these have been provided to the Commission as part of the LGA's previous submissions.	Agree with the LGA's position/comments. The Barossa Council has undertaken service reviews of its main components of its organisation and developed community and corporate plans and where possible report quarterly on output and outcome measures. We believe this is the way of the future to truly understand the cost of service delivery being provided. The work is progressing and maturing through definition and then reporting linked back to service plans and ultimately our community plan. Our efforts are thwarted by the additional unnecessary burden around other legislative mechanisms requiring asset plans, community land plans, health plans etc etc which could all be encased in service plans that are open, accountable and drive the organisation's day to day activity.

<p>2. What measures could be developed on a sector wide basis to measure quality standards for either mandated or non-mandated services?</p>	<p>The LGA proposes the development of a best practice guide to undertaking service reviews. Service reviews should consider service levels, unit costs, community demand, community satisfaction, alternative providers and links to financial sustainability. Standardising the approach to measuring and reporting these factors will assist councils and communities to understand the value of the financial and community value of the services delivered.</p> <p>A prescriptive approach to undertaking service reviews must be avoided to ensure that efficiency gains are not eroded by additional red tape and compliance costs.</p>	<p>Generally agree with the LGA's position/comments.</p> <p>See comments to 1 above.</p>
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3.4: Cost shifting

The Commission has formed the view that there have been some instances of cost shifting which have raised council costs. However there also appear to be a number of cases where councils have control over expenditure decisions and the term cost-shifting should not be applied. The term cost shifting in practice is unhelpful particularly where it includes a choice by councils to accept tied funding. In such circumstances the commission considers cost sharing rather than cost shifting, is a more accurate description. The Commission is seeking clarification on this from councils.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1. To what extent do councils receive external funding or an ability to charge fees for delivery of mandatory services?</p>	<p>South Australian councils receive the lowest total revenue per capita of all mainland states, and this is in part attributed to the significant gap between the fees and charges that can be raised by interstate councils for undertaking regulatory functions such as planning and building assessments and food safety inspections.</p> <p>The LGA continues to advocate, as part of our Local Government Reform agenda, for a comprehensive review of local government fees and charges regulated by the State Government to establish modern price setting principles which promote efficiency, flexibility and fairness in service delivery.</p>	<p>Agree with the LGA's position/comments.</p> <p>Nothing further to add.</p>

<p>2.To what extent are councils able to fully recover costs for the mandatory services listed in appendix 4?</p>	<p>The LGA's submission in response to the Commission's Methodology Paper outlined:</p> <p>Cost recovery – fees and charges</p> <p>The LGA and the South Australian Financial Management Group (FMG) has raised concerns for some years regarding fees and charges that are fixed by State Government Statute. Many of these fees and charges have not been reviewed for many years and there has been concern that the lack of review is leaving councils with a burden of legislated work without being able to charge adequate fees and charges to cover costs.</p> <p>Planning and Development</p> <p>Councils are covering a large portion the cost of implementing the new e-planning system under the Planning, Development and Infrastructure Act 2016. The fees applicable to councils to support the cost of maintaining the SA Planning Portal are a significant impost for many councils. There are also costs and fees incurred by both professional staff and/or councils under the new accredited professional schemes. Further, there is a significant shortfall in the development and compliance income councils receive from undertaking these functions. Our member councils tell us that their total income is only 29 percent of total costs and that development assessment income only covers 31 percent of their assessment costs.</p>	<p>Agree with the LGA's position/comments.</p> <p>Nothing further to add.</p>
<p>3. How are service scope and standards determined for mandatory services?</p>	<p>SA councils are required to:</p> <ul style="list-style-type: none"> • develop an Annual Business Plan and Budget which outlines amongst other things: <ul style="list-style-type: none"> (i) the council's objectives for the financial year; and (ii) the activities that the council intends to undertake to achieve those objectives; and (iii) the measures (financial and non-financial) that the council intends to use to assess the performance of the council against its objectives over the financial year. 	<p>Agree with the LGA's position/comments.</p> <p>Also see comments under 3.3 sector wide service standards point 1 above where The Barossa Council is developing service plans with levels of service and measurable outcomes as part of its current internal reform and change program.</p>
<p>4.Councils are asked to provide further information on instances of cost shifting and quantify how they have impacted on councils' costs.</p>	<p>The LGA's previous submissions to the Commission included information on the broad cost shifting areas such as Solid Waste Levy and Community Housing mandatory rebates.</p> <p>The Commission is particularly interested in what this means for individual councils and has asked for further examples of cost shifting along with information on how these have impacted on councils' costs.</p>	<p>Agree with the LGA's position/comments.</p> <p>Nothing further to add to the submissions made to date.</p>

3.5: Compliance costs

A number of submissions from councils argued that the costs of complying with legislation and regulation have increased council operating costs.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1. Councils are asked to provide further examples of compliance costs and quantify how they have impacted on councils' costs.</p>	<p>The LGA's previous submissions to the Commission included broad information on:</p> <p>Local Government Elections - costs of carrying out official duties and arranging advertising for local government elections. The Nuisance and Litter Control Act - since July 2017, local councils have been responsible for enforcing the Local Nuisance and Litter Control Act. Some councils are indicating they are finding it difficult to keep up with the volume of complaints.</p> <p>Implications of changes to heritage system - the changes proposed by the State Planning Commission (SPC) will lead to about 11,000 Contributory Items being unprotected from demolition control. The cost of review of each of these items has been estimated to cost between \$300-500 per item (consultant costs), plus additional internal resourcing in amending development plans. The Commission is particularly interested in what this means for individual councils and has asked for further examples of compliance costs and quantify information on how they have impacted on councils' costs.</p>	<p>Agree with the LGA's position/comments.</p> <p>Nothing further to add to the submissions made to date.</p>

3.6: Cost pressures

The Commission is seeking additional information and evidence from councils to identify and understand drivers of councils' costs, the extent to which they are internal or external to councils, the extent to which cost pressures are systematic or unique to particular councils, and their impacts on council costs.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1. What are the most significant cost pressures (and their impact on costs) which councils expect to face over the next 5 years?</p>	<p>This may include:</p> <ul style="list-style-type: none"> • industrial relations – staff turnover/competition in labour market • properly accounting for and maintaining important infrastructure • technology advancements • grant timing and reliability • increase in supplier costs • increased number of force majeure events (bushfires, floods) • shift in demographics (causing significant increase/decrease in demand for services/assets) • skills shortage in region • change in economic contributor to region (major redundancy, industry/market failure in region) • cost shifting/sharing • change to regulations and/or legislation • limits on other revenue sources including user pays fees 	<p>Agree with the LGA's position/comments.</p> <p>In addition to the list provided to the left, the make-up and structure of the community and geographic profile impact on costs. For instance the Barossa was developed over 180 years as a county or village style of developments and therefore as one Council community it also has many local communities. This results in much more infrastructure such as multiple ovals, open space areas, halls, waste water systems, roads, stormwater, libraries, aged care and general community support and development costs than would otherwise be experienced if developing greenfield sites in the 21st century. However, rationalisation of what are in the main well utilised assets whilst in an economic and efficiency measure would seem logical when measured against social and community</p>

	<ul style="list-style-type: none">• climate change• ratepayer expectations• red tape.	outcomes they are not. The result is higher costs but increased social cohesion, participation and community spirit having wider local, regional and state benefits including everything from addressing loneliness, physical and mental health outcomes and employing and delivering and support economic growth through expenditure of Councils, clubs and other stakeholders connected to the villages.
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Chapter 4 – Local government efficiency and productivity

The term efficiency in this chapter refers to technical efficiency. An organisation is technically efficient if it produces the largest possible output from a given set of inputs, or if it uses the least possible quantity of inputs to produce a given level of output.

This chapter presents the principal methodological approaches used in the Commission's analysis.

4.1: Performance reporting

The LGA will be conducting further analysis of this section however councils are directed to pages 90 to 101 of the draft report which discusses the performance monitoring in other jurisdictions.

Performance and efficiency measurement play a role in helping councils to understand of their business and to improve outcomes through reduced costs or better services. This section describes performance monitoring activities across Australia to assist the identification of mechanisms and indicators that might usefully be employed by local government in South Australia.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1. How can these lessons from state-wide performance reporting frameworks in other jurisdictions be applied to South Australia?</p>	<p>Consideration should be given to the cost to implement any proposed model and that this doesn't become an additional cost driver that works against local government's efforts to put downward pressure on council rates.</p> <p>Councils should be provided with assistance to implement reporting systems, and care should be taken to limit duplication with any existing data collections (so councils don't have to replicate data with slightly different requirements, time periods and formats).</p>	<p>Agree with the LGA's position/comments.</p> <p>Taking a systems thinking approach rather than the local government approach reform as outlined at comments under 3.3 sector wide service standards point 1 above. The Barossa Council is developing service plans with levels of service and measurable outcomes as part of its current internal reform and change program. Linking state policy and reporting into that framework instead of the multiple unconnected frameworks at present would make significant long term improvements for both the state and local government. By reporting against those service plans we could do it once and not multiple times for each and every agency we must report to at present ranging from LG Grants Commission, Health, Disability Support, Planning and Building along with our own internal and external report. By way of example the quarterly system many Councils run to manage their own performance will also have state reporting and indicators embedded as per the attached Barossa Council activity and outcome reporting all linked to one community plan and driven by the service plans. This approach, which is still in its early days of maturity, then provides the executive with a clear link between inputs, service expectations, outputs, outcomes and ultimately performance and areas for improvement. A system of such simplicity could be replicated and be the basis for the so called</p>

		<p>benchmarking without reinventing another benchmarking system.</p> <p>Please see link below for Barossa's Performance Report. It is very internal and local government focused at present but the model can be easily matured as many of the state priorities and policy settings are embedded in service plans and we just need to develop the reporting further.</p>
2. Which indicators used in other jurisdictions would be appropriate for South Australian councils?	<p>Achieving consistent data reporting across 68 councils will be a resource intensive exercise and consideration will need to be given to the items that are reported to ensure that they deliver some strategic, operational and policy benefit.</p> <p>The LGA would welcome suggestions from member councils.</p>	<p>Agree with the LGA's position/comments.</p> <p>See comments above at 1. Indicators can be developed from the service plans and mandatory requirements embedded in these plans and reporting either fully or semi-automated to align with agreed indicators for the mandatory requirements. This will take a significant shift in thinking but would in the long term be a more efficient, transparent and comparable set of data that aligns to the needs of the state and local government and ultimately the rate/tax payer.</p>

<https://www.barossa.sa.gov.au/Media/Default/Council/Strategies,%20Policies%20and%20Bylaws/The%20Barossa%20Council%20Performance%20&%20Activity%20Report%20-%20Quarter%204%20-%202018%2019.pdf>

4.2: Partial productivity estimates

The LGA will be conducting further analysis of this section however Councils are directed to pages 102 to 113 of the draft report which discusses the partial productivity measure estimates for South Australian councils for the selected services areas of Transport, Waste Management, Planning and Library Services.

The data demonstrates that urban councils face different unit costs than rural councils, and that metropolitan urban councils differ from urban regional councils. For example, urban councils have significantly higher expenditure per kilometre of sealed roads than other councils, but lower expenditure per tonne on waste collection. Furthermore, there is significant variation within each council group.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
1. What do these partial productivity estimates tell us about local government efficiency?	<p>Technical efficiency is an important element in defining efficiency but this should also be underpinned by the principles of meeting community needs or desires (which may include a request for increased service levels), achievement against strategic management plans, achieving increased/enhanced community/social outcomes and sound asset management practices (where higher quality costs may be deemed to be relatively less technically efficient but are optimising asset lifecycle costs or performance).</p> <p>A true estimation of local government efficiency should consider additional indicators at an individual council level such as the existing Financial Indicators, community</p>	<p>Agree with the LGA's position/comments.</p> <p>Additionally as outlined in this response we should move toward a service plan, level and standard based system with one integrated planning, delivery, reporting and improvement system and move away from traditional disjointed estimations of economic or financial outcomes.</p>

	satisfaction survey results and an assessment of achievements against Annual Business Plans.	
2. What other partial productivity estimates can be used with currently available data?	The LGA will be guided by comments from member councils.	See comments to 3 below.
3. What additional data would councils be able to report on for minimal additional cost which would improve our understanding of council efficiency?	The LGA will be guided by comments from member councils.	Example has been provided in link above. The Barossa Council is data rich, as many Councils would be, and we are growing our reporting data base and improving overtime. The ultimate goal being to integrate all data into service plan reports on a quarterly basis that in one glance provides a snapshot of input costs and resources, targets, performance and outcomes. Therefore the question is not what additional data can be provided, as that may not provide the answer. Instead we need to design a system and use or develop the data we need to be as efficient as possible with many of the constraints already explained.
4. Is there any other evidence of an expansion in the scope of council services, or improvement in quality over this time period?	The LGA will be guided by comments from member councils.	No comment.
5. Is the current reporting to the SALGGC an appropriate process for any additional reporting by councils? Is there value in making any changes to this reporting?	The LGA will be guided by comments from member councils.	As has been explored in this response the model The Barossa Council is working towards is an integrated planning, delivery, reporting and improvement framework and to achieve that much of the report needs replacement or review. Data provided to the grants commission is of low interest generally in driving efficiency and improvement as it is purely financial with some measures of performance on an activity basis, comparisons are difficult and often the story on any comparison done is not accurate due to the differing communities and service levels provided or expected.

4.3: Service-specific efficiency

Data availability has limited the number and quality of partial productivity indicators that the Commission has been able to estimate. There are also some concerns with the consistency of the financial data at the individual service level and their comparability across councils. For instance, there may be differences in how councils apportion indirect costs across services and allocate costs to each of the SALGGC expenditure subcategories. Moreover, output quantity data that are reported to the SALGGC but not used by them are subject to less thorough checking than the financial data.

The Commission investigated possible options for measuring service-specific global efficiency estimates, including obtaining expert advice from Economic Insights, and has concluded that currently available data do not support this exercise at this point. Nevertheless, the Commission sees value in further work in this area.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>Acknowledging the gaps in data currently available, how can data quality be improved in order to measure service-specific efficiency across councils?</p>	<p>The LGA recognises the need for a sector-led performance management system, with a primary aim of providing reliable data with which councils can make informed decision.</p> <p>Much of the data is already collected by councils and stored on their corporate IT systems. Optimally, a central system would automatically extract the required data from the 68 councils, collate, analyse and present it in a meaningful manner. In doing so, such a system could increase council efficiency and reduce the considerable time currently devoted to collection, analysis and reporting of data.</p> <p>A performance measurement system with subsequent analysis of information would lead to a more efficient local government sector and, hence, a more productive state. As such there is a case for state government financial support for the scoping and then creation (but not ongoing costs) of such a system.</p>	<p>Agree with the LGA's position/comments.</p> <p>See commentary throughout this submission but specifically responses to question 1 under 4.1 Performance Reporting above.</p>

4.4: Efficiency changes through time

Quantifying changes in the volume and scope of council services is problematic. The Commission has not been able to identify any standardised measures of service quality across councils, which limits incorporating service quality into the model.

Data issues have also prevented the Commission from quantifying any expansion in the scope of services provided by councils.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1. How can the change in volume, scope or quality of services be quantified or otherwise incorporated into an evaluation of local government efficiency?</p>	<p>To build trust, communities require certainty that councils are delivering the right services at the right cost. A best practice program of services reviews with strong community engagement will assist in building community confidence and demonstrating efficiencies.</p> <p>Councils already undertake regular reviews of key services to ensure they are meeting community needs, being delivered in an efficient manner and not impacting on the long-term financial sustainability of the council. Sometimes difficult and unpopular decisions need to be made about reducing or consolidating services for the sake of greater efficiency and sustainability. It is important that these decisions about the range and level of local services provided remain in the hands of councils and their communities.</p> <p>The LGA proposes to develop a best practice guide to undertaking service reviews. Service reviews should consider service levels, unit costs, community demand, community satisfaction, alternative providers and links to financial sustainability. A sector-led consistent approach to measuring and reporting these factors will assist councils and communities to understand the value of the financial and community value of the services delivered.</p>	<p>Agree with the LGA's position/comments.</p> <p>Aligns well with the path The Barossa Council is on and undertook significant service reviews some 2 years ago and the results are driving the change program and internal reform we are implementing.</p>

4.5: Factors that influence estimated council efficiency

Council performance may be influenced by factors outside their control, including socio-economic and demographic characteristics of council areas, their geographic location, and operating and policy environments, as discussed in Chapter 3. Submissions from stakeholders also noted factors such as growth areas, ageing populations, labour market shocks (for example, large scale redundancies such as the closure of automotive manufacturers) and thin markets (LGASA submission, p.32).

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1. What other factors can explain the estimated efficiency differences between councils or over time?</p>	<p>Some of these noted in the consultation process, including submissions, are outlined below:</p> <ul style="list-style-type: none"> • multiple towns/service delivery centres • climatic factors • soil types • topographic differences • coastal versus inland setting • tourism • quality of services. 	<p>Agree with the LGA's position/comments.</p> <p>Aligns to the response provided question 1 under 3.6 Cost Pressures.</p>

2. What factors can explain the estimated productivity differences between councils over time?	As above.	Multi representative sites provide for interesting dynamics on a daily basis in terms of council's operations. For example, delivery of mail and correspondence between the various council sites, transporting hard copy documents across the district, telecommunications, ICT systems and communications, meeting attendances, staff travel, etc.
3. What other possible data sources can improve this analysis?	The LGA is conducting further research on other data sources however suggestions from member councils is welcomed.	No comment.
4. What further information could be considered to analyse and interpret estimated partial and global efficiency scores?	The LGA is conducting further research however suggestions from member councils is welcomed.	No comment other than that outlined through this submission.

Chapter 5 – Costs and efficiency improvements

Trends in, and possible drivers of, expenditure in the local government sector shows that the growth in local government operating expenditure over the last decade has been relatively high. Urban metropolitan and fringe councils consistently recorded higher growth in operating expenditure than other councils during this period. This growth has been greater than underlying measures of inflation and has been funded, in the main, by increases in rate revenue, thereby putting upward pressure on the cost of living for ratepayers.

5.1: Employee costs

The Commission has found that councils' operating expenditure is mainly made up of employee costs and materials, contracts and other costs, which accounted for 35 per cent and 41 per cent of total sector operating expenditure in 2017-18. These proportions have not changed significantly since 2008-09.

Sector expenditure on employee costs increased more, in percentage terms, over the decade than any other expenditure category at an annual average increase of 4.5 per cent, although growth has moderated over the decade in both urban and rural councils.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1. Are there any benefits from streamlining the current industrial relations arrangements by moving to sector-wide enterprise bargaining?</p>	<p>The LGA has started looking at opportunities to streamline processes within local government through an industry-wide industrial relations framework which enables a culture of meaningful, open and respectful engagement between employees, management and unions.</p> <p>Our work to date demonstrates there is an opportunity to align the sector workforce through a modernised industrial relations framework. An aligned workforce will provide individual councils with continued success and simultaneously deliver wellbeing to employees through shared values and commitments; support individual council's strategic and business plans; secure a multi-skilled and engaged workforce; foster flexibility and continuous improvement in the local government sector; enhance productivity and significantly reduce duplicated costs and effort.</p>	<p>Agree with the LGA's position/comments.</p> <p>The system has served us well but presently it is broken and amounts generally to a wage claim. Staff also see the problems with the system as it is inflexible and trying to fit multiple individual values and needs into a one size fits all box is outdated thinking in organisational management. There is little left to be bargained upon or away, the system now having been in place for many years.</p> <p>The system is also set up to work against contemporary and efficiency organisational culture models in that it is adversarial rather than collaborative.</p> <p>Fundamentally the system is not serving anyone well anymore and we need to find new ways and modernise our industrial relations framework for the benefit of communities, staff and Council.</p> <p>This reform however needs to be coupled with consideration of requirements for building the workforce for the next generations and thinking 20-30 years ahead so we can structure industrial relations, organisational culture and workplace planning at a sector level. We also need to make</p>

		local government cost structures more adaptable and flexible along with a implementing a stronger focus on attracting the next generation of professionals to our industry through secondary and tertiary education relationships and pay structures that allow greater investment in our youth.
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5.2: Quality and quantity of data

The Commission's identification of cost drivers has been constrained by a lack of data, particularly with respect to outputs and quality. It has formed the provisional view, through consultation with councils, that increases in the scope, volume and quality of outputs have been a significant driver of growth in councils' operating expenditure.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
1. How can councils be assisted to work collectively to improve the quantity and quality of the available data on inputs, outputs and outcomes for services?	<p>The LGA would welcome a local government-led Local Government Efficiency Program, which would:</p> <ul style="list-style-type: none"> capture and report on local government performance measurement data in a consistent way enhance integration of Asset Management Plans, Long Term Financial Plans and Strategic Management Plans be based on a maturity model - that helps councils assess their current effectiveness and identifies the capabilities that are needed in order to improve their performance. <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	<p>Note the LGA's position/comments.</p> <p>The Barossa Council firmly believes the reforms it is implementing through service reviews and research built around one integrated planning, delivery, reporting and improvement framework will deliver local government governance for the decades to come and will help address this question. The answer in our view lies in a system thinking approach not a silo approach. Reform needs to happen as outlined in LGA's comments but the need for all the duplicated effort would reduce if we can drive our future as outlined in our submission. The Council reiterates we are only at the early stages of our internal reform program, however it is clear that enhancing what we currently have will only provide incremental improvement instead of driving a significant paradigm shift. For instance, the value of asset management plans is not the document itself, it's the data contained within it. Same with long term plans. We advocate to get rid of them and embedded this information in for instance road service plans with service levels, targets and intervention points. This would afford councils with an opportunity to be both efficient and accountable, as a customer could go to one document to determine the service level that would be provided for all of Councils services. Presently, depending on the query, you might have to go to</p>

multiple documents. For organisational improvement purposes, the system we are working towards would provide powerful information to decision makers of efficiency outcomes and areas for improvement and intervention.

5.3: Strengthening councils' accountability and transparency

South Australia's legislative framework, particularly the LG Act itself, not only recognises local government as a separate and legitimate sphere of government in its own right, but also provides councils with a high degree of autonomy to act as decision makers in their communities. The quality of councils' decision-making will therefore have a significant effect on the service mix that councils provide in their communities. This is especially important in relation to non-mandatory services, where councils' discretionary authority is greatest, but is also important when councils consider the scope and quality of service provision for mandatory services.

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>1. How can the South Australian Government strengthen the accountability and transparency of councils?</p> <p>Possible instruments include:</p> <ul style="list-style-type: none"> • funding; • legislation and monitoring of implementation through audits of the processes of local government decision making; and • an agreement with councils and regular dialogue to reinforce the expectation that councils will conduct audits of the processes of local government decision making. 	<p>The LGA would welcome a local government-led Local Government Efficiency Program, which would:</p> <ul style="list-style-type: none"> • capture and report on local government performance measurement data in a consistent way • enhance integration of Asset Management Plans, Long Term Financial Plans and Strategic Management Plans • be based on a maturity model - that helps councils assess their current effectiveness and identifies the capabilities that are needed in order to improve their performance. <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	<p>Note the LGA's position/comments.</p> <p>See comments to question 1 at 5.2 Quantity and Quality of Data above.</p> <p>The Barossa Council also recognise that the transition to a model as described will take some time and will require significant change and rethinking of our systems which will need to be supported by the LGA and others as well as State agencies to integrate their requirements into the model rather than requiring additional plans and reporting.</p>
<p>2. Should councils be required to undertake an independent external audit of their expenditure and efficiency in the event of that they record relatively high operating expenditure growth in a given period?</p>	<p>A heavy-handed legislative response is not always required to achieve positive change within local government, the LGA proposes to use a best practice approach to encourage councils to make the best use of their audit committees.</p> <p>Consideration should be given to the cost to implement any proposed model and that this doesn't become an additional cost driver that works against local government's efforts to put downward pressure on council rates.</p>	<p>Agree with the LGA's position/comments.</p> <p>Such an approach would not be necessary with a service plan driven system utilised for benchmarking and ultimately the electoral processes.</p> <p>Further the Audit Committee already has a role in efficiency and economy audits, this part of the legislation could be reviewed to require the Audit Committee to review service efficiency based on a risk approach but determined through the Audit Committee annual setting of its program within the resources.</p>
<p>3. Would growth in operating expenditure over any three-year period (normalised for population growth) which</p>	<p>Current legislation requires councils to publicly report broadly on where their revenue comes from. However, councils are not required to adopt a revenue policy describing</p>	<p>Agree with the LGA's position/comments.</p> <p>See comments to 2 above.</p>

<p>exceeds the rise in the Local Government Price Index for that period be an appropriate trigger for such an audit?</p>	<p>what mix, of this suite of revenue options, it proposes to adopt for each of its services and why it has made such choices.</p> <p>A revenue policy would create a single point of reference to enable the community to understand how a council proposes to pay for the services it chooses to deliver over a period of time, taking into account rates, grants, fees and charges and commercial activities.</p>	
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