



Bridge to Opportunity

The Rural City of  
**MURRAY  
BRIDGE**

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In response please quote MS:RLK Productivity Commission

25 October 2019

South Australian Productivity Commission  
GPO Box 2343  
ADELAIDE S A 5000  
E: [sapc@sa.gov.au](mailto:sapc@sa.gov.au)

## **RE: INQUIRY INTO LOCAL GOVERNMENT COSTS AND EFFICIENCY**

Council at its meeting on the 14 October 2019 considered the draft report "Inquiry into Local Government Costs and Efficiency" prepared by the Productivity Commission and also the Issues Paper prepared by the Local Government Association.

The following comments have been endorsed by Council for your consideration:

### **Lower Local Government costs and enhance Local Government financial accountability**

The Rural City of Murray Bridge supports a sector wide benchmarking program, and is currently participating in the Australasian LG Performance Excellence Program. Council believe this program should also be considered due to its national data set.

### **Guide and assist Councils to improve efficiency and create capacity to pass on cost reductions to Ratepayers**

The Rural City of Murray Bridge supports the development of a toolset, knowledge base and provision of resources to assist in the review of services, efficiency assessments, business improvement activities and measurement of the benefits of such activities. The Local Government Association could assist in the development of these toolsets and provision of resources.

### **2.1 - Funding**

FAG funding is distributed to a broad cross section of Councils with differing communities, demographics, social and economic situations. It is the role of each Council to understand its community through its consultation processes as outlined in the Local Government Act.

It is also therefore reasonable to expect that due to the diversity of issues and opportunities, Councils know their service gaps and opportunities best, and are in the best position to distribute funding accordingly.

The Rural City of Murray Bridge supports the continued provision of untied FAG funding.

Lerwin Nursing Home  
67 Joyce Street  
Murray Bridge  
T 08 8539 1185

Murray Bridge Public Library  
Cnr South and East Terrace  
Murray Bridge  
T 08 8539 1175

Regional Gallery and Town Hall  
27 Sixth Street  
Murray Bridge  
T 08 8539 1420

Visitor Information Centre  
3 South Terrace  
Murray Bridge  
T 08 8539 1142

The Station  
3 - 5 Railway Terrace  
Murray Bridge  
T 08 8539 1157

Grant funding programs are essential to Councils in progressing asset enhancement works. Grant programs support the implementation of endorsed Council plans and initiatives, based on community expectations.

The Rural City of Murray Bridge supports the LGA comments regarding improvements to Grant programs.

It is also suggested that Grant programs which target sporting and community groups are developed with consideration given to the capability of the group and the ongoing expenditure associated with maintenance, depreciation and expense. Often sporting and community groups are allocated Grant funding which Council has limited involvement with and in time, bears the ongoing expense associated with the funding once the asset is returned. In some cases the community group has the best intentions with regard to project delivery; however with limited resources pulls on Council resources to support delivery. This in turn can place a strain on Council resources.

### **2.3 – Financial Management**

The Rural City of Murray Bridge supports the LGA comments, noting that it has delivered an underlying operating surplus for the last four years and has a forecast surplus in each year of its forward Long Term Financial Plan

The currently mandated Financial Indicators;

- Operating Surplus Ratio
- Net Financial Liabilities Ratio
- Asset Sustainability Ratio
- Net Interest Ratio

Represent a firm basis for financial management decision making by Councils.

### **2.4 – Workforce Planning**

The Rural City of Murray Bridge supports the LGA comments. It is worth highlighting that through its engagements with local small, medium and large businesses, commercial operators also are challenged with recruiting and retaining skilled workers.

As a result our Council is partnering with the RDA, TAFESA, Universities and other local Councils to foster initiatives to deal with the education element of this multi-faceted issue.

Council supports broader and ongoing collaboration with other parties in looking for solutions to improving employment in regional South Australia

### **2.5 – Resource Sharing**

The Rural City of Murray Bridge supports the sharing of resources both from our Council to smaller regional Councils, and from metropolitan Councils to our Council. However role descriptions and responsibilities often are mismatched between Councils. This can create confusion with staff and the respective Councils. The availability (or lack) of backfill resources also can prevent role sharing opportunities. Further, Council corporate systems can be a limiting factor in managing data sharing between Councils and could be an opportunity.

### **3.1 – Materials, contracts and other costs**

The Rural City of Murray Bridge experiences difficulty in accessing all required contractors locally, and therefore have an overhead with project costs for distance related increased expenditure. Despite this, the Rural City of Murray Bridge, has a commitment to engaging local providers. This is reflected in Councils Procurement Policy and a key principle in an impending review being undertaken in the next 6 months.

### **3.3 – Sector wide service standards**

The Rural City of Murray Bridge supports a sector-wide benchmarking and service review best practice guide, and is currently participating in the Australasian LG Performance Excellence Program, which should also be considered as an input for Service Reviews due to its national data set.

#### **4.1 – Performance Reporting**

The Rural City of Murray Bridge is supportive of the LGA comments in relation to this issue and is committed to the financial sustainability measures utilised in its Long Term financial planning.

#### **4.2 Partial Productivity Estimates**

It should also be noted, that Councils are already required to provide extensive data reporting to a number of different bodies, and organisations. Additional reporting should be considered carefully for its impacts and administrative burden.

#### **4.4 – Efficiency changes through Time**

Council also recognises the importance of all levels of government working collaboratively and Local Government having a seat at the table. This approach prevents misunderstanding and consistent communication with all levels of government.

#### **Local Government Issues Paper**

Attached for your information is a copy of Council's response in relation to the Local Government Associations Issues Paper.

Should you require clarification on any of the points raised by Council please do not hesitate to contact me.

Yours faithfully



Michael Sedgman  
CHIEF EXECUTIVE OFFICER

# ***Productivity Commission Inquiry into Local Government costs and efficiency - Draft Report***

## **Issues Paper**

**September 2019**

Note: This is not an endorsed document. It has been prepared for consultation purposes only, and is subject to consideration by the LGA Board of Directors.

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## Background

The South Australian Productivity Commission (the Commission) has been asked to examine the trends in local government costs and efficiency and the drivers behind these trends. The terms of reference of the Inquiry can be found on the Commission's website<sup>1</sup>.

Through the Inquiry, the Commission has analysed council expenditure and service provision data over the past ten financial years and sought to identify the drivers and trends in council costs.

The Commission has now released its draft inquiry report which outlines their draft recommendations to the South Australian Government on actions they could take to lower local government costs and enhance local government financial sustainability and, draft advice to councils on how they may measure and improve their performance over time.

## Purpose of this Issues Paper

Through this Issues Paper the LGA is seeking to engage with our members to:

- outline the LGA's consultation process and associated timeframes;
- provide initial commentary on the recently released draft report<sup>2</sup>; and
- seek comments on the questions posed within the draft report to assist with the development of a sector-wide response.

## Inquiry feedback opportunities and LGA consultation process

Councils can provide feedback either to the LGA to be incorporated into sector-wide submissions, direct to the Commission (please provide a copy to the LGA), or both.

### Stage 1 – Methodology Paper (complete)

On 31 May 2019, the Commission released a Methodology Paper regarding the Local Government Inquiry into costs and efficiency.

In response to the Methodology Paper, the LGA developed an Issues Paper, facilitated a workshop (1 July 2019) and prepared two submissions.

Copies of the Issues Paper, workshop presentation and LGA submissions can be found here:  
[LGA Members Site - LG Reform](#)

### Stage 2 – Inquiry Draft Report (current stage)

The release of the draft report starts a further round of consultation with stakeholders, following which the Commission will consider all feedback; finalise its views; and submit its final report and recommendations to the Premier by 22 November 2019.

The Commission's draft report shows that councils are generally achieving a high rate of efficiency when compared with each other. However, it acknowledges there are opportunities for further

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<sup>1</sup> [www.sapc.sa.gov.au](http://www.sapc.sa.gov.au)

<sup>2</sup> <https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/draft-report>

improvement, and the LGA will be looking carefully at the draft recommendations. A number of the suggested changes have previously been identified by councils and included in the LGA's submission on local government reform.

This report is only a draft and includes 19 requests for further information in areas such as workforce planning, resource sharing, industrial relations reform, and accountability and transparency measures.

The Commission will hold ongoing consultations with key stakeholders during September and October.

The closing date for written submissions is 25 October, which gives eight weeks for councils to respond to the Commission.

The Commission is required to publish the final report within 90 days.

The Inquiry will run concurrently with the Government's reform program, and where possible the LGA will align the consultation processes for the Inquiry and the reform program.

## Proposed LGA consultation process

The LGA anticipates preparing two pieces of work in relation to Stage 2; a Summary Analysis/Issues paper (this document) to gather feedback from member councils and a submission to the Commission.

The LGA has facilitated two workshops with the Productivity Commission (3 and 4 September) to discuss the draft report. Further information including a copy of the Commission's presentation at the workshops can be found here: [LGA Members Site - LG Reform](#)

### Proposed LGA consultation timeframes:

Draft report released	30 August 2019
LGA Summary Analysis/Issues Paper released	Approx. 2 weeks following release of report
<b>Final deadline for feedback from members</b>	<b>4 October 2019</b>
Final submissions to the Commission	25 October 2019

## Stage 2 responses

The final deadline for comments and feedback to the LGA to be included in the sector-wide submission for Stage 2 is **COB Friday 4 October 2019**.

Responses can be submitted via email to Rebecca Muller, Senior Policy Officer at [rebecca.muller@lga.sa.gov.au](mailto:rebecca.muller@lga.sa.gov.au)

Copies of individual council submissions to the Commission can also be provided via email to the address above.

## Previous LGA advocacy and policy positions

The LGA has previously outlined a plan for sensible change<sup>3</sup> which includes:

- sector wide benchmarking program
- strengthening the Council Members Code of Conduct
- best practice audit committees
- standardising external audits
- introduce a revenue policy
- diversifying local government revenue
- best practice service reviews
- supporting new boundary reform processes
- industry-wide industrial relations framework
- review representation reviews
- local government elections reform

The LGA strongly support the draft recommendation for sector-wide benchmarking. The LGA has been calling for State Government support for a performance reporting framework since 2017, and hopefully there will now be some action on this.

A sophisticated on-line benchmarking system would help councils identify opportunities for continued improvement and provide ratepayers with relevant information about their council's performance.

It's also encouraging to see that the impact of State Government decisions on councils has been recognised.

The LGA and member councils look forward to working with all members of state parliament to deliver sensible local government reforms that will benefit South Australian communities.

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<sup>3</sup> <https://www.lga.sa.gov.au/localgovernmentreform>

## Summary analysis of draft recommendations within the draft report

For the most part, the LGA will be guided by comments from member councils. Where the LGA Secretariat does have comment on the draft report, this is included below.

### Draft recommendations to the South Australian Government

<b>To lower local government costs and enhance local government financial accountability, the Commission proposes that the South Australian Government:</b>	<b>LGA Secretariat comments</b>	<b>Council comments</b>
<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"> <li>i. Establishing common key performance indicators (KPIs) for inputs, outputs, service standards and financial indicators;</li> <li>ii. Optimising existing information held by the South Australian Government, especially that gathered by the South Australian Local Government Grants Commission;</li> <li>iii. Filling the gaps in the current information;</li> <li>iv. Publishing information in a contextualised form designed to assist individual councils.</li> </ul>	<p>This draft recommendation broadly aligns with the LGA's Local Government Reform Agenda advocacy for a sector-wide benchmarking program.</p>	<p>The Rural City of Murray Bridge supports a sector-wide benchmarking program, and is currently participating in the Australasian Performance Excellence Program, which should also be considered due to its national data set.</p>

<p>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.</p>	<p>This draft recommendation broadly aligns with the LGA's Local Government Reform Agenda advocacy for a sector-wide benchmarking program.</p>	<p>The Rural City of Murray Bridge supports a sector-wide benchmarking program, and is currently participating in the Australasian Performance Excellence Program, which should also be considered due to its national data set.</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>    a) councils</p> <p>    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"> <li>• 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.</li> <li>• Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements.</li> </ul>	<p>The Rural City of Murray Bridge is supportive of the LGA comments</p>

<p><u>In the medium term</u></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>	<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"> <li>• Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements</li> <li>• Cease mandating through state laws that local government must perform functions for the state government.</li> </ul>	<p>The Rural City of Murray Bridge is supportive of the LGA comments</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"> <li>• Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements</li> <li>• Cease mandating through state laws that local government must perform functions for the state government.</li> </ul>	<p>The Rural City of Murray Bridge is supportive of the LGA comments</p>

## Summary analysis of draft advice within the draft report

For the most part, the LGA will be guided by comments from member councils. Where the LGA Secretariat does have comment on the draft report, this is included below.

### Draft advice to South Australian councils

<p><b>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:</b></p>	<p><b>LGA Secretariat comments</b></p>	<p><b>Council comments</b></p>
<p>1. As a body, facilitate in depth benchmarking between councils by:</p> <ul style="list-style-type: none"> <li>i. Establishing a Community of Practice sponsored by the Local Government Association, to share among other elements:               <ul style="list-style-type: none"> <li>a) Methods, tools and approaches;</li> <li>b) Skilling of council staff;</li> <li>c) Panel of competent providers; and</li> <li>d) Lessons learned and examples of success.</li> </ul> </li> <li>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;</li> <li>iii. Collectively undertaking a regular sector-wide analysis of efficiency measures.</li> </ul>	<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>The Rural City of Murray Bridge supports the development of a toolset, knowledge base and provision of resources to assist in the review of services, efficiency assessments, business improvement activities and measurement of the benefits of such activities. The LGA could assist in the development of these toolsets and provision of resources.</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.

This advice is broadly consistent with the LGA's Local Government Reform<sup>4</sup> agenda.

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.

A best practice program of services reviews with strong community engagement will assist in building community confidence and demonstrating efficiencies.

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.

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.

The Rural City of Murray Bridge is supportive of the LGA comments

<sup>4</sup> <https://www.lga.sa.gov.au/localgovernmentreform>

3. Enhance the transparency and accountability of their operations by councils:

- 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;
- ii. Including in their external audits an examination of service reviews and program evaluations; and
- 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.

Any proposed framework should identify opportunities for further improvement, without duplicating existing measures or creating greater uncertainty.

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.

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.

The Rural City of Murray Bridge is supportive of the LGA comments

## Summary analysis of Information Requests within the draft report

For the most part, the LGA will be guided by comments from member councils. Where the LGA Secretariat does have comment on the draft report, this is included below.

### Chapter 2 – Structure, development and reform

The chapter 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.<sup>5</sup>

#### 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.<sup>6</sup>

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
How does the untied nature of FAG funding affect council decisions to provide non-mandatory services?	<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 (<a href="#">7.3.6 Untied and Specific Purpose Grants</a>) states:</p> <p><i>Local government acknowledges that grants from other spheres of government are most beneficial when untied, and available unconditionally for a wide range of purposes.</i></p>	<p>FAG funding is distributed to a broad cross section of Councils with differing communities, demographics, social and economic situations.</p> <p>It is the role of each Council to understand its community through its consultation processes as outlined in the Local Government act.</p> <p>It is also therefore reasonable to expect that due to the diversity of issues and opportunities, Councils know their service</p>

<sup>5</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 31)

<sup>6</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 37)

	<p><i>Local government shall continue to welcome grants from federal/state governments and negotiate terms that will most benefit local communities.</i></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>gaps and opportunities best, and are in the best position to distribute funding accordingly.</p> <p>The Rural City of Murray Bridge supports the provision of untied FAG funding.</p>
<p>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 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 to as they don’t fit the current guidelines.</p>	<p>Grant funding programs are essential to Councils in progressing asset enhancement works. Where Council is given enough notice, Grant programs support the implementation of endorsed Council plans and initiatives, based on community expectations.</p> <p>The Rural City of Murray Bridge supports the LGA comments regarding improvements to Grant programs.</p> <p>It is also suggested that Grant programs which target sporting and community groups are developed with consideration given to the capability of the group and the ongoing expenditure associated with maintenance, depreciation and expense. Often sporting and community groups are allocated Grant funding which Council has limited involvement with and in time, bears the ongoing expense associated with the funding once the asset is returned. In some cases the community group has the best intentions with regard to project</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).

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.

delivery; however with limited resources pulls on Council resources to support delivery.

This in turn can place a strain on Council resources.

## 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.<sup>7</sup>

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>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>The Rural City of Murray Bridge is supportive of the LGA comments</p>

<sup>7</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 37)

## 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.<sup>8</sup>

<b>The Commission is seeking information and views on:</b>	<b>LGA Secretariat comments</b>	<b>Council comments</b>
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.	The Rural City of Murray Bridge supports the LGA comments, noting that it has delivered an underlying operating surplus for the last four years and has a forecast surplus in each year of its forward Long Term Financial Plan.
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.	The currently mandated Financial Indicators; <ul style="list-style-type: none"> <li>• Operating Surplus Ratio</li> <li>• Net Financial Liabilities Ratio</li> <li>• Asset Sustainability Ratio</li> <li>• Net Interest Ratio</li> </ul> Represent a firm basis for financial management decision making by Councils.

<sup>8</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 38)

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?

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.

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.

The LGA proposes to use a best practice approach to encourage councils to make the best use of their audit committees.

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.

Many councils have voluntarily expanded the role of their audit committee beyond what is legally required.

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.

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.

The Rural City of Murray Bridge is supportive of the LGA comments

## 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.<sup>9</sup>

<b>The Commission is seeking information and views on:</b>	<b>LGA Secretariat comments</b>	<b>Council comments</b>
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>The Rural City of Murray Bridge supports the LGA comments. It is worth highlighting that through its engagements with local small, medium and large businesses, commercial operators also are challenged with recruiting and retaining skilled workers.</p> <p>As a result our Council is partnering with the RDA, TAFESA, Universities and other local Councils to foster initiatives to deal with the education element of this multi-faceted issue.</p> <p>Council supports broader and ongoing collaboration with other parties in looking for solutions to improving employment in regional South Australia.</p>
Are these issues unique to individual councils?	The LGA will be guided by comments from member councils.	As above.
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>	As above.

<sup>9</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 40)

## 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.<sup>10</sup>

<b>The Commission is seeking information and views on:</b>	<b>LGA Secretariat comments</b>	<b>Council comments</b>
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.	The Rural City of Murray Bridge supports the sharing of resources. Both from our Council to smaller regional Councils, and from metropolitan Councils to our Council.
In councils' experiences of resource sharing, what works and what does not? Why?	Councils are asked to provide further examples of resource sharing.	<p>The Rural City of Murray Bridge supports resource sharing; however role descriptions and responsibilities often are mismatched between Councils. This can create confusion with staff and the respective Councils.</p> <p>The availability (or lack of) backfill resources also can prevent role sharing opportunities.</p> <p>Further, Council corporate systems can be a limiting factor in managing data sharing between Councils and could be an opportunity.</p>
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.	As above
What challenges, if any, do councils face in making use of the provisions contained in sections 42 and 43 and Schedule 2 of the Local Government	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	The Rural City of Murray Bridge is supportive of the LGA comments

<sup>10</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 41)

Act 1999 to deliver effective and efficient services to their communities?

commercial activities, in order to offset the cost of council services for the community.

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.

## 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.<sup>11</sup>

### 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.<sup>12</sup>

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
What are the main drivers of materials, contracts and other costs for rural small and medium councils?	Drivers may include a lack of suppliers locally, remoteness of location and competition with the private sector. Councils are asked to provide examples.	The Rural City of Murray Bridge is supportive of the LGA comments.  The Rural City of Murray Bridge experiences difficulty in accessing all required contractors locally, and therefore have an overhead with project costs for distance related increased expenditure. Despite this, the Rural City of Murray Bridge, has a commitment to engaging local providers. This is reflected in Councils Procurement Policy and a key principle in an impending review being undertaken in the next 6 months.
In what ways do current council procurement practices affect expenditure on materials, contracts and other costs?	The LGA will be guided by comments from member councils.	As above

<sup>11</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 47)

<sup>12</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 53)

### 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.<sup>13</sup>

<b>The Commission is seeking information and views on:</b>	<b>LGA Secretariat comments</b>	<b>Council comments</b>
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.	The Rural City of Murray Bridge is supportive of the LGA comments.

<sup>13</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 79)

### 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.<sup>14</sup>

<b>The Commission is seeking information and views on:</b>	<b>LGA Secretariat comments</b>	<b>Council comments</b>
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.	The Rural City of Murray Bridge supports a sector-wide benchmarking and service review best practice guide, and is currently participating in the Australasian Performance Excellence Program, which should also be considered as an input for Service Reviews due to its national data set.
What measures could be developed on a sector wide basis to measure quality standards for either mandated or non-mandated services?	<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>	The Rural City of Murray Bridge supports the draft LGA advice.

<sup>14</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 80)

### 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.<sup>15</sup>

<b>The Commission is seeking information and views on:</b>	<b>LGA Secretariat comments</b>	<b>Council comments</b>
To what extent do councils receive external funding or an ability to charge fees for delivery of mandatory services?	<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>	The Rural City of Murray Bridge is supportive of the LGA comments.

<sup>15</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 81)

To what extent are councils able to fully recover costs for the mandatory services listed in appendix 4?

The LGA's submission in response to the Commission's Methodology Paper outlined:

### **Cost recovery – fees and charges**

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.

### **Planning and Development**

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.

The Rural City of Murray Bridge is supportive of the LGA comments.

How are service scope and standards determined for mandatory services?

SA councils are required to:

- develop an Annual Business Plan and Budget which outlines amongst other things:
  - (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.

The Rural City of Murray Bridge is supportive of the LGA comments.

Councils are asked to provide further information on instances of cost shifting and quantify how they have impacted on councils' costs.

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.

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.

The Rural City of Murray Bridge is supportive of the LGA comments.

### 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.<sup>16</sup>

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>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><b>Local Government Elections</b> - costs of carrying out official duties and arranging advertising for local government elections.</p> <p><b>Nuisance and Litter Control Act</b> - 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><b>Implications of changes to heritage system</b> - 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.</p> <p>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>The Rural City of Murray Bridge is supportive of the LGA comments.</p>

<sup>16</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 82)

### 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.<sup>17</sup>

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>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"> <li>• industrial relations – staff turnover/competition in labour market</li> <li>• properly accounting for and maintaining important infrastructure</li> <li>• technology advancements</li> <li>• grant timing and reliability</li> <li>• increase in supplier costs</li> <li>• increased number of force majeure events (bushfires, floods)</li> <li>• shift in demographics (causing significant increase/decrease in demand for services/assets)</li> <li>• skills shortage in region</li> <li>• change in economic contributor to region (major redundancy, industry/market failure in region)</li> <li>• cost shifting/sharing</li> <li>• change to regulations and/or legislation</li> <li>• limits on other revenue sources including user pays fees</li> <li>• climate change</li> <li>• ratepayer expectations</li> <li>• red tape.</li> </ul>	<p>The Rural City of Murray Bridge is supportive of the LGA comments.</p>

<sup>17</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 83)

## 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.<sup>18</sup>

This chapter presents the principal methodological approaches used in the Commission’s analysis.<sup>19</sup>

### 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.<sup>20</sup>

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
How can these lessons from state-wide performance reporting frameworks in other jurisdictions be applied to South Australia?	<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>	The Rural City of Murray Bridge is supportive of the LGA comments.
Which indicators used in other jurisdictions would be appropriate for South Australian councils?	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	The Rural City of Murray Bridge is supportive of the LGA comments.

<sup>18</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 86)

<sup>19</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 87)

<sup>20</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 87)

	<p>ensure that they deliver some strategic, operational and policy benefit.</p> <p>The LGA would welcome suggestions from member councils.</p>	<p>Council supports the financial sustainability measures utilised in its Long Term financial Planning.</p> <p>Council is currently participating in the Australasian Performance Excellence Program, which should also be considered due to its national data set.</p>
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## 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.<sup>21</sup>

<b>The Commission is seeking information and views on:</b>	<b>LGA Secretariat comments</b>	<b>Council comments</b>
<p>What do these partial productivity estimates tell us about local government efficiency?</p>	<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</p>	<p>The Rural City of Murray Bridge is supportive of the LGA comments.</p>

<sup>21</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 87)

	such as the existing Financial Indicators, community satisfaction survey results and an assessment of achievements against Annual Business Plans.	
What other partial productivity estimates can be used with currently available data?	The LGA will be guided by comments from member councils.	The Rural City of Murray Bridge is currently participating in the Australasian Performance Excellence Program, which should be considered due to its national data set.
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.	As above
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.	As above
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 above. It should also be noted, that Councils are already required to provide extensive data reporting to a number of different bodies, and organisations. Additional reporting should be considered carefully for its impacts on administrative burden.

### 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.<sup>22</sup>

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.<sup>23</sup>

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>The Rural City of Murray Bridge is currently participating in the Australasian Performance Excellence Program, which should be considered due to its national data set.</p>

<sup>22</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 103)

<sup>23</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 120)

## 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.<sup>24</sup>

Data issues have also prevented the Commission from quantifying any expansion in the scope of services provided by councils.<sup>25</sup>

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>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>The Rural City of Murray Bridge is supportive of the LGA comments.</p> <p>Council also recognises the importance of all levels of government working collaboratively and Local Government having a seat at the table. This approach prevents misunderstanding and consistent communication with all levels of government.</p>

<sup>24</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 121)

<sup>25</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 122)

## 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).<sup>26</sup>

<b>The Commission is seeking information and views on:</b>	<b>LGA Secretariat comments</b>	<b>Council comments</b>
What other factors can explain the estimated efficiency differences between councils or over time?	<p>Some of these noted in the consultation process, including submissions, are outlined below<sup>27</sup>:</p> <ul style="list-style-type: none"> <li>• multiple towns/service delivery centres</li> <li>• climatic factors</li> <li>• soil types</li> <li>• topographic differences</li> <li>• coastal versus inland setting</li> <li>• tourism</li> <li>• quality of services.</li> </ul>	The Rural City of Murray Bridge is supportive of the LGA comments.
What factors can explain the estimated productivity differences between councils over time?	As above.	The Rural City of Murray Bridge is supportive of the LGA comments.
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.	The Rural City of Murray Bridge is currently participating in the Australasian Performance Excellence Program, which should be considered due to its national data set.

<sup>26</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 122)

<sup>27</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 124)

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.	The Rural City of Murray Bridge is currently participating in the Australasian Performance Excellence Program, which should be considered due to its national data set.
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## 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.<sup>28</sup>

### 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.<sup>29</sup>

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
Are there any benefits from streamlining the current industrial relations arrangements by moving to sector-wide enterprise bargaining?	<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-</p>	The Rural City of Murray Bridge is supportive of the LGA comments.

<sup>28</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 128)

<sup>29</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 128)

skilled and engaged workforce; foster flexibility and continuous improvement in the local government sector; enhance productivity and significantly reduce duplicated costs and effort.

## 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.<sup>30</sup>

<b>The Commission is seeking information and views on:</b>	<b>LGA Secretariat comments</b>	<b>Council comments</b>
<p>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>	<p>The LGA would welcome a local government-led Local Government Efficiency Program, which would:</p> <ul style="list-style-type: none"> <li>• capture and report on local government performance measurement data in a consistent way</li> <li>• enhance integration of Asset Management Plans, Long Term Financial Plans and Strategic Management Plans</li> <li>• 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.</li> </ul> <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	<p>The Rural City of Murray Bridge is supportive of the LGA comments.</p>

<sup>30</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 133)

### 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.<sup>31</sup>

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>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"> <li>• funding;</li> <li>• legislation and monitoring of implementation through audits of the processes of local government decision making; and</li> <li>• an agreement with councils and regular dialogue to reinforce the expectation that councils will conduct audits of the processes of local government decision making.</li> </ul>	<p>The LGA would welcome a local government-led Local Government Efficiency Program, which would:</p> <ul style="list-style-type: none"> <li>• capture and report on local government performance measurement data in a consistent way</li> <li>• enhance integration of Asset Management Plans, Long Term Financial Plans and Strategic Management Plans</li> <li>• 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.</li> </ul> <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	<p>The Rural City of Murray Bridge is supportive of the LGA comments. Additional comments as per page 11.</p>

<sup>31</sup> South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 138)

<p>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>The Rural City of Murray Bridge is supportive of the LGA comments.</p>
<p>Would growth in operating expenditure over any three-year period (normalised for population growth) which exceeds the rise in the Local Government Price Index for that period be an appropriate trigger for such an audit?</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 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>	<p>The Rural City of Murray Bridge is supportive of the LGA comments.</p>

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