

9 July 2019
Our ref: D19/45250

South Australian Productivity Commission
GPO Box 2343
ADELAIDE SA 5001

Dear Sir

**SAPC – South Australian Productivity Commission – Methodology Paper -
Inquiry into Local Government Costs and Efficiency**

I provide comments relating to the SAPC (South Australian Productivity Commission) inquiry into Local Government Costs and Efficiency on behalf of the City of Tea Tree Gully.

Information Requests:

Approach to comparative analysis:

- 3.1 Is the Australian Classification of Local Governments an appropriate way to group similar councils for comparison? Is there a better approach?

City of Tea Tree Gully Response:

“The 22 categories included in the ACLG contain too few councils in each for meaningful comparisons and some level of aggregation is required. The Commission’s proposed groupings using the ACLG are:

- urban (including capital, development and fringe);
- rural agricultural (small and medium);
- rural agricultural (large and very large); and
- urban regional.”

Suggestion: Urban should be split between small medium and large metropolitan councils.

- 3.2 Is the proposed ten-year timeframe to analyse costs and efficiency appropriate?

City of Tea Tree Gully Response:

Agree

3.3 Are there any other sources of data that would help the Commission?

City of Tea Tree Gully Response:

Grants

Long Term Financial Plan

Councils' financial management and sustainability policies

Councils' strategic plans

Councils' continuous improvement framework

Suggestion: Council should be provided the opportunity to meet face to face with the Commission or their representatives to allow councils the help the Commission understand key initiatives and challenges facing each council.

Analysing council costs:

4.1 What are the key determinants or drivers of council costs and how have councils' costs changed over time?

City of Tea Tree Gully Response:

The Commission should consider:-

- Levies imposed by State Government for example solar
- cost shifting through direct and indirect State and Federal Government decisions
- Legislative changes to include for example Local nuisance and Litter laws, DDAI Act, planning reforms to name a few in recent years
- Introduction of DACO system, which for a number of mature councils was actually a step backwards, increasing our costs and lowering our service standards
- Cost shifting associated with major state government initiatives not being completely funded by the state government for example Golden Grove Road upgrade
- The issue around grants for initial investment but not for renewal
- Lack of support for sports and recreation to meet the growing demand and the participation targets set by state government, particularly female involvement in traditionally male dominated sports such as Australian Rules Football and Cricket.
- Our council's unique responsibility associated with running the sewerage system that was not funded by the state government in the 1970s in metropolitan Adelaide.
- Rising costs associated with water, waste and electricity, the sale of SA Power Network and the monopoly that SAPN has in place needs to be investigated caused by the State Government which will not be resolved for 80 years
- The requirement for communities to address climate change

- The impact of the china sword on the recycling industry and the slow response from the government t to support the market place
- There appears to be a lack of recognition to some of the extra costs incurred by councils in delivering the services that their community has requested. E.g. for the City of Tea Tree Gully we provide an Envirocare Sunday every second Sunday where our residents can dispose of their green waste free of charge. This improves the appearance of private properties and provides reduced fire protection in the summer months. This service drives our overall waste service costs up but we are delivering a service the community wants and now expects
- This review appears to have no recognition to the quality of services which is something we highly regard at the City of Tea Tree Gully.

There is also the assumption that the community is not satisfied with our Council, when our community satisfaction survey indicates that they are.

4.2 What is the best approach to defining and measuring costs for comparisons across councils or through time?

City of Tea Tree Gully Response:

Suggestion: The Review should take into account the varying degree of service standards and expectations of the community. The review should delve down into unit rates and introduce the benchmarking results in order to properly compare one council with another.

What is the appropriate measure of capital expenditure – needs to be long term average over the future long-term financial plans and then per resident, per dwelling over the life of the asset not just short term expenditure.

Financial sustainability framework.

This standard has been set in legislation and regulations.

The focus to implement asset management plans sets the investment required. Whether council is productive is based on if we are investing at the rate outlined in the asset management plans over a five year period.

The focus needs to be on standardisation of reporting, something that is clearly missing at the moment.

In terms of capital expenditure – the Review should look at the linkage between the new capital expenditure and the linkage to the council's strategic plan to make sure the new assets aren't being built that are not linked to the strategic plan and supported by the community.

4.3 What is the most appropriate measure of capital expenditure?

City of Tea Tree Gully Response:

- Annual survey
- Customer satisfaction survey
- Audit results – internal and external – the City of Tea Tree Gully would welcome an interview to discuss
- Regular community engagement at the budget setting (Annual Business Plan) stage and during major projects
- The Review needs to consider the quality of information provided to the community in the Annual Business Planning stage. Our Council provides considerable information on our 200 or so capital works projects whereas some other councils don't provide the same level of detail making it difficult for their communities to make an informed comment

We would welcome the opportunity to have an interview to discuss this in more detail.

4.4 What measures of council service quality are available?

City of Tea Tree Gully Response:

- Continuous improvement (CI) framework
- Competitive tendering / procurement of goods and services
- Internal auditing
- Customer feedback
- Community surveys
- We trigger our own service reviews
- CI KPI's for CEO performance review sets goals and targets

How to estimate local government efficiency:

5.1 What is the experience of South Australian councils in measuring and monitoring efficiency?

City of Tea Tree Gully Response:

- Refer to our response in 4.4 above

5.2 Are there any examples of efficiency monitoring programs in other jurisdictions?

City of Tea Tree Gully Response:

- Project/process review
- Internal audits
- Industry benchmarking
- Profit margins
- Cost trends

5.3 Have these efficiency monitoring programs resulted in improved council efficiency?

City of Tea Tree Gully Response:

Absolutely

5.4 Is there value in estimating service-specific efficiency of councils?

City of Tea Tree Gully Response:

Yes

5.5 What services are most appropriate to estimate council efficiency?

City of Tea Tree Gully Response:

- IT investment and systems
- Profile of employees – turnover – age curve – driving change
- Structure of organisation – span of control
- Contemporary management
- Investment in learning
- Differentiation of what is insourced and outsourced
- Number of admin staff and other
- Admin staff for level of IT investment

We would like to meet face to face to elaborate what we are doing.

5.6 How do councils monitor their efficiency over time?

City of Tea Tree Gully Response:

- Service reviews
- Benchmarking

5.7 Are there any examples or case studies of councils benchmarking their costs and efficiency against other councils?

City of Tea Tree Gully Response:

Benchmarking needs to spend considerable time and effort in unpacking the differences between councils and identify equivalent cost structures.

Every council is different in so many ways, benchmarking is far more complex than it would appear on face value.

Understanding factors that influence efficiency of councils:

- 6.1 Are the factors used in previous studies likely to influence local government efficiency in South Australia?

City of Tea Tree Gully Response:

Yes but with some reservations.

- 6.2 Are there any additional factors that could affect the costs and efficiency of South Australian councils?

City of Tea Tree Gully Response:

- Topography
- Population spread
- Road network including road layout
- Soil types
- Rainfall
- Amount of Open space
- Proximity to major suppliers
- Traffic counts
- Numbers affecting services:
 - Road length
 - Footpath length
 - No. of dogs
 - Private parking requirements
 - School zones to be monitored
 - No of playgrounds
 - Etc

- 6.3 What are the key internal and external factors that have impacted councils estimated efficiency over the last ten years?

City of Tea Tree Gully Response:

Insufficient time to provide a detailed response but we would be happy to elaborate given more time.

- 6.4 What are the key internal and external factors which councils expect to impact their efficiency going forward?

City of Tea Tree Gully Response:

Insufficient time to provide a detailed response but we would be happy to elaborate given more time.

- 6.5 What decision-making processes do councils use to determine the scope of services they provide and how these services are provided?

City of Tea Tree Gully Response:

- Review existing services
- Costs of various components
- Community expectations / needs
- Options of service delivery alternatives

Options for improved council performance:

- 7.1 What are councils' experiences with recent reforms in policy, governance and management?

City of Tea Tree Gully Response:

Insufficient time to provide a detailed response but we would be happy to elaborate given more time.

- 7.2 What actions/reforms have councils initiated to improve efficiency or reduce costs?

City of Tea Tree Gully Response:

Too many to list here but happy to provide more detail. In 2018/19 Council identified over 90 Continuous Improvement outcomes

- 7.3 What reforms in other jurisdictions successfully resulted in improved council efficiency?

City of Tea Tree Gully Response:

No comment at this stage

- 7.4 How can financial accountability in the local government sector be enhanced?

City of Tea Tree Gully Response:

The Auditor General should have a greater oversight of local government and provide opinion particularly in rural and remote regions and cost shifting.

7.5 Are there examples of actions initiated by councils to increase efficiency?
What has worked and what has not worked?

City of Tea Tree Gully Response:

Refer to our response in 7.2

We would very much appreciate the opportunity to elaborate and provide more detailed information through a face to face meeting.

Yours sincerely



John Moyle
Chief Executive Officer