COPPER COAST
COUNCIL

Copper Coast Council

Submission to the

South Australian Productivity Commission

"Inquiry Into Local Government
Costs and Efficiency"

28th June 2019

lifestyle location of choice

The Copper Coast Council is situated approximately 1.5 hours from Adelaide and consists of the towns of Kadina, Moonta, Wallaroo and Paskeville. The region of the Yorke Peninsula is rich in history and thriving coastal developments. The Copper Coast is famous for having some of South Australia's best holiday beaches. Its many attractions and accommodation make the Copper Coast an ideal tourist destination for both local and international visitors.

The Copper Coast Council has noted the scope and Terms of Reference of the Enquiry in Local Government Costs and Efficiencies. It is considered firstly that the premise that Local Government costs are excessive and Councils are inefficient is erroneous. Generally **ALL** Councils embrace continuous improvement principles and look toward implementing better systems, efficiencies and thereby lower costs. It is difficult often to quantify such efficiencies and cost decreases, because of the continual business of Councils in providing services, undertaking statutory compliance and meeting the requests and demands of residents, ratepayers, business, Clubs, Association, media and others.

It is contended **NO** other organisation or business is required to deal with the plethora of services, variety of requests and demands from the abovementioned cross sections of the community. Indeed, it is strongly pointed out that in an age of continued increasing electronic service delivery, the demographic age in many communities means that face to face communication for State and Federal services let alone Council services is with the local Council. How this is quantified and the impact on Councils is real, but difficult to measure.

In respect of the information and views that the South Australia Productivity Commission is seeking the following is provided:-

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

It is considered that the Australian Classification of Local Government is an appropriate way to group similar Councils for comparison. I understand that Victoria for some years has undertaken a benchmarking process with all Councils and have groupings that could be sourced.

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

The ten year timeframe is considered sufficient to analyse costs and efficiency.

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

Some research is suggested in relation to services that are provided that are difficult to quantify – some of these include swimming pools, Leisure Centres, parks and playing field maintenance, services to disadvantaged children youth and aged care. Often these services are a public good, providing an important and an invaluable service to the community.

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

One of the major drivers of Council costs is State Government compliance costs. This is a significant underlying cost to Councils. A rudimentary assessment of such State Government compliance costs for the previous Council that I was Chief Executive Officer at - Mid Murray Council is attached (Attachment 1). This rudimentary assessment indicates that well over 10% rates is as a result of State Government compliance costs.

IT IS SUGGESTED THAT A RECOMMENDATION FROM THE PRODUCTIVITY COMMISSION COULD BE FOR A PRACTICAL AND REALISABLE REVIEW OF STATE GOVERNMENT COMPLIANCE COSTS WITH A WORKING PARTY CONSISTING OF STATE AND LOCAL GOVERNMENT REPRESENTATIVES WITH ACHIEVABLE TIMEFRAMES.

A recent significant driver of Council costs is the State Government Waste Levy. This was imposed by the State Government and will cost the Copper Coast Council $520,000 per year, representing 3% Rates. This cost and revenue generator for the State Government is used largely for funding the Environmental Protection Agency and coastal protection works. It is **NOT** used for waste management initiatives for the Local Government sector.

A further significant driver of Council costs is Councils labour costs being; the enterprise bargaining wage increases. An assessment of wages payable at the Copper Coast Council under the Australian Workers Union Award and Australian Services Union Award is an estimated $1,105,184 above award. This represents almost 8 percent in Council Rates.

The legal processes for enterprise bargaining involves the employee representatives (often with a Union representative in attendance) and employer representatives (the Chief Executive Officer and normally two Directors). My experience over four Councils in over 30 years, is that the Chief Executive Officer is personally targeted by the applicable Union in relation to wage demands and conditions.

I have personally been subject to in Enterprise Bargaining meetings claims from the Union representative that "An approach will be made to the Councillors to get you sacked as Chief Executive Officer". Further, "That I will organise for the Council staff to placard outside the Council premises". There are many other instances that Chief Executive Officers could quote. This has led to above inflation wage increases. It is imperative that the Commission understands clearly the processes involved in the enterprise bargaining negotiations that practically occurs.

IT IS SUGGESTED THAT A RECOMMENDATION BY THE COMMISSION BE THAT: A SECTOR WIDE ENTERPRISE BARGAINING PROCESS BE UNDERTAKEN TO OBVIATE THE NEED FOR THE CHIEF EXECUTIVE OFFICER TO BE INVOLVED IN THE ENTERPRISE BARGAINING NEGOTIATIONS

Based on the above, the three main drivers of Council costs are as follows:-

- State Government Compliance (over 10% Rates)
- State Government Waste Levy (3% Rates)
- Enterprise bargaining wage increase award (almost 8% Rates)

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

It is suggested that information be gleaned from Victoria and other States regarding benchmarking that is undertaken. Notwithstanding this, some Councils in South Australia have embarked on a benchmark process entitled "Australasian Local Government Performance Excellence Program". A copy of the Benchmarking Report is attached (Attachment 2).

4.3 What is the most appropriate measure of capital expenditure?

It is suggested that information from the Institute of Public Works Engineering Australasia is obtained on this, so that there is consistency in such measurement.

4.4 What measures of Council service quality are available?

Some Councils have embarked on community surveys to ascertain Council service quality. In my view, it is considered that a sector wide community survey could be explored, but subject to a review of the cost benefit of such survey. Previously, some years ago, the Local Government Association of South Australia coordinated a community survey for Councils that chose to participate on a cost basis.

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

It is considered that there is a large diversity of Councils throughout South Australia. The experience in measuring and monitoring efficiencies will be varied. A number of Councils will have embarked on the following:-

- Business process improvement (BPI)
- Kaizen
- Lean Six Sigma
- ISO standards for certification
- Continual improvement process

I have attached newsletter and graphs for the Copper Coast Council as but one example. (Attachment 3)

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

I understand that Victoria has efficiency monitoring programs, which would be worthy of research.

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

I am not aware. It is important to highlight that **ANY** efficiency monitoring program is assessed in terms of costs. Whilst such a program would be beneficial, it needs to be a sector wide system at a low cost.

IT IS SUGGESTED THAT THE PRODUCTIVITY COMMISSION RECOMMEND A SECTOR WIDE DEVELOPMENT OF AN EFFICIENCY MONITORING PROGRAM THAT IS NOT A COST IMPOST ON COUNCILS.

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

It is considered that a model for estimating service-specific efficiency of Councils would be beneficial. However, it is pointed out this should be done on a sector wide basis, due to the resource limitations of many rural and regional councils to implement such a model.

5.5 What services are most appropriate to estimate Council efficiency?

It is suggested that a working party be established through the Local Government Association of South Australia to develop service-specific efficiency models for Councils.

5.6 How do Councils monitor their efficiency over time?

Councils generally monitor their efficiencies through their Key Performance Indicators and goals in their Strategic Management Plan. A copy of the Key Performance Indicators are attached (Attachment 4).

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

Refer to Attachment 2.

6.1 Are the factors used in previous studies likely to influence Local Government efficiency in South Australia?

Factors used in previous studies are likely to influence Local Government efficiencies in South Australia, bearing in mind that Councils are different within South Australia, let alone New South Wales, Western Australia and Victoria. There are different rating systems, State Government Grants, services provided and different regulatory and planning systems which will impact on such factors.

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

Refer 6.1.

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

Previously it has been highlighted that internal and external factors include State Government compliance costs, cost of the State Government Waste Levy and Enterprise Bargaining wage increases. Other external factors have included devolution of State Government responsibilities to Local Government (Planning and Development Act, Dog and Cat Management Act, Nuisance Act). In addition, cost shifting from State and Federal Governments has also impacted Councils efficiency. There is a body of research on this.

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

Further factors to impact Councils efficiency going forward will include additional State compliance – financial, environment, planning and development, governance and work health and safety. Additional demands on Councils from their community, particularly when State and Federal Governments withdraw services or reduce funding to Councils is expected to continue. An assessment of the devolution and cost shifting impacts on Councils from State and Federal Governments over the proposed 10 year timeframe to analyse costs and efficiencies is recommended.

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

Largely it is contended that Councils determine the scope of services they provide through their Annual Budget, existing Asset Management Plans, Long Term Financial Plan and general community feedback. Councils are generally loath to reduce services particularly in rural and regional areas due to the detrimental feedback to Councillors and staff.

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

My experience with recent reforms in policy, government and management would indicate that such systems for governance, regulatory planning and development, financial management, environmental management, Work Health and Safety are becoming more complex, more difficult to implement, requiring more resources and thereby more costs of Councils and their Ratepayers.

IT IS SUGGESTED THAT THE PRODUCTIVITY COMMISSION RECOMMENDS THAT AN ASSESSMENT BE UNDERTAKEN OF THE COST IMPACT ON COUNCILS WHENEVER ANY STATE LEGISLATION OR AMENDMENT OF EXISTING LEGISLATION IS UNDERTAKEN.

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

Council has a culture of continuous improvement and is always considering improving processes to reduce costs. This involves often additional electronic service delivery, process review and assessment of resources required.

7.3 What reforms in other jurisdictions successfully resulted in improved Council efficiency?

No comment

7.4 How can financial accountability in the Local Government sector be enhanced?

Financial accountability could be enhanced through the reporting of the major costs drivers of Councils (as outlined). Additional costs through State legislation, additional costs from devolution and of responsibilities cost shifting and a suite of efficiency measures annually could be produced in a simple low cost method for distribution to all Ratepayers.

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

There are many examples of actions by Councils to increase efficiencies. However, Councils are often deluged by particularly State Government Reforms, legislative amendments, review of State Policy and Programs from Departments and Agencies and compliance. This coupled with requests and demands from residents and normal service provision, means many Councils have little time and resources to initiate increased efficiencies.

10.5 CHIEF EXECUTIVE OFFICER'S REPORT CONT'D

APPENDIX 29

10.5.10 State Government Compliance Costs for Mid Murray Council

I considered that it would be prudent to provide an estimate and an outline of the plethora of compliance costs that the Mid Murray Council is subject to from the State Government. The statutory compliance costs are significant and it is considered that measures could be taken to review and decrease the level of compliance that Councils are subject to from the State Government. This would ensure that expenditure levels could decrease which would be beneficial, particularly given the implementation of rate capping.

An estimate of the State Government compliance costs throughout Council are as follows:-

Description	Estimated Cost
DEVELOPMENT & ENVIRONMENTAL SERVICES	
CWMS Annual Reporting - OTR - SRMTMP - ESCOSA	$7,000 staff time $3,600 staff time (Manager)
EPA – CWMS Annual Returns and Licence Fees	$48,700 Licence Fees $1,150 Annual Returns
ABS – DA Stats – staff time	$450
Dogs & Cats (administrative requirements)	$97,000
Permits – Fire Prevention (administrative requirements)	$19,300
Permits – Section 222, Outdoor Dining, Food stalls	$4,000
Building Compliance (statutory requirements for inspection)	$92,300 staff time (includes all inspections) $4,000 Building Fire Safety Committee
Planning Compliance	$19,000 staff time $13,000 legal fees $25,000 appeals (average)
General Inspection/Compliance (statutory requirements)	$186,600
Health Compliance	$25,700 staff time (includes wastewater inspections & local nuisance type complaints) $3,000 legal fees
GOVERNANCE	
- Leases/licenses - Annual reporting - Delegations - Community Land Management Plans - Policies	$110,000

10.5 CHIEF EXECUTIVE OFFICER'S REPORT CONT'D

10.5.10 State Government Compliance Costs for Mid Murray Council Cont'd

WHS/RISK MANAGEMENT & HR	
Statutory requirements	$130,000
COMMUNITY SERVICES	
Community Passenger Networks - Staff training - Volunteer training - Vehicle registrations	$5,000
Community Centre Morgan - staff training - insurance	$10,000
Mannum Leisure Centre - Staff training, health and safety	$20,000
Cambrai and Mannum Pools - Staff training	$20,000
INFRASTRUCTURE	
Landfill Compliance	$465,000 (not an annual expense)
Transfer Station licences	$5,000
Regulatory signage new install	$100,000
Work zone signage est. each day for the year	$286,000 (work zone signage install/remove)
WHS for employees	$50,000
FINANCE	
BAS, Fuel Rebates, FBT & PAYG	$11,000
CWMS ESCOSA & Advisory Reports	$4,000
Grants Commission Return	$5,000
Public Consultation Expenses	$10,000
Budget Preparation	$10,000
Budget Reviews	$10,000
Other Financial / Corporate Reports preparation to Audit Committee Council	$20,000
Maintenance/Preparation of financial reports to Committees	$2,000
Annual Financial Statements	$16,000
Annual Report	$8,000
Attendance of Audit Committees & Council meetings	$7,000

Total $1,853,800

Please note that 1% of Mid Murray Council rates is $140,000.

APPENDIX 2

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The Australasian LG Performance Excellence Program FY18

Copper Coast Council

PwC and Local Government Professionals Australia, NSW

13 December 2018

Local Government Professionals AUSTRALIA NSW

pwc

The Australasian Local Government Performance Excellence Program FY18

SA FY18 local government highlights

Workforce profile

Across our participating SA councils, we see a decrease in the median of 5.3 FTE per 1,000 residents, down from 6.4 in FY17. Employee costs per 1,000 residents have also fallen, with a median of $453k, and represent 34% of total operating expenses (down from 35% in FY17). There is minimal outsourcing spend on all service areas, comprising just 18% of total operating costs, but this is slightly up from 17% in the prior year.

Gender diversity

SA councils employ 44% women across the overall workforce, compared to 46% across the survey population. Among Australian councils, SA councils have the equal highest proportion of women at the CEO and director levels, along with NSW councils, with a median of 25%, compared to a median of 20% WA councils. NZ councils employ a median of 33% female CEOs and directors.

Span of control

SA councils, now in their second year of the program, continue to operate with less management layers, with a median of 3.9 'other staff' per supervisor and above (up from 3.6 in FY17), compared to other Australian councils. The WA council median sits at 3.7 'other staff' per supervisor and above, and 3.3 in NSW councils.

Talent strategy focus

SA councils have seen an increase in focus across a range of talent strategy areas, including 'productivity through automation and technology' (equal highest with 57% of SA councils focused in this area, up from 47% in the prior year), and 'effective performance management' (highest of all jurisdictions, with 83%, up from 65%), SA councils also have the equal highest focus on 'skills and adaptability in people', with 78% addressing this as part of their talent strategy.

Generational shift

SA councils have seen a shift in the generational workforce profile, with a decrease in the representation of baby boomers, now comprising 36% of the overall workforce, down from 39% in the prior year. This has been offset by an increase in Gen Y and younger employees (27%, up from 24%). It is important that SA councils address the fact that 57% of the current SA CEOs, and 29% of the current SA directors will have the option to retire in the next 10 years. Planning is required to seamlessly transfer the deep industry knowledge to the next generation of leaders, and will require focus, new initiatives and a collaborative approach between the generations.

Role of finance

Interestingly, just 65% of SA councils have CFOs who are part of the senior leadership team yet a high 27% of finance FTE effort is devoted to value–adding business insight activities, compared to NSW (21%) and WA (19%). SA councils employ more highly educated finance staff than other jurisdictions, with 33% having attained a postgraduate qualification, perhaps going some way to explain the high median cost of finance as a percentage of revenue (3.4%), compared to 2% in NSW and 2.2% in WA councils.

Online customer self–service

We see a higher proportion of SA councils offering the community both the ability to make online payments and engage with online library services, with 91% of SA councils doing both, up from 82% in the prior year. There is further opportunity to expand the ability to conduct an online property enquiry (13% of SA councils), compared to 76% of NZ and 42% of NSW councils providing this service to their community.

SA FY18 local government highlights

Formal IT strategy and effectiveness of IT systems

We continue to see a lower proportion of SA councils with a formal IT strategy (34%), compared to 65% of NSW and 57% of WA councils. A further 22% of SA councils are operating with a draft IT strategy, and most concerning are the 44% operating without an IT strategy or were unable to say (up from 24% in the prior year). This is potentially linked to the increase in SA councils with CEOs who are either concerned about the ability of the IT system to meet business needs or have widespread dissatisfaction with the functionality and quality of information (17%, up from 6% in the prior year).

IT priorities over the next three years

SA councils are focusing on future automation, as two of the top three IT priorities over the next three years are automating internal operational processes for enhanced service delivery (61%) and automating internal operational processes to achieve cost savings (43%). The other top priority is to improve technology to facilitate enhanced staff working and team collaboration in the office (48%).

Council meetings

SA councils operate relatively efficient council meetings, with a median duration of 143 minutes (2.4 hours), producing a median of 23 resolutions. In comparison, WA councils are the most efficient with a median duration of 113 minutes (1.9 hours), producing a median of 20 resolutions, and NSW operate with a similar duration and resolutions to SA councils. SA councils have 53% of their meeting sitting in the 'complex issues' and 'long orders of business' quadrants.

Service reviews

This year we see more rigour being applied in SA councils when conducting, and formally reporting on at least one service review per year, with 48% doing so (up from 35% in the prior year). SA councils focused predominantly in areas such as governance and administration (41% performed at least one service review in this area), customer service (27%), finance (26%), aged care (24%) and town planning (23% of councils).

Service delivery

Looking at services that most SA councils have in common, and which are outside the essential high cost delivery of waste and roads, we observe the following costs per resident; $98 in parks and gardens, $78 in other economic affairs, $50 in swimming pools, and $44 in libraries.

Staff and community engagement

The percentage of SA councils measuring staff engagement has increased in FY18 (65%, up from 42%), with the majority obtaining improved levels of staff engagement (39%). There has also been an increase in the percentage of SA councils conducting a community satisfaction survey, with 48% now having conducted a survey in the past two years (up from 29% in FY17). This is still low compared 89% of WA and 72% of NSW councils that conducted community satisfaction surveys in the past two years.

Asset management

95% of SA councils have an asset management (AM) system in the category of Road networks and Drainage networks (both up from 88% in the prior year). It is encouraging to see 96% of SA councils with a strategic asset management plan that links to the financial long term plan (up from 76% in the prior year), especially high compared to 66% of NSW and 64% of WA councils.

Contents

Sharing results with third parties

This report has been provided to each participating council so that a participating council can understand how it compares to the aggregated findings and for no other purpose. The report is intended for the participating council recipient only.

This report, including all data and comparative insights contained in it, is confidential to PwC and the participating council. Except as set out below, the report should not be disclosed in whole or in part to another person unless agreed with PwC and the council.

As agreed in the survey agreement with the participating councils, each participating council is permitted to share the report with third parties as part of a council meeting, on a council website, or with other Participating Councils provided it is shared in its entirety and the following words are included with the report when the report is provided:

"The information and/or metrics referred to are extracted from the Australasian Local Government Performance Excellence Program survey (survey) conducted by PricewaterhouseCoopers and commissioned by LG Professionals, NSW. The survey was not conducted for the specific purposes of the council and was limited to only the councils who participated in it and based on the data they provided. The reliability, accuracy or completeness of this information has not been verified by PwC, LG Professionals, NSW or any other person.

Accordingly, no one should act on the basis of this information and neither LG Professionals, NSW nor PwC accept any responsibility for the consequences of any person's use of or reliance on this information or any reference to it."

Methodology

PwC and LG Professionals, NSW are pleased to release the sixth report as part of the Australasian LG Performance Excellence Program. We extend a warm welcome to our new councils across all jurisdictions.

The purpose of the program is to assist councils better communicate, control and manage their internal business performance with their stakeholders through the use of comparative data analytics. During the program, PwC collects data from participating councils and then transforms this data into key metrics, identifying trends and observations that focus on operational and management excellence.

The benefits to councils include the ability to monitor and manage their internal business performance over time, as well as improve the prioritisation of change based on data-driven decision making. Each year councils obtain a report with customised charts and contextual commentary as well as access to the interactive data explorer platform.

In providing the current comparative insights, PwC is drawing on its extensive experience with local government and in developing, delivering and analysing a variety of business process data collections across multiple industries. The process we undertook to produce this customised insights report for each participating council is outlined below.

How the report was produced:

Participants

- 65 NSW councils, 21 NZ councils , 23 SA councils, 28 WA councils, 1 ACT and 1 QLD council participated in the FY18 program. For the purpose of maintaining anonymity, we have included the QLD and ACT council data as part of NSW.
- The data collection comprised of quantitative and qualitative data elements.
- Throughout the process, each council's identity and information was kept confidential via PwC's secure online platform, Datapoint.

Data collection and submission feedback

- The data collection for the 2017–18 financial year was launched in July 2018, and data was collected and amended over a four month period using Datapoint.
- After the initial data submission, councils received a data submission feedback pack highlighting their key metrics in chart format so they could check and verify the data.
- Councils had an opportunity to amend their data before the council–nominated 'Superuser' approved the final submission.
- Individual council results were known only to the members of the PwC analytics team working on this engagement.

Analysis

- Once the data collection and feedback period finished, the PwC analytics team began its extensive analysis of the data set.
- To enable relevant comparisons, we adjusted financial data for NZ councils to reflect A$ using the average NZ exchange rate across FY18.
- Subject-matter experts from PwC and LG Professionals, NSW guided the interpretive analysis and provided commentary on the results, as well as insights drawn from the global PwC network.

Reporting and data explorer website

- The results reflect the 2017–18 financial year, based on data collected from all 139 councils.
- Each participating council has received a customised insights report that compares its business performance to that of the survey population across a range of areas.
- The reports are presented in a non-identifiable way; councils only see their results in relation to the sample population.
- These insight reports represent a starting point for further discussions, rather than a conclusive assessment in any particular area.
- Along with this report, councils will be able to further explore, filter, compare and extract key metrics using the Council Comparative Analysis Tool (CCAT), accessed via Datapoint Explore.

Councils that subscribe to the Council Comparison Window and give their consent for other councils in their nominated region/cluster to view their results, will also have access to this view within the CCAT.

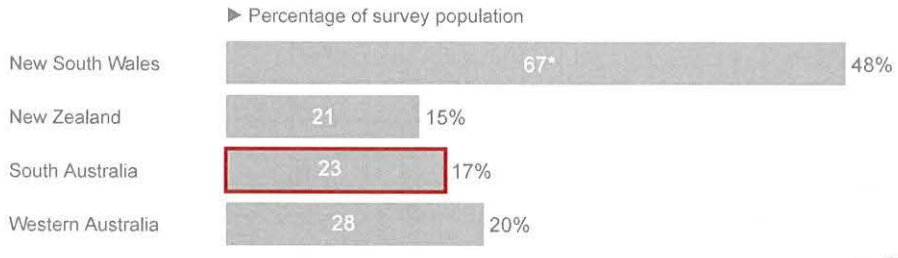
Survey population

This insights report is based on data collected from 139 councils across Australia and New Zealand. Throughout this report, participating councils have been identified by their jurisdiction, size of the resident population (small, medium or large), and the type of council (metro, regional or rural).

To group councils by size, we used the estimated 2017 resident population provided by the Australian Bureau of Statistics (for Australian councils) and the 2017 resident population provided by Statistics New Zealand (for NZ councils). Councils have been classified as Large if they have more than 100,000 residents, Medium for residents between 10,000 to 99,999, and Small for fewer than 10,000 residents.

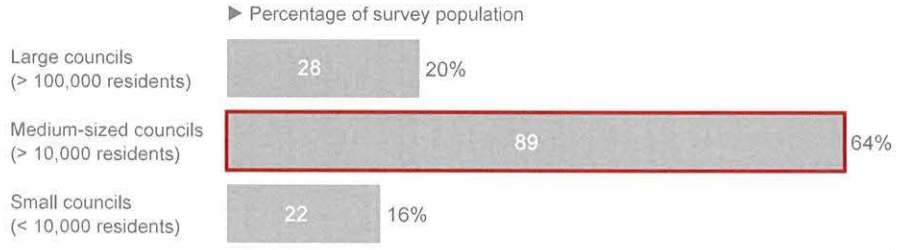
To classify councils as either Metropolitan, Regional or Rural, we used the Office of Local Government allocation for NSW councils, and for WA, SA and NZ councils we consulted LG Professionals, WA/SA and SOLGM and allocated councils as follows: Metro councils are typically city councils; Regional councils are the next tier, located outside the main cities, with a reasonable sized population; and Rural councils are generally small and not considered a regional centre.

Participant breakdown by jurisdiction of council

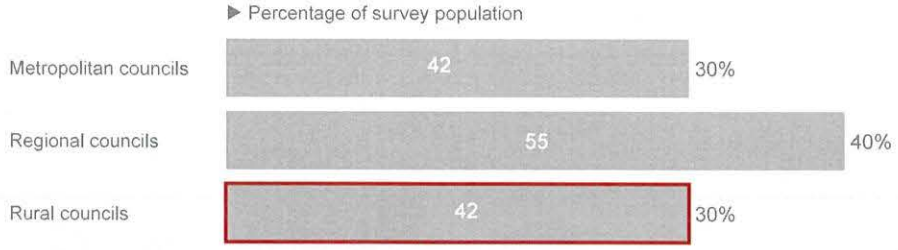


*Includes 1 QLD council and ACT

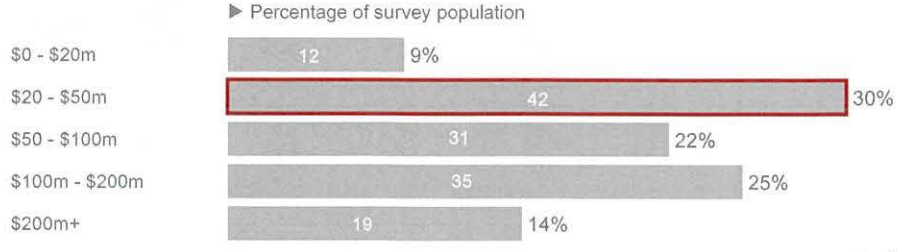
Participant breakdown by size of council



Participant breakdown by type of council



Participant breakdown by revenue*



* In Australian dollars

Understanding this report

The Australasian LG Performance Excellence Program FY18 is customised for individual survey participants. All charts within the report represent the individual council's results relative to the survey population that responded to that particular question.

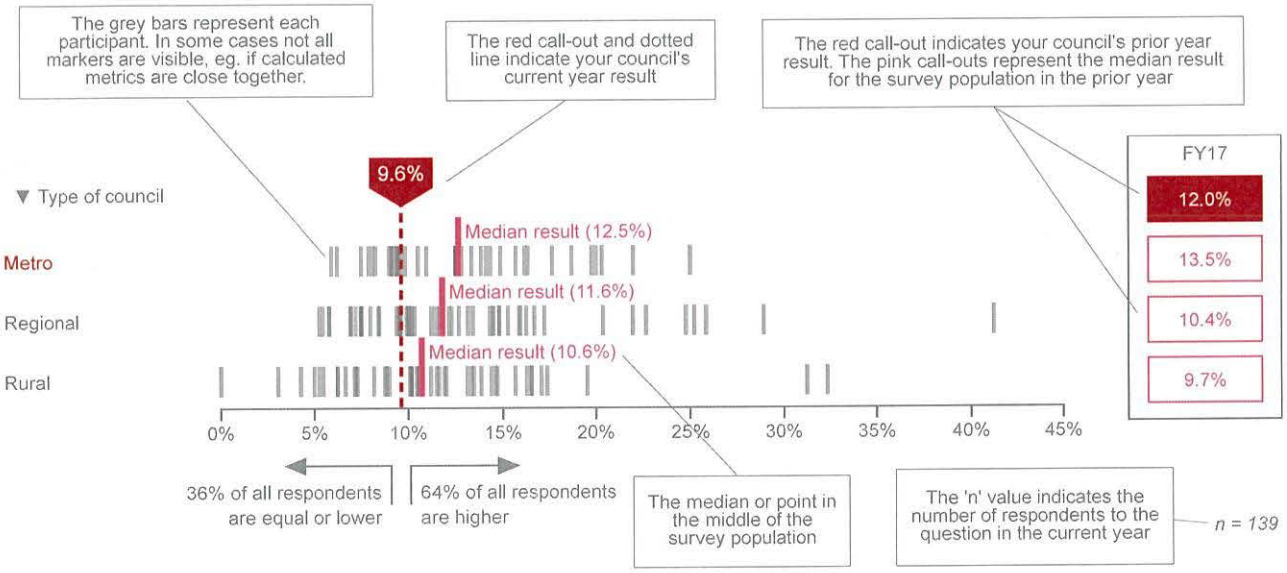
The commentary provided in the report has been prepared for the overall program and while it does not change for each council, it should provide relevant information to help each council understand the context of its own results.

For each response to a question, your council's input is displayed in red (indicated by the legend). To help you understand changes from the previous report, the majority of charts within this report also show the results from the prior financial year, for your council and the survey population.

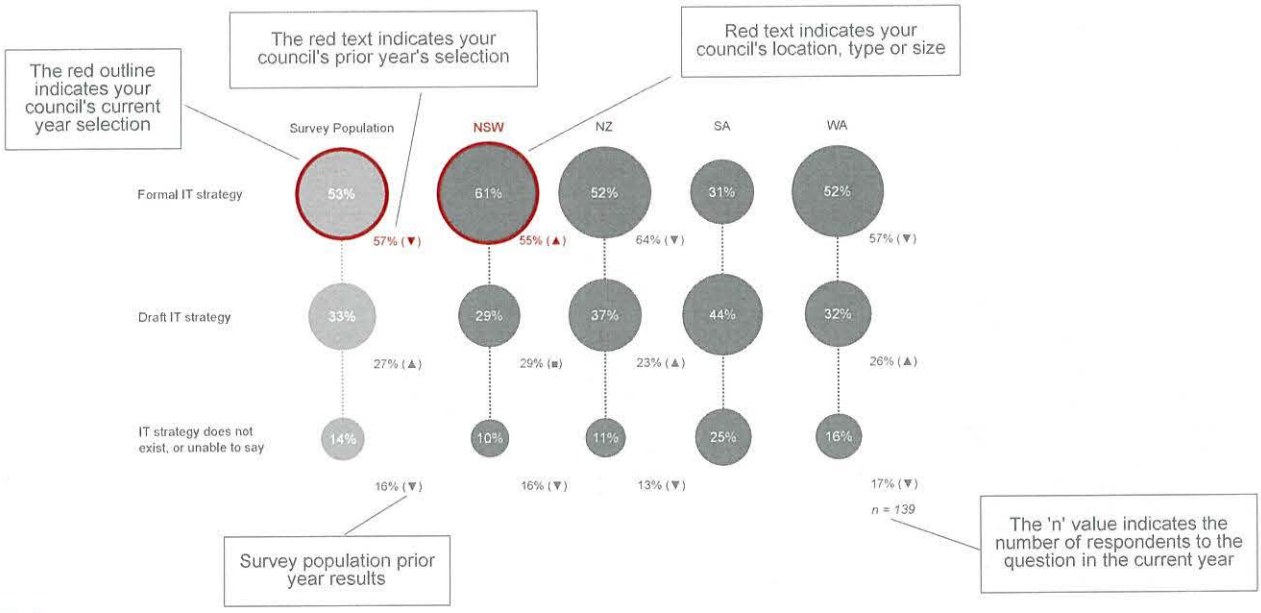
If no input was recorded by your council for this year and/or last, the red indicator will be missing from the charts and the result for the overall population will be displayed.

We have developed some customised charts for this report, to allow us to convey rich and detailed information. We have provided further explanation below on how to interpret the distribution and bubble charts throughout the report.

Example Chart 1.1

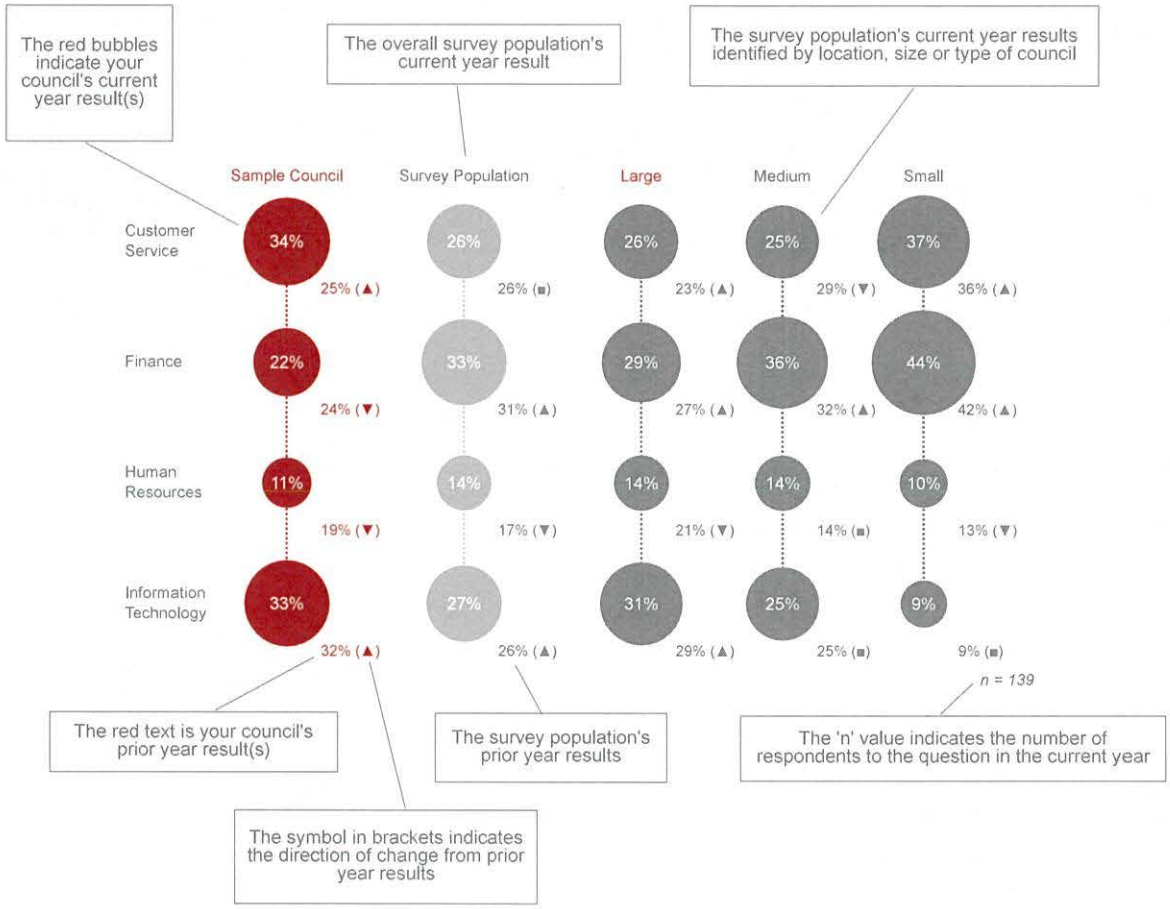


Example Chart 1.2



Understanding this report

Example Chart 1.3



Before reading this report, it is important to note that it is not an in-depth customised analysis or review of each council's business operations. Instead, it reflects your council's results in relation to the total survey population. Participating in the LG performance excellence program should allow councils to:

- Evaluate their own practices to better understand current operational and management performance
- Identify areas of focus when striving to optimise operational excellence
- Understand how businesses – and in some cases international businesses – perform in terms of workforce, operations and finance using results from similar surveys conducted by PwC globally.

Disclaimer :
PwC has not verified, validated or audited the data used to prepare this insights report. PwC makes no representations or warranties with respect to the adequacy of the information, and disclaims all liability for loss of any kind suffered by any party as an result of the use of this insights report. The intellectual property in this report remains the property of PwC

Workforce

18%

staff turnover rate in the first year of employment

31%

median proportion of female managers and above

59%

of CEOs will have the option to retire in the next ten years

Copper Coast Council's workforce profile at a glance

FY18

Rural council

Medium council

Your FTE and employee costs

0.9% Decline in FTE

6.3 FTE per 1,000 residents

0.3% Decline in employee costs

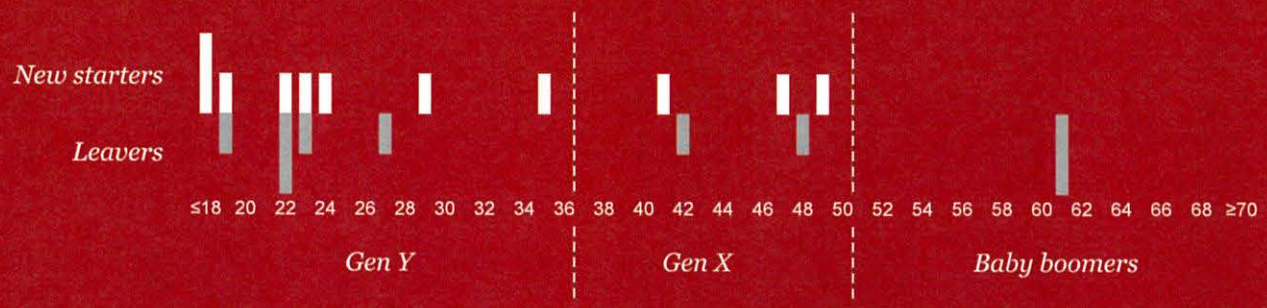
A$479k Employee costs per 1,000 residents

Who joined and who left your council during FY18 ?

9.2% Staff turnover rate

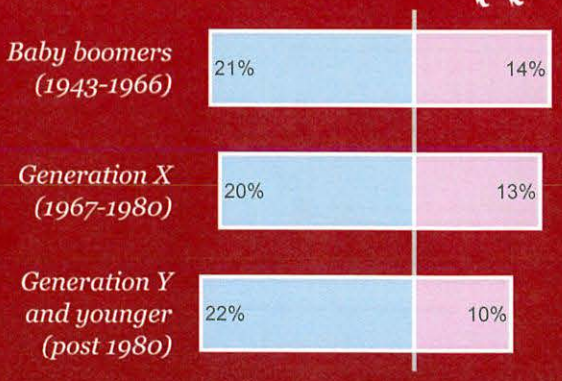
11 New starters

9 Leavers

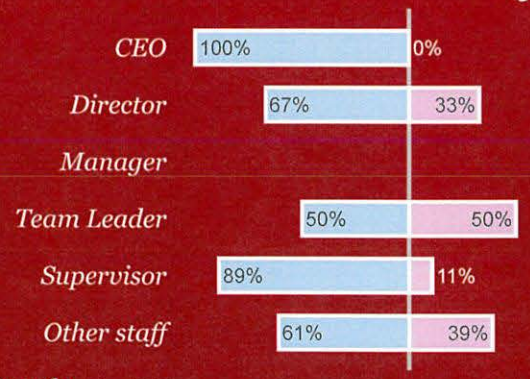


Does your council have a gender-diverse workforce ?

36% of your employees are women



25% of your employees at manager level and above are women



Male Female

Workforce Trend Summary

Copper Coast Council

● SA Survey population
● Copper Coast Council

	FY17	FY18	Change from FY17 to FY18
1. FTE per 1,000 residents	6.4 / 6.4	6.3 / 5.3	▼0.1 / ▼1.1
2. Remuneration as a percentage of operating expenses	35% / 25%	34% / 22%	▼3% / ▼1%
3. Overtime A$ per FTE	$635 / $0	$703 / $703	▲$703 / ▲$68
4. Span of control ('Other staff' per manager)	4.7 / 3.6	5.3 / 3.9	▲0.6 / ▲0.3
5. Rookie rate (percentage of new employees in past 2 years)	20% / 16%	18% / 16%	■ 0% / ▼2%
6. Staff turnover rate	9% / 5%	10% / 9%	▲4% / ▲1%
7. Staff turnover rate in first year of employment	9% / 0%	0% / 0%	■ 0% / ▼9%
8. Gen Y staff turnover rate	15% / 12%	15% / 12%	▲3% / ▼3%
9. Female staff turnover rate	10% / 8%	10% / 8%	■ 0% / ■ 0%
10. Male staff turnover rate	10% / 3%	11% / 10%	▲7% / ▲1%

Workforce Trend Summary

Copper Coast Council

● SA Survey population ● Copper Coast Council	FY17	FY18	Change from FY17 to FY18
11. Female managers and above	33% 25%	33% 25%	■ 0% ■ 0%
12. Baby boomer employees	39% 35%	36% 35%	■ 0% ▼3%
13. Gen X employees	37% 31%	37% 33%	▲2% ■ 0%
14. Gen Y employees	34% 24%	32% 27%	▼2% ▲3%
15. Workforce with more than 8 weeks of accrued annual leave	10% 8%	10% 8%	■ 0% ■ 0%
16. Workforce with more than 12 weeks of accrued long service leave	23% 11%	26% 13%	▲3% ▲2%
17. Median sick leave days taken across your workforce	6.4 3.7	6.6 4.5	▲0.8 ▲0.2
18. Actual training spend per FTE (A$)	$1,052 $1,046	$939 $551	▼$501 ▼$107
19. Supervisors and above with a formal annual performance appraisal	63% 59%	60% 52%	▲1% ▼11%
20. Lost time injury days per 100 employees	73 0	52 51	▲51 ▼21

Workforce structure and cost impact

Employee costs

In service-based organisations, employees are vital to the organisation's success. It is critical to create a workforce of highly engaged, motivated people. Leading organisations foster a culture of innovation and a customer centric mindset. High performing employees anticipate customer needs and look for creative and innovative ways to delight and engage with the community they serve. People represent the largest expenditure area, and are the most important productive asset, of each and every council. Our findings show that the overall median council total employee costs (ie. the employed workforce measure) remain constant when compared to the prior year, comprising 35% of total operating expenses.

However, at a jurisdiction level we find that there has been a consistent decrease in the median result in NSW, WA and SA councils, compared to an increase in NZ councils; the first increase in two years for NZ, from 22% in both FY16 and FY17 to 25% employee costs as a percentage of FY18 operating expenses.

This is a complex metric that incorporates a number of factors that can impact, including wage growth levels, a change in the level of services outsourcing versus insourcing, and a change in the workforce size or staff level/skills mix, all of which can be at a different rate of change to overall cost growth.

We observe continued differences in the extent of outsourcing between Australian and NZ councils, with NZ councils reflecting 29% of operating expenses attributable to the outsourcing of services. In comparison, across Australian councils this proportion ranges from 15% in NSW, to 17% in WA, and 18% in SA councils. Interestingly, these outsourcing results for Australian councils have increased in the past year, which may go some way to explain the downward impact on the median employee costs as a percentage of operating costs.

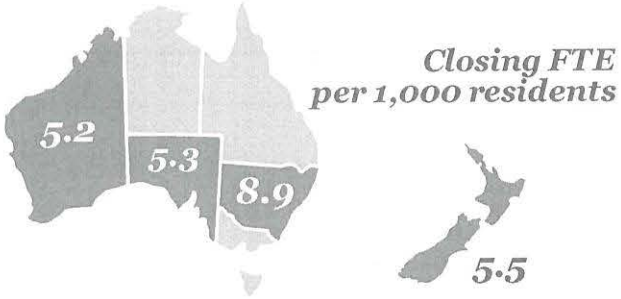


Figure 1.1: Employee costs as a percentage of total operating expenses (type of council)

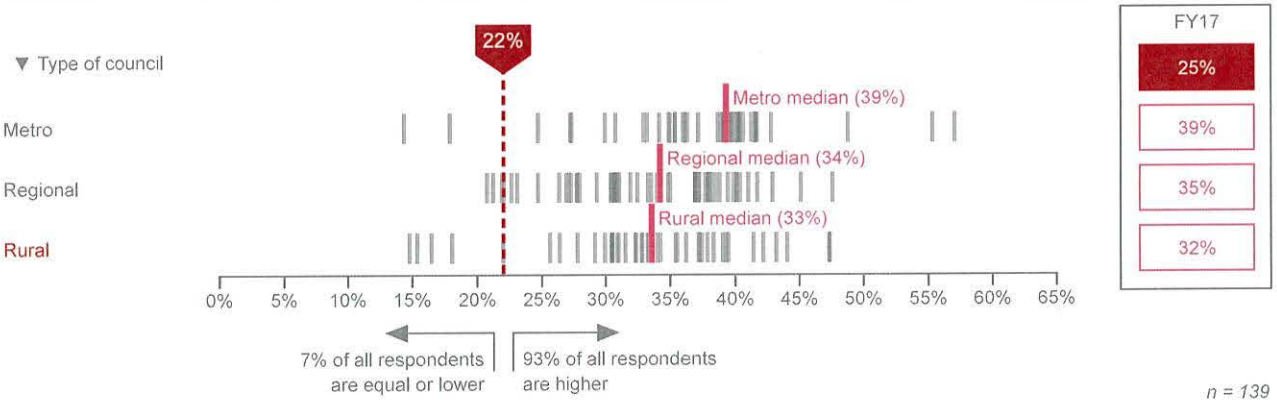
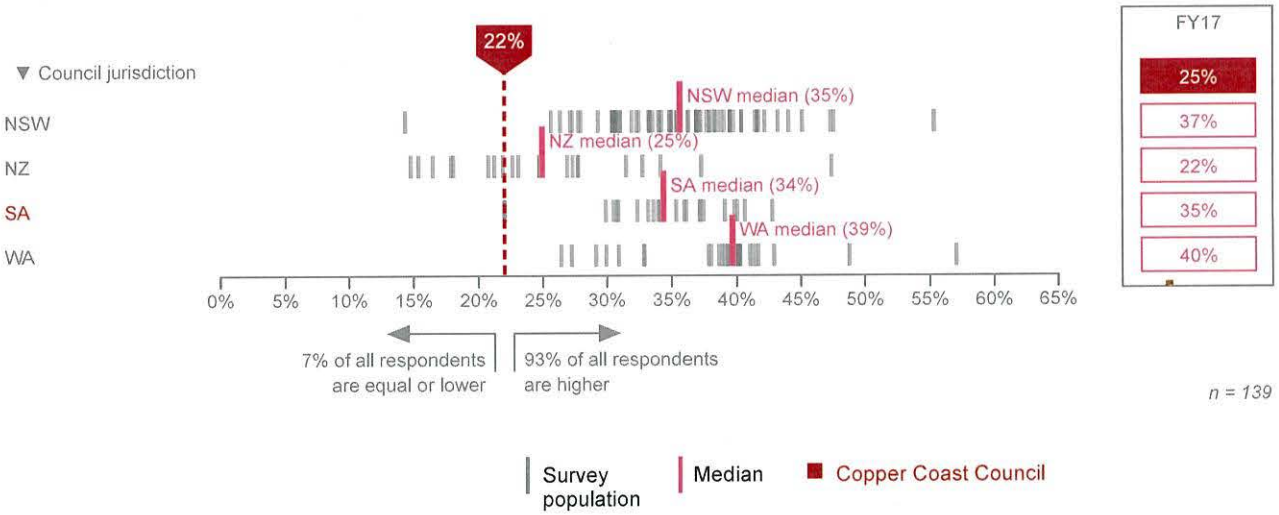


Figure 1.2: Employee costs as a percentage of total operating expenses (council jurisdiction)



Workforce structure and cost impact

Overtime

While the use of overtime can assist in managing seasonal and unexpected workload fluctuations, councils need to ensure it is managed efficiently and used as a short term solution, otherwise it could result in a significant drain on council funds and staff morale.

In FY17, we reported a steady decline (since FY15) in the median council spend on overtime for permanent and fixed-term contract employees as a percentage of total salaries and wages. However, in FY18 it has shifted upwards from 1.8% to 2%, compared to the prior year.

NSW councils are driving this upward shift, with overtime now representing 4.0% of total salaries (up from 3.8% in FY17 and 3.6% in FY16). The NSW result remains substantially higher than NZ (0.7%), SA (0.8%) and WA (1.2%) council median results.

Interestingly, this could be explained by a combination of the increased turnover rate across NSW councils (14.1%, up from 12.2% in FY17), and yet a minimal headcount change of 0.8% growth, consistent from last year. NSW councils need to identify if there are pockets of high overtime in different departments or is it spread right across the council, and then determine if the use of overtime is an appropriate resourcing strategy.

Looking at in another way, we observe a rising NSW median council overtime spend per FTE of ~A$2.9k (up from ~A$2.4k last year), compared to the median SA council, with just ~A$700 and the median WA council, with ~A$900. NZ councils continue to operate with the lowest median spend of ~A$500 per FTE. These differences are likely due to the difference in the industrial salary awards across the Tasman, and the much higher rate of NZ outsourcing within some services or corporate functions that traditionally utilise overtime as a necessary part of the resourcing strategy.

The Council Comparative Analysis Tool provides councils with the ability to create their own comparative groups to assess their use of overtime.

Figure 1.3: Paid overtime as a percentage of total salaries and wages (council jurisdiction)

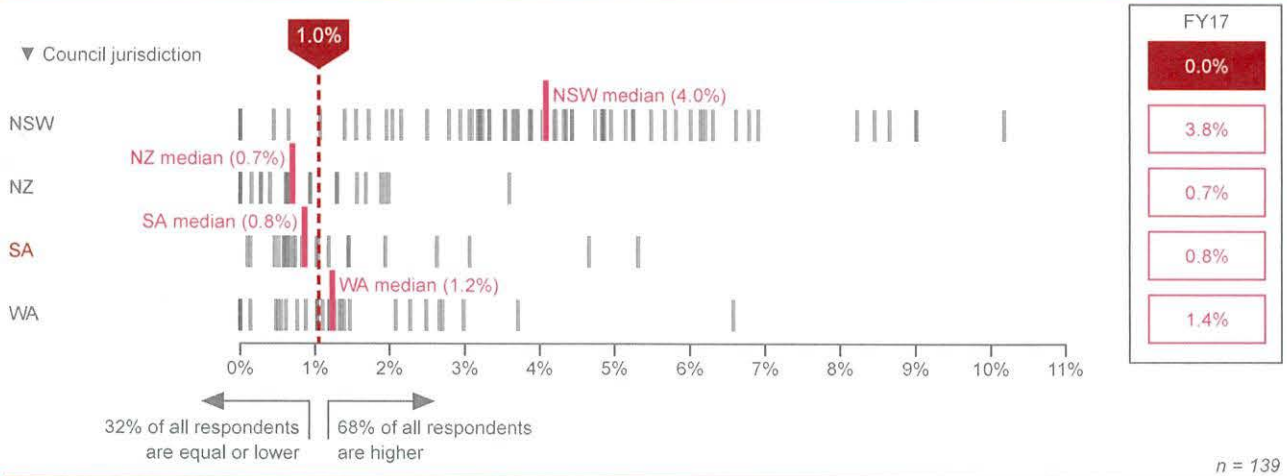
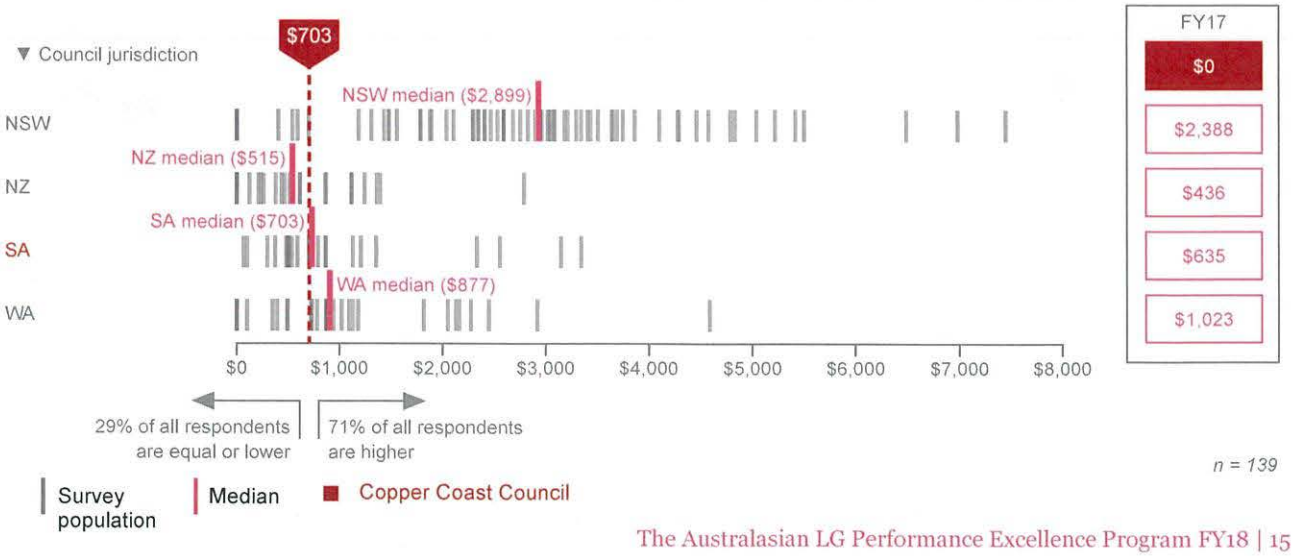


Figure 1.4: Overtime spend per FTE (A$)



Workforce structure and cost impact

Agency Staff

Agency staff provide councils with the ability to access additional resources, skills and expertise and can serve as part of an alternative resourcing strategy rather than utilising overtime or base level resourcing to assist with seasonal workflow fluctuation.

Our median results show an increased use of agency staff this year, with agency staff costs representing 1.7% as a percentage of total employee costs (up from 1.1% in the prior year). Metro councils continue to rely more heavily on agency staff (2.7% median spend, up from 2.4% in the prior year), compared to regional councils (1.8%, up from 1.1% in the prior year). Given more than 60% of rural councils do not use agency staff, we continue to see a median of 0%, principally because this type of resourcing is generally not accessible in these areas.

Our survey results also continue to show the clear distinction between Australian and NZ councils in the use of agency staff.

More than half of the surveyed NZ councils reported zero agency spend in FY18, explaining the median result of 0%. In contrast, we observe SA councils most likely to use agency staff, with 2.2% median agency spend as a percentage of total employee costs, albeit a decline from 2.6% in FY17.

WA councils, for the first time since joining the program in FY16, have an upward shift in the median result, with 1.7% agency staff spend percentage (up from 1.2% in FY17 and FY16). Likewise, the NSW council median result has also increased, with 1.8% (up from 1.6% in FY17).

It is important that clear policies and procedures on the use of agency staff are established and agreed. In addition, consideration must be given to the correct balance between the investment and development in a councils own workforce and the use of agency staff.

Key considerations

- Are you actively assessing why overtime is occurring? And monitoring overtime levels by staff level, service area and manager group?
- Are you providing staff with the right training and technology to reduce unnecessary overtime?
- If you are using agency staff, do you regularly monitor the costs incurred, especially across the different service areas?
- Have you recently reviewed your agreement with your preferred recruitment agencies to check you have negotiated fair and reasonable rates?

Figure 1.5: Agency staff spend as a percentage of total expenditure on employees and agency staff (type of council)

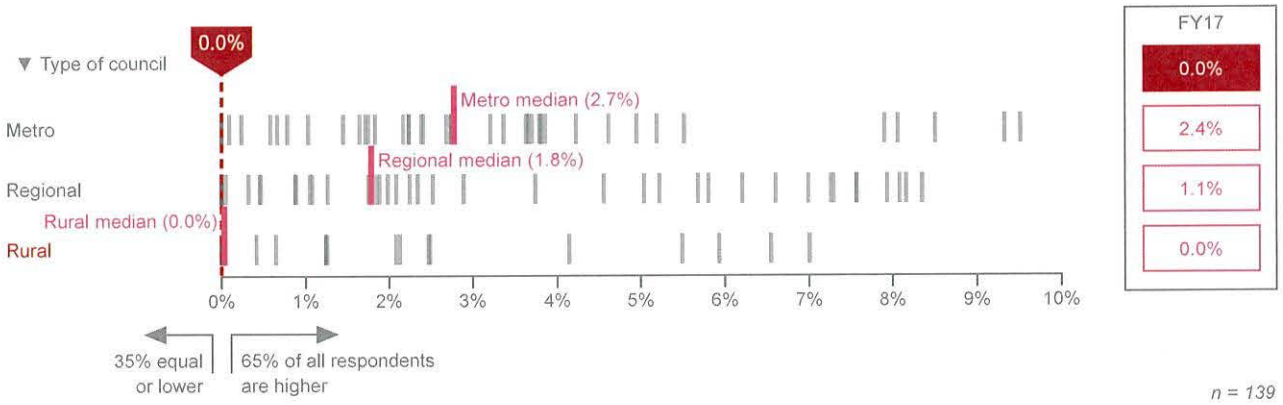
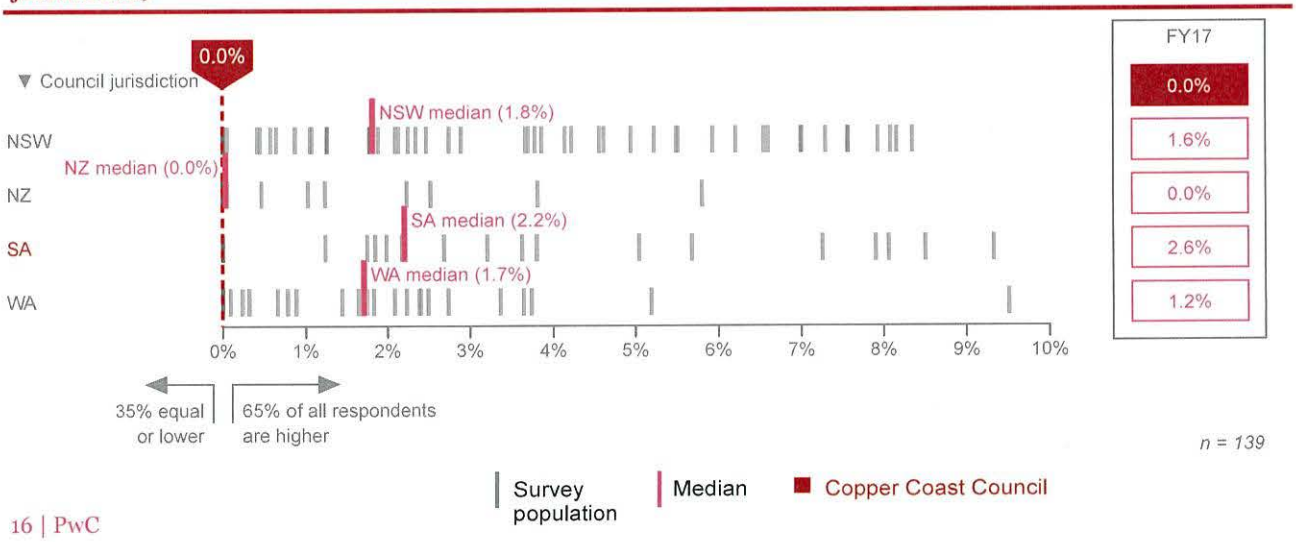


Figure 1.6: Agency staff spend as a percentage of total expenditure on employees and agency staff (council jurisdiction)



Organisational design

Span of control

The shape and size of a workforce is often influenced by the complexity and volume of work, and the associated risk levels involved when performing certain tasks. By determining the optimal team structure, teams and management can be better equipped with a blend of skills; both technical delivery and management experience.

Our 'span of control' metric can be used to monitor management overhead, as it measures the number of non-managerial employees ('other staff' in our survey) as a ratio of employees with management responsibility ('supervisors and above' in our survey). A higher span of control indicates reduced layers of management, which at its best can give staff more autonomy and on-the-job career development opportunities.

The overall median span of control, of 3.4, remains low with no movement since the prior year, suggesting minimal movement in the management layers.

SA councils, now in their second year of the program, continue to operate with less management layers, compared to other Australian councils, with a median of 3.9 'other staff' per supervisor and above (up from 3.6 in FY17). On a positive note, we also see a slight shift to flatter management structures in WA, and to a much lesser degree across NSW councils. The WA council median now sits at 3.7 'other staff' per supervisor and above (up from 3.2 in FY17), and 3.3 in NSW councils (up from 3.1 in the prior year). NZ has remained constant, with a median of 4.0.

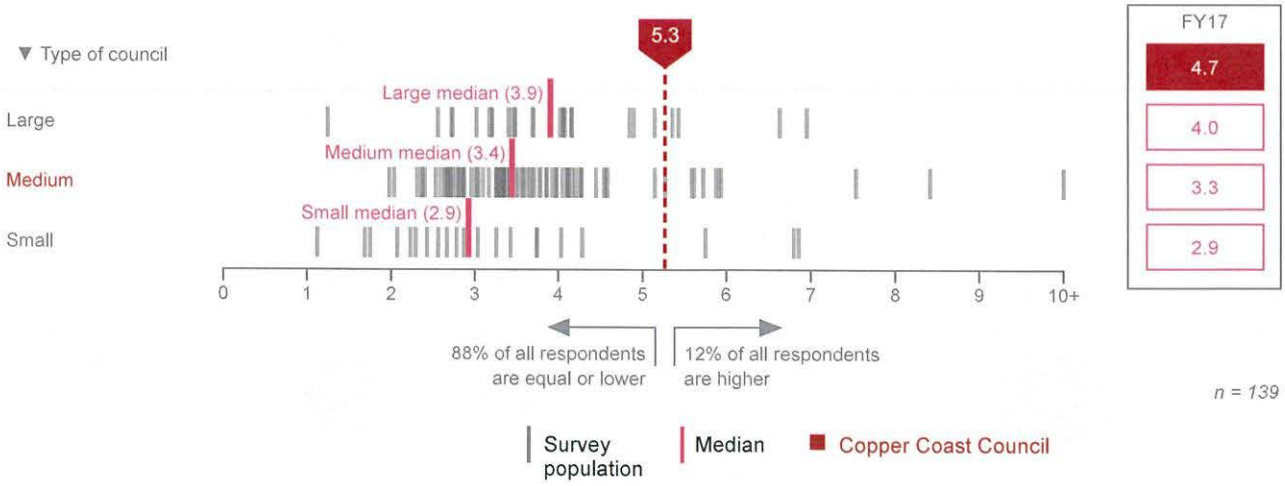
We continue to see large councils being more likely to have larger spans of control by taking advantage of their geographic location and scale of operations. However, their median span of control result has been declining since FY15, when it was 4.8 'other staff' per supervisor and above, but it nows sits at at 3.9 (down from 4.0 in the prior year). Some 'grade inflation' may be occurring within the stable workforces of these councils - an issue to watch as it drives cost pressure without necessarily impacting the potential output of the workforce.

The median span of control in small councils has been steadily climbing since FY15 when it was 2.5 'other staff' per supervisor and above, but it has now remained stable at 2.9 for the past two years. We encourage councils to consider the optimal span of control for their own circumstances, acknowledging the potential benefits such as increased productivity, improved career paths and faster decision making. By increasing the speed of decision making, councils can enhance their responsiveness to changes in community needs and requirements.

Definition

Span of control: Total number of 'other staff' per manager (defined as supervisors and above).

Figure 1.7: Span of control ('other staff' per manager)



Organisational design

Staff level mix

The charts on this page further explain span of control and enable councils to better understand how their staff level mix compares to the survey population, as well as size of council.

Following on from our analysis on span of control, we see a higher proportion of supervisors and above in small-sized councils, representing around a quarter of the total workforce, compared to 20% in large councils and 22% in medium councils. This result is expected due to the smaller functional team sizes that invariably exist within small councils.

It is important to consider the optimal staff level mix. While a higher proportion of supervisors and above provides increased expertise and experience within each function, an increase in 'other staff' may provide greater development opportunities for less experienced staff, providing opportunities for exercising their innovation, creativity and skills.

Key considerations

- Have you considered your key management personnel risk? Are you building an adequate pool of talent and sharing knowledge across the teams?
- Have you designed meaningful roles at each level taking into account experience and staff satisfaction?
- Are there opportunities to broaden the roles of managers so they can operate at a high capacity across a range of areas, while strengthening career paths and skills?

Figure 1.8: Staff level split

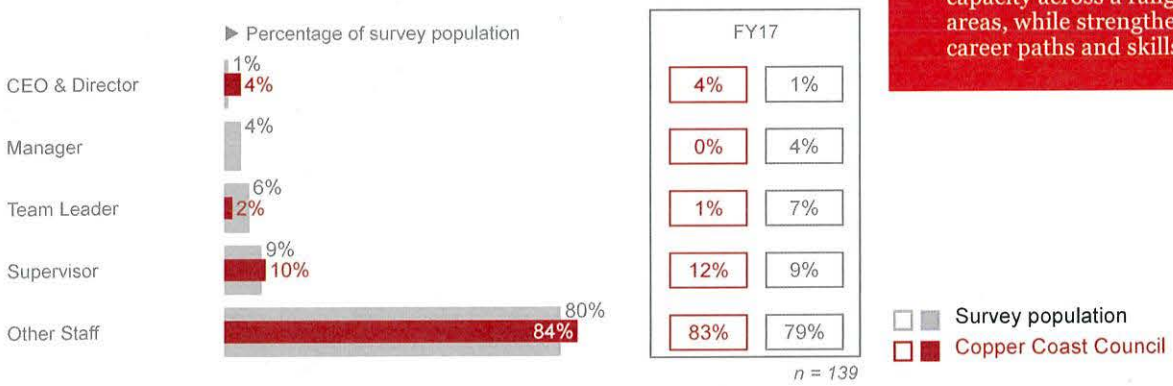
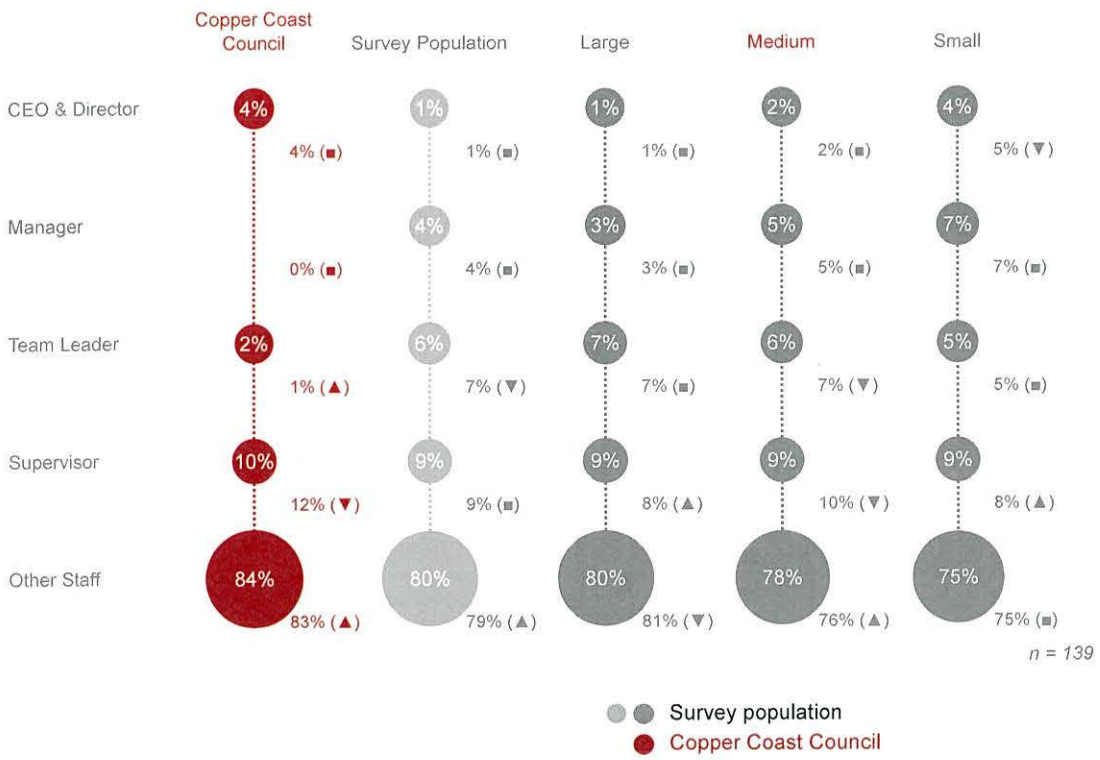


Figure 1.9: Staff level split (size of council)



Don't fall short on new talent

Rookie rate

The median rookie rate – the proportion of employees who are new to councils in the past two years – continues to remain stable at 23%, consistent with both FY17 and FY16.

For the first time since FY16, we observe a slight increase in the management rookie rate, with 16% of supervisors and above having less than two years experience, up from 15% in the prior year. This indicates a potential trend towards a newer workforce resulting in an injection of new and varied management capabilities.

The median rookie rate for supervisors and above in NSW and SA councils is 13%; the NSW median has increased from 11% in FY17, while the SA median remains unchanged. It appears that both NSW and SA councils remain less likely to integrate new management talent into the existing workforce when compared to NZ councils (23%) and WA (26%) councils.

We acknowledge the need to maintain a reasonable level of management stability in order to retain organisational knowledge and relevant experience. However, this needs to be complemented with the potential benefits that come from introducing new talent especially when this alters team dynamics leading to fresh, innovative ideas.

PwC's 21st Annual Global CEO Survey, which surveyed 1,293 global CEOs in 85 countries, shows that 'the availability of key skills' remain at the front of CEO's minds, with it sitting in the top 4 threats to growth prospects (along with over regulation, terrorism, cyber threats and speed of technological change). Of the CEOs surveyed, 79% said they are somewhat concerned about the availability of key skills, including 38% who are 'extremely concerned'. This concern is steadily increasing as process automation, artificial intelligence and new technologies are becoming more prevalent than ever.[1]

Definition

Rookie rate: Proportion of staff who commenced in the past two years.

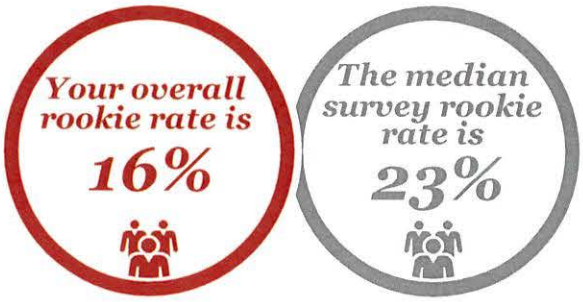
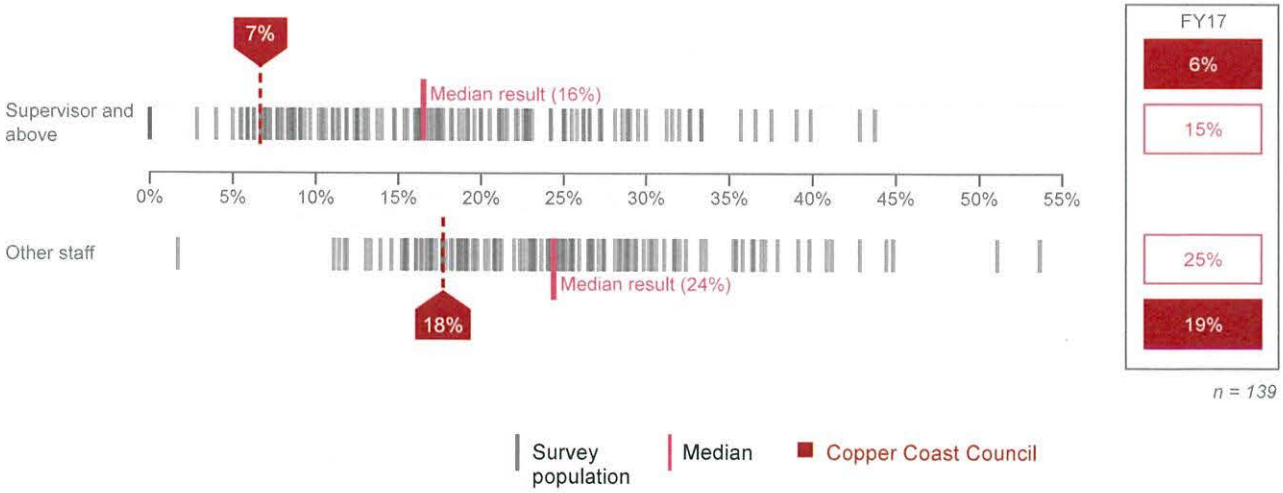


Figure 1.10: Rookie rate by staff level (proportion of staff who commenced in the past two years)



1 PwC, 2018, 21st Annual Global CEO Survey, 'The Anxious Optimist in the Corner Office'.

Don't fall short on new talent

Corporate services rookie rate

In our program we focus on four corporate services areas – customer service, finance, HR and IT. The spread in median rookie rate has increased from prior year, ranging from 20% in finance, 22% in IT, 25% in customer service and up to 28% in HR.

This surge in the median HR rookie rate of 28%, up from 20% in the prior year, aligns to a corresponding rise in the median HR turnover rate (14%, up from 9% in the prior year), suggesting a level of replenishment, as opposed to an acknowledgement of the need for fresh HR talent.

The customer service rookie rate has increased steadily over the years, with a median rookie rate of 18% in FY15, 20% in FY16, 23% in FY17 and increasing further to 25% in FY18. While some of these historical increases may have been a reaction to increased turnover, in FY18 the customer service turnover has remained stable, therefore the increase is likely a result of new talent recruitment.

Councils should consider how they deal with a rising rookie rate in different areas of the organisation. This is especially important when it comes to the sharing of the ways of working, knowledge and approaches as new people join different departments. A very high rookie rate across an organisation or within a department may mean that information may be passed on by people who perhaps had an incomplete understanding of the role and associated processes themselves.

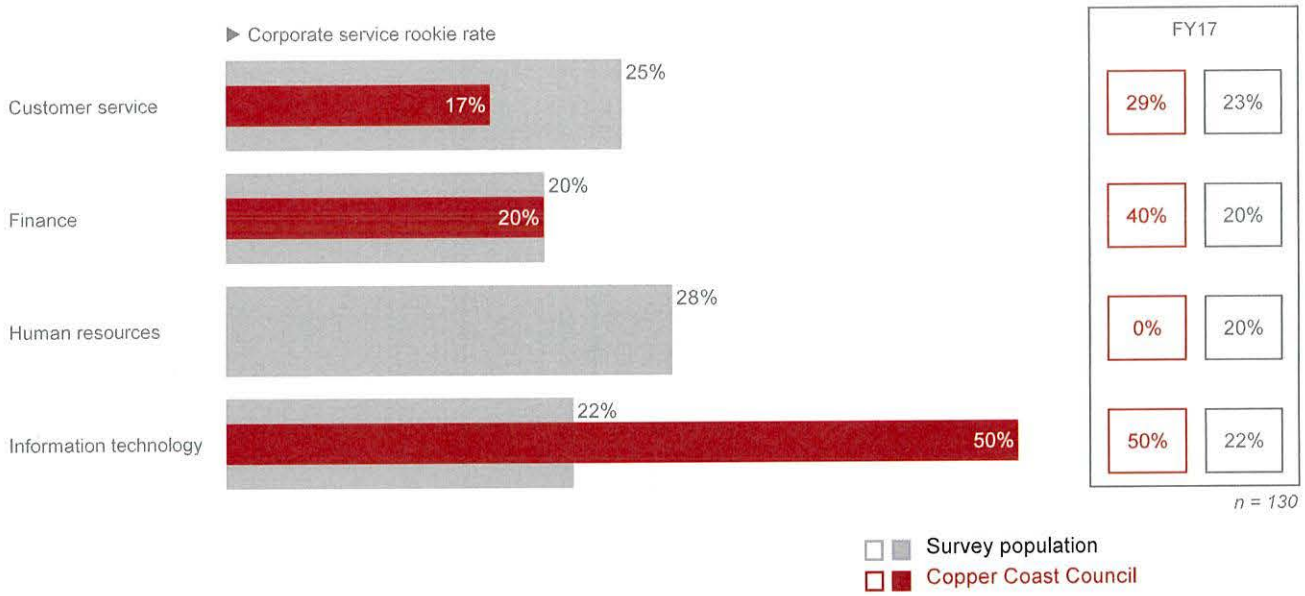
Definition

Rookie rate: Proportion of staff who commenced in the past two years.

Key considerations

- If your rookie rate is rising, how do you ensure knowledge and approaches are shared appropriately so new people can be effective as they commence their role?
- Have you considered the impact of a very low rookie rate in one department or multiple areas, and how you can bring in people with new and diverse experience to add to your existing skills in these areas?
- Are you clear on what 'future-fit' looks like and are you developing a talent management strategy to achieve this?
- Are you identifying the gaps between supply and demand of required skills and capabilities?

Figure 1.11: Corporate service rookie rate



Attracting, retaining and engaging talent

Talent strategy

An effective talent strategy is vital to ensuring the recruitment of the right people, with the right skills. Interestingly, the PwC Workforce Planning Survey[2] identified that only 53% of respondents were confident their current practice enabled the delivery of the right talent. Attracting employees who are qualified, motivated and a 'good fit' can provide many benefits from higher community satisfaction and increased productivity to greater employee engagement.

In local government, we continue to see three top areas of focus in the talent strategy; workplace culture and behaviours (92% of councils), effective performance management (74% of councils, now in second place), and skills and adaptability in people (72% of councils, dropped from second to third place).

We acknowledge these areas are extremely important as part of any organisation's talent strategy, but note they may not ensure a future fit and digitally skilled workforce. Only 44% of councils are focused on productivity through automation and technology. Global CEOs who participated in PwC's 21st Annual Global CEO Survey acknowledge the importance of digital skills, 61% are concerned about the availability of digital skills, with 50% identifying difficulty in attracting digital talent.[3]

However, it is encouraging to see SA councils with an improved focus on productivity through automation and technology; 57%, up from 47% in the prior year. WA councils are also focusing heavily on automation and technology, back in FY16 there were just 31% placing importance on this area in their talent strategy but we now see 57% doing so.

Diversity and inclusion is another important area for organisations as they strive to be an employer of choice, and we see 48% of NZ councils selecting this as an area of focus. However, this is not as prevalent across Australian councils, with around just one third incorporating this into their talent strategy. The 2018 PwC Global CEO Survey[4] shows that 85% of CEOs whose companies had a formal diversity and inclusion strategy said it had improved their bottom line, while also enhancing innovation, collaboration, customer satisfaction and talent attraction.

Figure 1.12: Areas of focus in the talent strategy

2 PwC, 2017, PwC's Workforce Planning and Analytics Survey

3 PwC, 2018, 21st Annual Global CEO Survey, 'The Anxious Optimist in the Corner Office'.

4 Ibid

Are you recruiting staff with a diverse career background and gender?

New starter career backgrounds

PwC's 21st CEO Survey identifies that good workforce planning begins with tracking and mapping your current 'skills footprint' within your existing workforce.[5] The diverse range of skills and experience already held by current staff, and the identification of any areas lacking, is an important consideration when preparing for a recruitment campaign or designing new roles within local government.

We asked councils to tell us more about their new starters such as whether they come from local government, state or federal government, or other. We also included a category called 'unknown' for those councils that do not record the previous employment history of their new employees.

Australian councils continue to see far more movement of staff between councils, compared to NZ councils. This is demonstrated by 19% of new starters in WA recruited from the local government sector, 14% in SA and 13% in NSW, compared to just 4% in NZ councils. This might be reflective of the younger workforce in NZ councils, as our results show NZ councils have the highest representation of Gen Y in the workforce, compared to the other jurisdictions, at 36%.

New starters in NZ councils are more likely to come from outside of government (74%) suggesting greater access to a broader range of skills and different perspectives, but a more limited transfer of industry knowledge and experience.

It should be noted that 52% of SA and 41% of NSW councils in our study do not capture prior employment history for new starters. This is a missed opportunity to be able to easily and quickly tap into prior skills or other industry knowledge, and assess how prior experience may affect the ongoing performance of staff.

Touching on how this plays out in councils of different sizes, we observe 20% of new starters in small councils, and 16% in medium-sized councils having prior experience in the local government sector, but only 6% in large councils.

Key considerations

- Do you have a good understanding of the prior experience of your new talent pool?
- What patterns or trends, across different departments, can you observe based on prior experience and can this help you attract new talent in the future?

Figure 1.13: Proportion of new starters from the local government sector

5 PwC, 2018, 21st CEO Survey, 'The talent challenge: Rebalancing skills for the digital age'.

Are you recruiting staff with a diverse career background and gender?

Recruitment gender diversity

For the third consecutive year, we observe equal representation of men and women in the recruitment of new joiners within our surveyed councils, with an overall median of 50% balance between men and women joining local government.

NZ councils continue to be more likely to recruit females, with a median of 58% female new starters. This links to the higher overall female workforce in NZ councils as explored in the Gender Diversity section within this report.

Both NSW and SA councils are increasing the proportion of females being recruited. NSW councils now have a median of 48% female new starters, and 48% in SA councils. WA councils have dipped slightly from 53% females recruited in FY17 to 49% this year.

Metro and regional councils recruited a median of above or just below 50% female new starters respectively. In comparison, rural councils have seen a reduction in the overall gender balance in recruitment, with a median of 46% female new starters (down from 49% in FY17).

Councils need to be aware that sometimes a greater gender balance overall in the workforce is achieved because results have been aggregated across several imbalanced workforces; a common example of this being male dominance in outdoor workers and female dominance in Children and Aged Care services. The benefits of a diverse workforce might be achieved by looking at the integration of staff overall and then also within specific teams where gender balance exists more naturally.

Our analysis at a service level, presented in our Service Delivery section, provides a comparison within these workforces and gives councils the opportunity to set goals at the service area level.

Key considerations

- Are you educating those involved in recruitment to be aware of, and avoid, unconscious bias in the recruitment decision-making process?
- Do you understand the most successful method for attracting a diverse range of applicants? Have you considered how your workplace brand and policies impact this?

Figure 1.14: Proportion of female new starters (council jurisdiction)

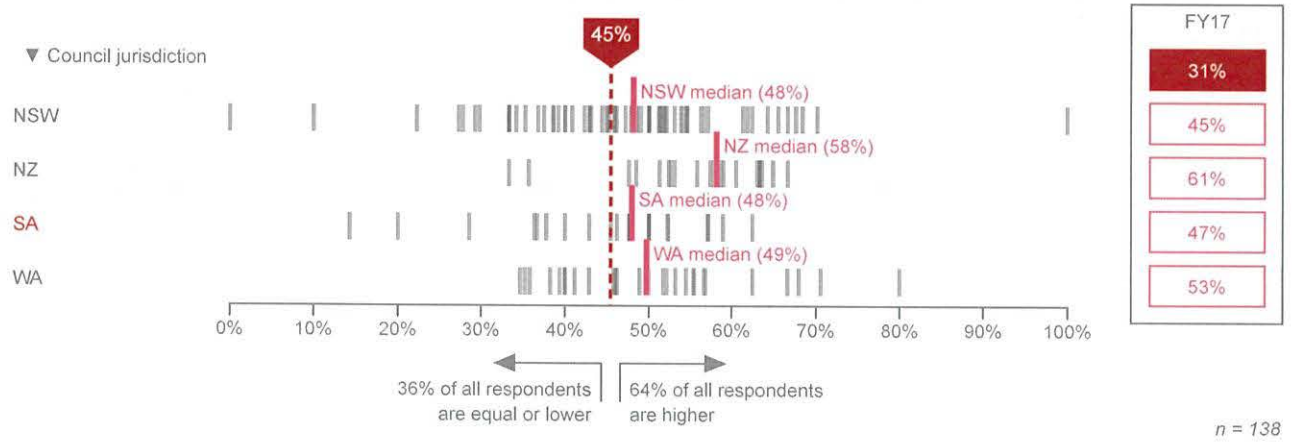
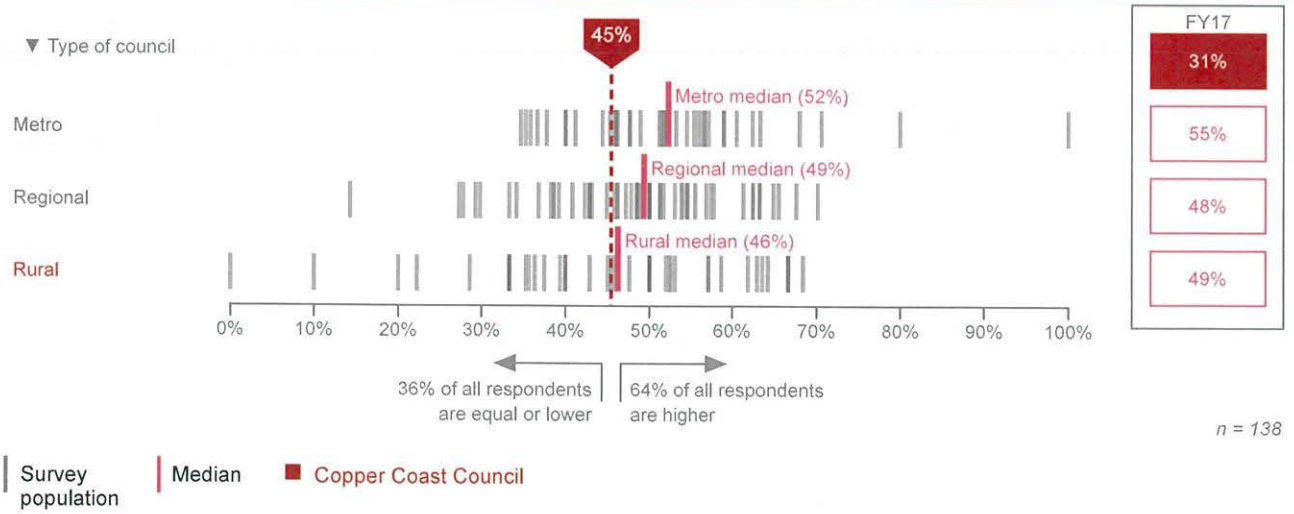


Figure 1.15: Proportion of female new starters (type of council)



Are you striking the right balance between retaining and refreshing your people?

Staff turnover

For a number of years we have observed a stable turnover rate, and one that, when compared to the corporate world, was low. In FY18, we have seen more movement of employees, with an overall median staff turnover rate of 14.2% (including fixed-term contract employees), up from 12.8% in FY17 and 13.4% in FY16. This rise in the departure of employees has been experienced by all jurisdictions.

In Figure 1.17, we provide a revised version of the staff turnover rate to account for councils that employ a high number of fixed-term contract employees. By excluding these employees, from the staff turnover rate, the overall median staff turnover rate reduces to 12.0%, which is lower than the standard median staff turnover rate of 14.2%.

So while some of this reduction in turnover can be explained by the churn in employees on fixed term contracts, we are not seeing a large increase in the use of fixed term contractors; the median fixed term FTE as a percentage of the closing FTE has remained relatively stable, at 7.8%, compared to 7.6% in the prior year.

This means that once fixed term contract employees are accounted for, we continue to observe a higher median churn rate, at 12.0%, up from 10.8% in the prior year.

As a result, we find this has an impact across most of the jurisdictions, particularly on the NZ council median turnover rate, reducing from 19.8% to 15.1%, and the WA median reducing from 15.8% to 12.5%, suggesting that an amount of turnover can be explained by fixed term contracts ending.

While a healthy turnover rate is traditionally considered desirable, we expect to see staff turnover continue to intensify within local government given the changing generational mix of the workforce and future retirements. Digital transformation across many business processes with the introduction of automation and artificial intelligence may also impact the nature of some existing roles in the future which could lead to further long term shifts in the workforce.

Key considerations

- Are you refreshing, or retaining, your staff at the right rate so you can achieve your goals and meet community needs in the future?
- Do you perform exit interviews to collect data and analyse turnover trends within your council?

Definition

Staff turnover rate: Total number of all leavers in the year divided by the headcount at the start of the year (excluding casual employees).

Figure 1.16: Staff turnover rate (including fixed-term contract employees)

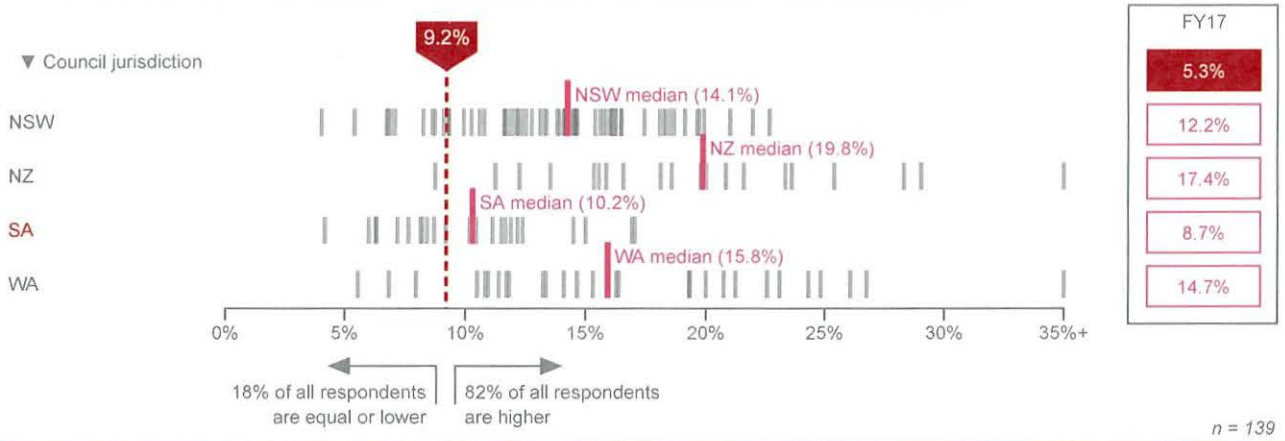
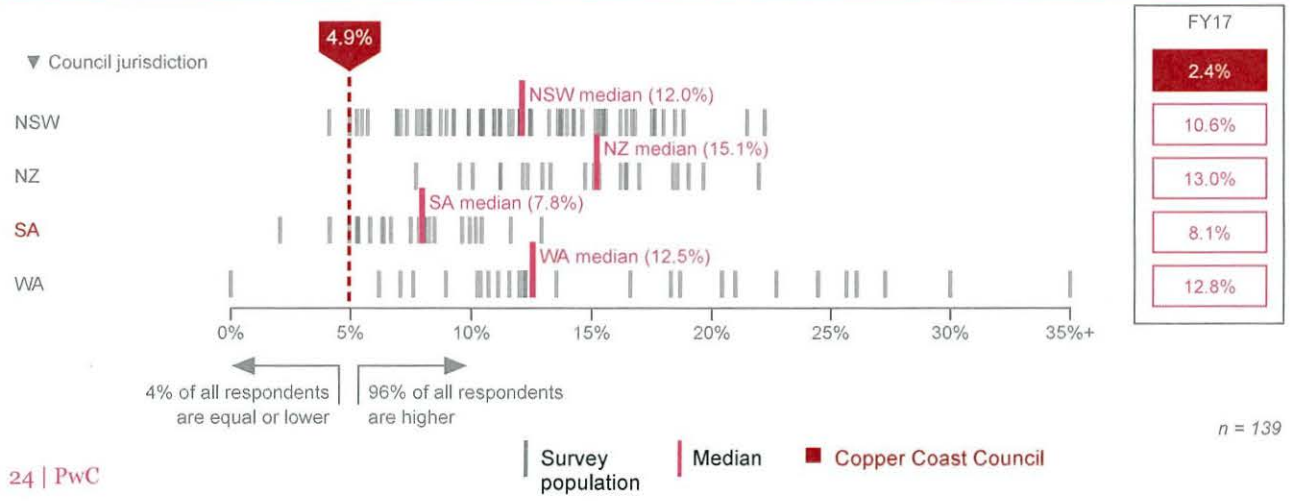


Figure 1.17: Staff turnover rate (excluding fixed-term contract employees)



Turnover rate for employees in their first year of employment

Staff turnover rate in year one

Examining the turnover rate in the first year of employment can provide insights into the appropriateness and success of the talent and recruitment strategy, but can also be a reflection of industry changes. Our analysis on staff turnover rate goes on to explore the frequency of new employees resigning.

We have already seen the overall staff turnover rate increase in the past year, and the staff turnover rate in year one is no different. It has climbed from 15.0% to 18.2%, the highest median in four years. When compared to the overall equivalent turnover rate of 12.0%, we see the largest gap since FY15, suggesting that the retention of new recruits in local government remains a serious issue.

The gap in NSW councils, between the median year one turnover rate of 21.1%, and the equivalent overall turnover of 12%, is the largest gap ever seen in NSW and also represents the highest gap across jurisdictions.

WA councils remain steady with a median turnover rate in year one of 18.2%, however the gap between the equivalent overall turnover of 12.5% is the highest it has been in three years. It is also the second highest median year one turnover rate across the jurisdictions, and suggests a sustained issue in the churn of new employees in WA.

In NZ councils, the gap between the median year one turnover rate of 15.6%, is almost non-existent, when compared to the overall median turnover of 15.1%, indicating that new recruits are unlikely to outnumber longer serving employees when examining the mix of leavers.

In SA councils, the median year one turnover result is 0%, due to more than half of the SA participating councils not losing any new recruits in their first year. However, it is the metro councils in SA that do experience churn with their new recruits, with a median 15% turnover rate in year one.

When looking at type of council, metro councils continue to have the highest overall median year one churn rate (18.6%), and the point to note for the first time in our annual program, is that regional (17.6%) and rural (16.7%) councils are no longer that far behind metro councils when it comes to feeling the impact of changes or poor fit and hire of new employees. Interestingly, is is only regional and rural councils in WA that surpass the metro median year one turnover rate. It is fairly evenly spread across type of council in NSW (with metro the highest) and NZ metro councils are far more likely to have an issue of retaining new joiners.

In order to better understand the possible shortfall in the employee value proposition, or other potential explanations for the elevated first year leaver rate, councils should explore the impact of a changing workplace, and use detailed exit interviews and other artefacts to determine whether this turnover relates to recruitment practices, talent strategy or if there is a mismatch in workplace culture, values or role expectations to those held by employees.

As our workforce grapples with significant changes within industry and also becomes more diverse, so too does the required recruitment and retention strategy. This is important not only from a gender perspective, but also a generational perspective. With the increasing presence of Gen Z (post 1995) and the need for Gen X to remain in the workforce for longer, it is possible that councils are facing a mismatch in their external and internal employer brand, especially when it comes to attracting and retaining the different generations who are likely to have very different priorities.

Definition

Staff turnover rate in year one: Total number of leavers with less than one year of experience divided by the headcount at the start of the year with less than one year of experience (excluding casual and fixed term contract employees).

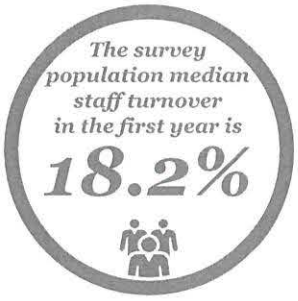
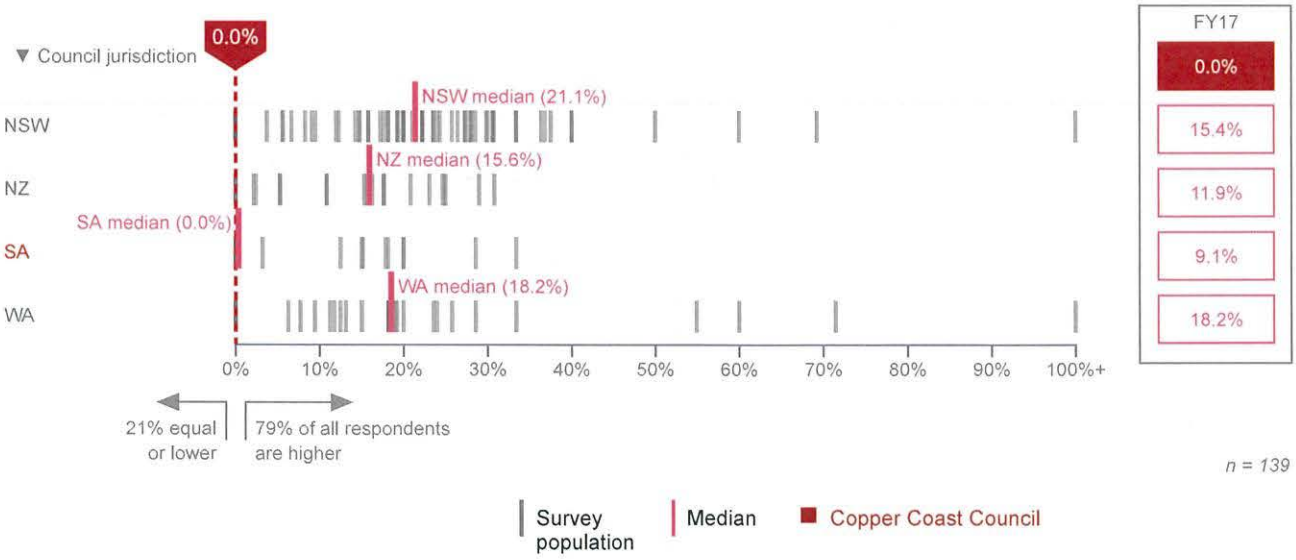


Figure 1.18: Staff turnover rate in the first year (excluding fixed-term contract employees)



Turnover rate for employees in their first year of employment

Gender turnover rate in the first year

When examining the different types of councils, we find there is a more pronounced gap between males and females leaving in their first year in metro councils. Metro councils are now facing more challenges in retaining men in their first year of service, with a median result of 20%, compared to women (17%). A year ago women were more likely to leave in their first year, but even then the gap was marginal.

Although rural councils also have slightly more men (11%) leaving in their first year, compared to women (10%), this gap is not as concerning as it is in metro councils. Meanwhile, in regional councils, women in their first year of employment continue to leave at a faster rate, with a median result of 16%, compared to men at 14%. However, women were 1.5 times more likely to leave in FY17, compared to 1.1 in FY18.

In NSW councils, the rate at which men are leaving has increased to a median year one turnover rate of 16%, up from 13% in the prior year. In comparison, the female equivalent rate, while still higher than men, has remained stable at 20%. However, the gap is closing between the rate at which women leave, compared to men, in the first year of employment.

A year ago, in WA councils, there was no distinction between the genders in the year one staff turnover rate. However, a gap now exists for WA councils, with men more likely to leave in their first year of employment; with a median, 20% (up from 17% in the prior year), compared to 16% for women. Encouragingly, the rate at which women depart in their first of employment is declining, especially when compared to 23% in FY16.

NZ councils continue to have a higher median year one turnover rate for women, at 17%, with a slight widening of the gap when compared to the male equivalent rate of 15%. In SA councils, the median gender year one turnover result is 0%, due to more than half of the SA participating councils not losing any new recruits in their first year.

Figure 1.19: Median gender turnover rate in the first year (council jurisdiction)

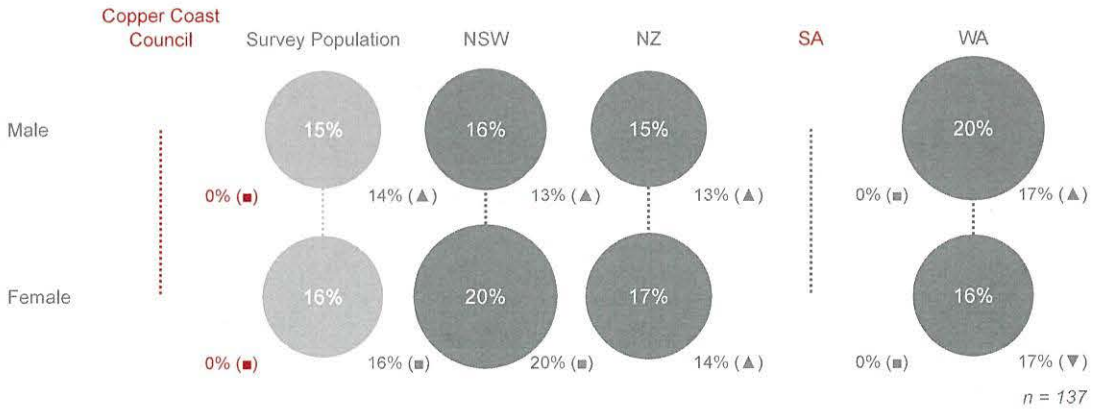
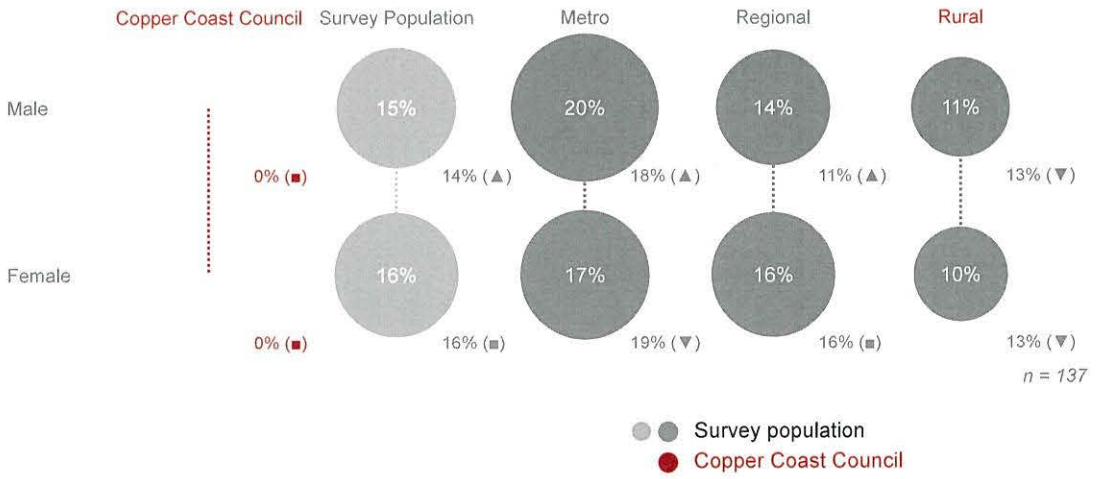


Figure 1.20: Median gender turnover rate in the first year (type of council)



Turnover rate for employees in their first year of employment

Generational turnover rate in the first year

The increase in the overall median year one churn within Gen Y and younger (now at 18%, up from 15% in the prior year) is creeping closer to historical levels of 19%, from FY16. This increase is being observed across both NZ and NSW councils, as well as Gen Y and younger being more likely to leave than Gen X.

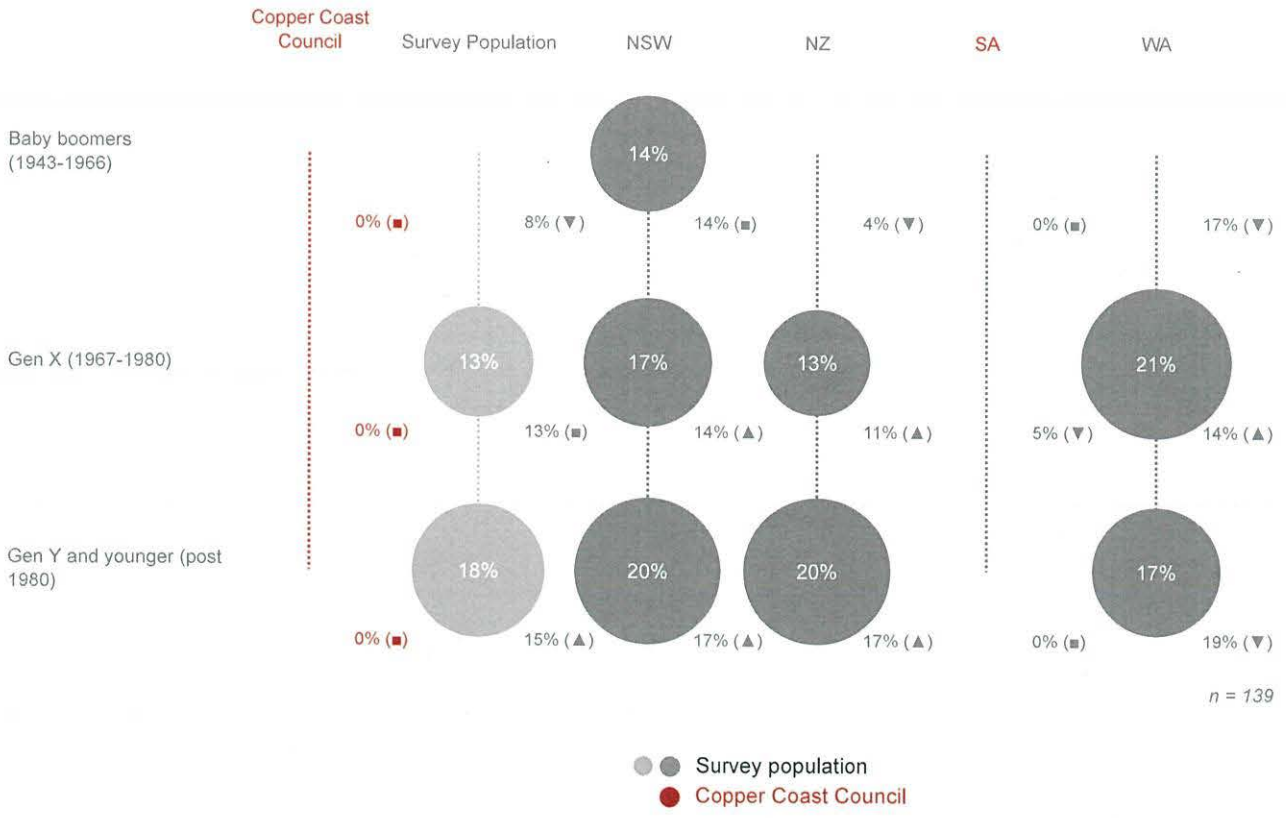
In NZ councils, Gen Y and younger employees are 1.5 times more likely to leave in their first year (20%, up from 17% in the prior year), compared to Gen X (13%). However, in NSW councils, the difference between the median churn in year one for Gen Y and younger (20%, also up from 17%) versus Gen X (17%) is not as pronounced.

WA councils have a different trend appearing, one that we have not seen in our program to date; Gen X in WA councils (21%) are 1.2 times more likely to leave in their first year of employment, compared to Gen Y and younger (17%). The median turnover of year one Gen X employees has increased from 14% in the prior year.

The 2017 PwC global Next Gen survey[6] included in-depth conversations with 35 next generation members working in a or part of a family business, from 20 different countries, backed up with online polling of over 100 next generation members. The survey results clearly showed that there are a set of common success factors among the next gens. This is referred to in the survey as the 'five Cs', and should be key considerations when looking at the retention of Gen Y employees:

- **Culture**: A supportive culture that allows creativity and the chance to take on responsibility.
- **Communication**: Genuine two-way engagement between the current and next generation, based on mutual respect and trust.
- **Clarity**: Clarity sits at the heart of effective management and governance. Whether it's clarity of strategy or roles and responsibilities.
- **Credibility**: A lack of experience or age, perceived or actual, may lead to a credibility gap, and this will always be a challenge for next gens.
- **Commitment**: Businesses will need to make a commitment to the development of the next generation, but the next gen also need to repay that with a willingness to invest time in the business.

Figure 1.21: Median generation turnover rate in the first year



6 PwC, 2017, Next Gen Survey, 'How the next generation of family business leaders are making their mark - Same passion, different paths'.

Who is leaving your council?

Staff turnover rate in detail

To allow councils to further dissect their staff turnover rate, we have performed the same calculations across five different dimensions. These turnover calculations exclude casuals but include fixed-term contract employees.

Our findings show that the median baby boomer turnover (12%) and Gen X turnover (12%) have remained relatively stable, compared to last year. However, the comparison to the median Gen Y turnover rate (19%, albeit down from 20% in the prior year) continues to suggest that Gen Y employees are far more likely to leave a council.

This continues to be an issue in NZ councils, with the highest median churn among Gen Y and younger employees at 32%, compared to 20% in NSW and WA, and a much lower 12% in SA councils.

When comparing across all council jurisdictions, it is the Baby boomer generation that consistently shows an increase in the median turnover rate, suggesting that the generational shift is continuing to alter the mix of the local government workforce.

In Figure 1.24, we continue to see higher median turnover rates at either end of the staff level spectrum, compared to the middle ranks of team leader and supervisor. Although team leader churn has increased to 11%, up from 8% in FY17.

When comparing median turnover rate across the four corporate services areas, per figure 1.25, the median turnover within HR is over 1.5 times that of FY17, increasing from 9% to 14% in FY18. This is impacted by the extremely high HR turnover rate in WA councils of 25%, up from 9% in the prior year. HR employees in NSW councils also left at a fast pace in FY18, with a churn of 17%, up from 12% in the prior year.

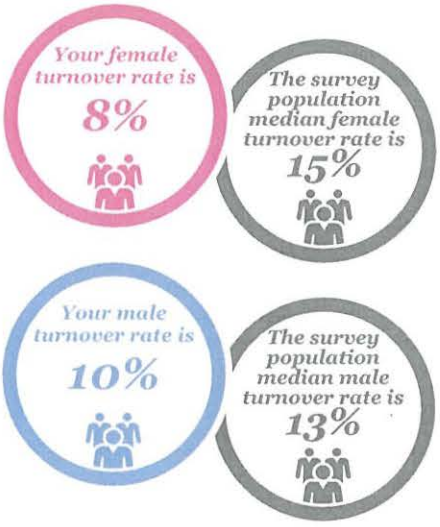


Figure 1.22: Staff turnover rate by generation

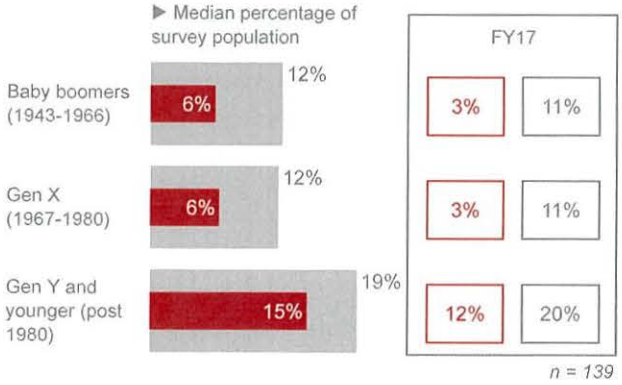


Figure 1.23: Staff turnover rate by tenure

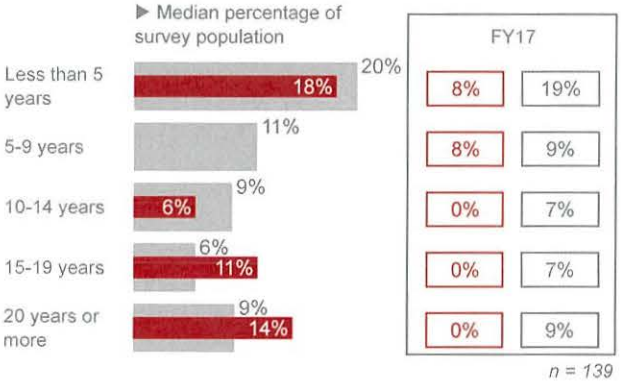


Figure 1.24: Staff turnover rate by staff level

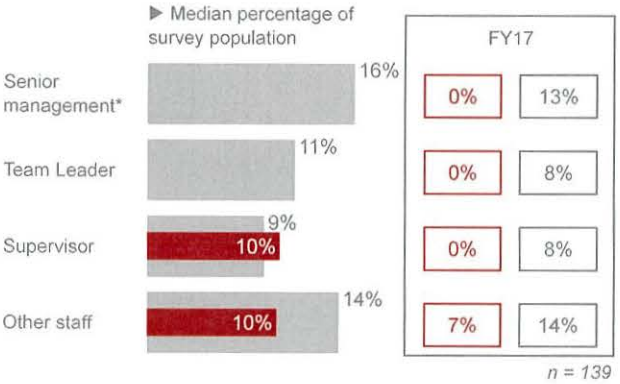
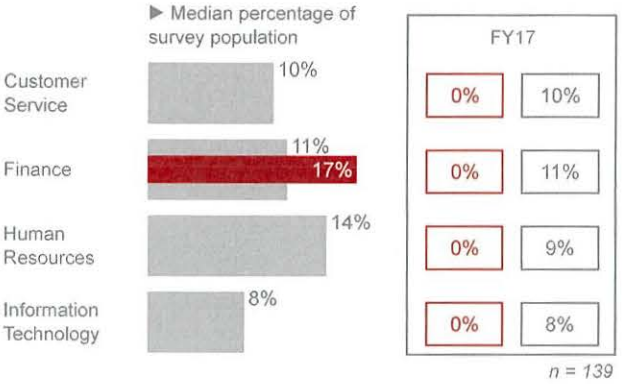


Figure 1.25: Staff turnover rate by corporate service



*Includes CEO, Director and Manager.

Survey population
Copper Coast Council

Talent diversity

Gender diversity

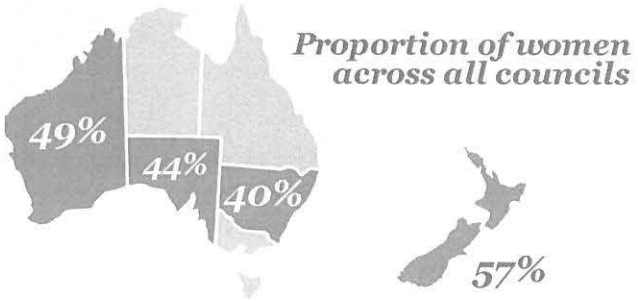
The local government sector has the opportunity to serve as an exemplar workplace for inclusion of women, with women representing 46% of the surveyed workforce.

The proportion of women in the workforce remains highest in NZ councils (57%), followed by WA councils (49%). Women in NSW councils continue to represent 40% of the total workforce, and SA councils also remain stable, with 44%.

In our program, we further analyse gender diversity at each staff level, and we continue to find that although the representation of women in the entry level position of 'other staff' is 49%, as in most organisations, this steadily declines the more senior the staff level. We continue to observe just over one third of managers being represented by women (36%), 29% female directors, and dropping to 17% at the CEO level. This is further dissected by council jurisdiction on the next page.

According to PwC's 'Time to talk' survey, of over 3,627 professional working women, 76% of surveyed employers have incorporated diversity and inclusion in their employer brands, acknowledging that talent diversity and inclusion is vital to their organisation's ability to drive innovation and gain competitive advantage. The quality of women's talent and leadership is vitally important to business; the skills and experience they bring, including experience gained outside of the workplace, has proven to be essential in strategic decision-making and in ethical, sustainable enterprise.[7]

The 'Time to talk' report highlights the importance, and benefits, of talent diversity and local government is no exception. A diverse local government workforce is more likely to reflect broader community views, allowing councils to better understand community needs and deliver anticipated outcomes.



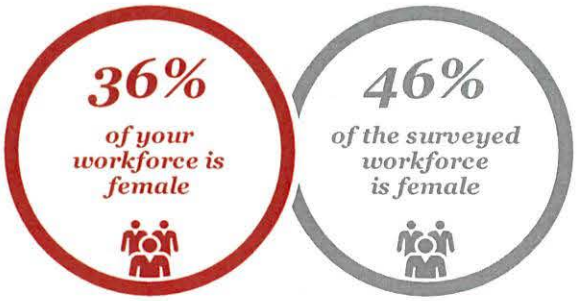
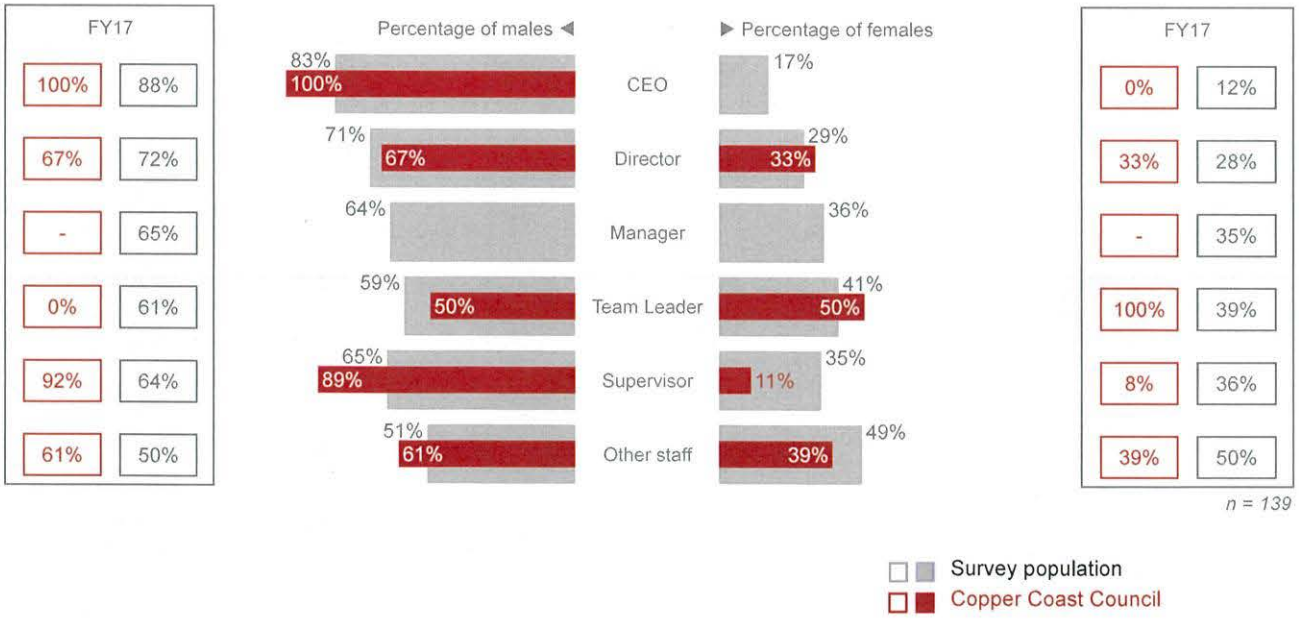


Figure 1.26: Staff-level gender split at 30 June 2018



7 PwC, 2018, 'Time to talk: What has to change for women at work'

Talent diversity

Pipeline of female employees

Figure 1.27 shows positive, but limited, change occurring in local government when it comes to transitioning women from the entry level position of 'other staff', where there is gender balance, to the more senior levels of manager and above.

Overall, we observe a new trend with an increase in female representation across all levels of management, except in the crucial pipeline role of supervisor which is stagnant at 35%. Notably, the CEO level has spiked at 17% female representation this year, up from 12% in FY17, and the highest representation in three years. This translates to an increase of seven female CEOs in FY18, compared to a year ago.

This increase in female CEOs stems mainly from an upward shift in NSW councils; over one in five CEOs are now female in our surveyed NSW councils, at 20% or an increase of six female CEOs (up from 14% in the prior year). We note that WA councils remain significantly behind the other council jurisdictions with just 4% representation of females at the CEO level (or just one female CEO).

In PwC's 'Time to talk' survey, a range of ideas to assist in attraction, and retention, of female talent has been presented[8]:

- Incorporation of unconscious bias training for those involved in promotion and recruitment
- Accountable mentoring or sponsorship system
- Commitment to put all potential candidates on opportunity lists
- Revisit people policies to include diverse and inclusive language and flexibility

As part of retaining female talent and improving female representation in leadership roles, councils should assess their own approach in these areas, considering how inclusive and unbiased they are or how they might be improved to better suit a more diverse workforce.

In addition, fostering a merit-based selection process for recruitment and promotion is an important next step, which ensures that selection is based on a person's ability, skills and knowledge to perform the role.

Key considerations

- Do you have a strong merit based system in place for your recruitment and promotion processes?
- Are you equally considering all up and coming managers, across the various business units, in terms of career development towards senior leadership?
- Does unconscious bias exist towards certain roles being seen as more likely to deliver senior leaders?
- Do you promote flexible work arrangements for all employees?

Figure 1.27: Female employees by staff level

8 PwC, 2018, 'Time to talk: What has to change for women at work'

Talent diversity

Pipeline of female employees (continued)

When we analyse the pipeline of future female leaders across the survey population, we find the median proportion of female employees at manager level and above has remained relatively stable, at 31%. The median in NZ councils is much higher, with 39% female managers and above, compared to 31% across Australian councils.

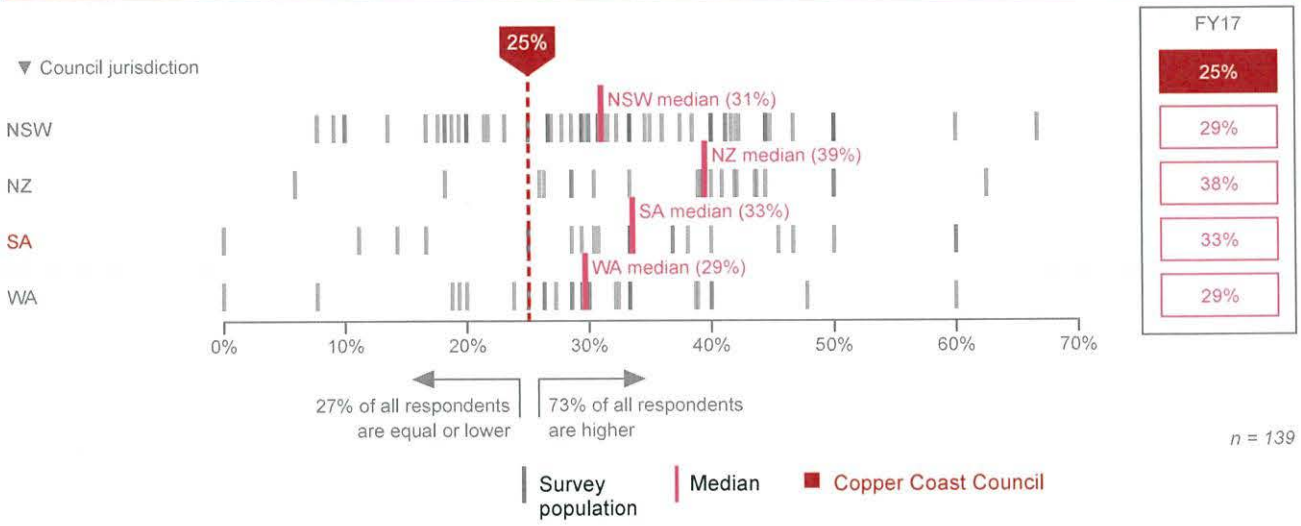
By comparison, based on the Australian data collected by the Workplace Gender Equality Agency ("WGEA")[9] from over Australian non-public employers covering over 4 million employees overall, females comprise 39.1% of manager and above levels. This continues to increase, up from 38.4% in prior year.

The WGEA data also showed that gender balance in leadership is set to continue to improve, with 43.3% of manager appointments in 2017-18 going to women. Over 60% of the participating employers, included in the WGEA data set, have policies and/or strategies to support gender equality in promotions, talent identification and retention. Over 30% of these employers have also developed specific gender equality KPIs for managers.

Across Australia, SA councils continue to have the highest median female representation in manager and above levels, with 33%, but NSW councils are quick to follow, with 31% (up from 29% in prior year), and WA remain unchanged, with 29%.

The opportunity for councils to assess and improve the gender balance at the team leader and supervisor level, across all areas in councils, as a way to build a stronger pipeline for future female leaders remains a focus area. We understand there are a gender differences in some business units, and recommend councils review business units especially where imbalanced workforce profiles exist. Councils need to be aware of this and consider their pipeline and recruitment rate of female employees across each business unit, identifying particular areas that need more assistance in development and opportunity for all talent equally.

Figure 1.28: Proportion of female employees at manager level and above



9 Workplace Gender Equality Agency (WGEA), November 2018, 'Australia's gender equality scorecard. Key findings from the WGEA's 2017-18 reporting data'.

Talent diversity

Gender diversity in senior levels

Progression of women into senior management roles at a similar rate to men remains a challenge faced by many organisations. Based on the data collected by the WGEA,[10] we can see there has been some movement in Australian women moving into senior leadership roles, with 30.5% of key management personnel roles[11] represented by women (up from 29.7% in prior year), and 17.1% are CEOs (up from 16.5%).

In our survey, we see a blended overall female CEO and director median of 25%, in line with the rate in both FY16 and FY15, after a dip to 20% in FY17.

It is interesting to note that metro and regional councils are now more likely than rural councils to have a higher proportion of female CEOs and directors, with a median of 25% (stable for metro, up from 20% in the prior year for regional). In comparison, rural councils have a median of 20% of women in these top leadership roles, up from the 17% in prior year.

A way for councils to create a stronger female pipeline as well as create a positive impact on the number of women in senior roles is to actively identify and develop high performing women in the areas necessary for senior roles – finance, leadership and governance.

Councils need to be considering the impact of an aging workforce and the potential senior positions that will become vacant . In PwC's Workforce Planning and Analytics Survey in the public sector[12], 63% of respondents didn't think their strategic workforce planning adequately addressed the potential impact of over-65s being the fastest growing population segment.

Councils can ensure they are future-fit by identifying a pool of talent in the existing group of employees and developing strategies to support female managers applying for these future leadership roles. One of these strategies which we have seen in private practice is the recruitment requirement of equal representation of equally suitable and qualified candidates for all senior roles, as well as equality on the selection panel. Strategies like this can be useful to reduce any unconscious bias in the process and foster merit based selection.

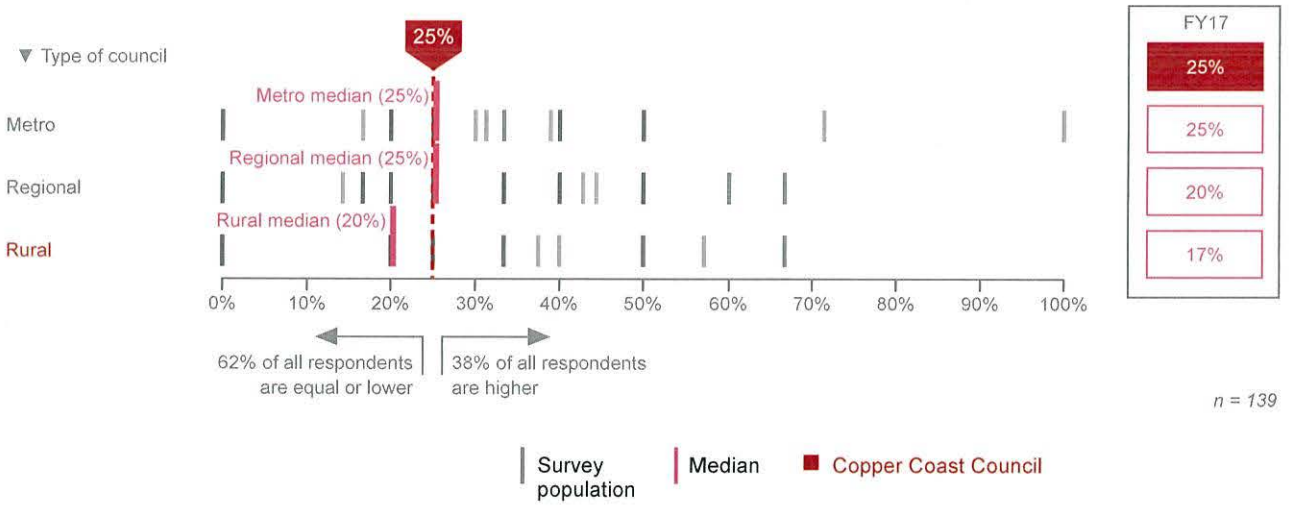
Key considerations

- Have you incorporated a focus on developing all managers equally for senior roles within your council?
- Do you have equal gender representation in your recruitment processes?
- Have you considered setting some merit based KPIs for senior management that will support diversity of talent?
- Have you implemented or piloted a flexible working policy and/or strategy targeted at both men and women?

The representation of women steadily declines when moving up the management levels; women comprise only 30.5% of key management personnel (KMP) positions, and 17.1% of CEO positions.

Key results from Workplace Gender Equality Agency (WGEA), November 2018

Figure 1.29: Proportion of female employees at CEO and director



10 Workplace Gender Equality Agency (WGEA), November 2018, 'Australia's gender equality scorecard. Key findings from the WGEA's 2017-18 reporting data'.
11 KMP is a manager who represents at least one of the major functions of the organisation and participates in organisation-wide decisions with the CEO.
12 PwC, 2017, Workforce planning in the public sector: Balancing capability and affordability

Talent diversity

Corporate service areas

We continue to see women comprising the majority of roles in customer service, finance and HR, with males dominating the IT roles.

In PwC's Time to talk survey[13], three key essential elements are highlighted for business leaders to focus on to assist in advancing gender equality:

- **Transparency and trust** - greater transparency during conversations about promotions, pay and what helps or hurts their careers
- **Strategic support** - proactive networks to develop, promote and champion women
- **Life, family care and work** - a fresh approach to balancing work, life and family.

We acknowledge the challenges faced by employers in achieving gender balance in workforces where traditional gender roles are a strong influence, however given the critical importance of technology and the increasing expectation of councils to digitise their services, we encourage councils to continue to incorporate diversity considerations when recruiting for IT roles.

Figure 1.30: Corporate service area gender diversity

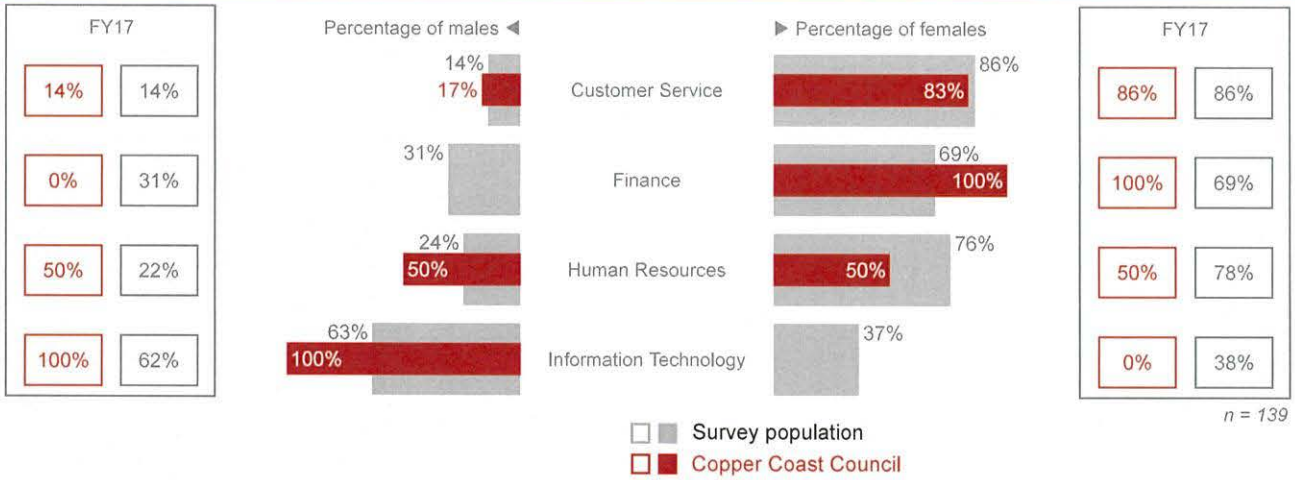
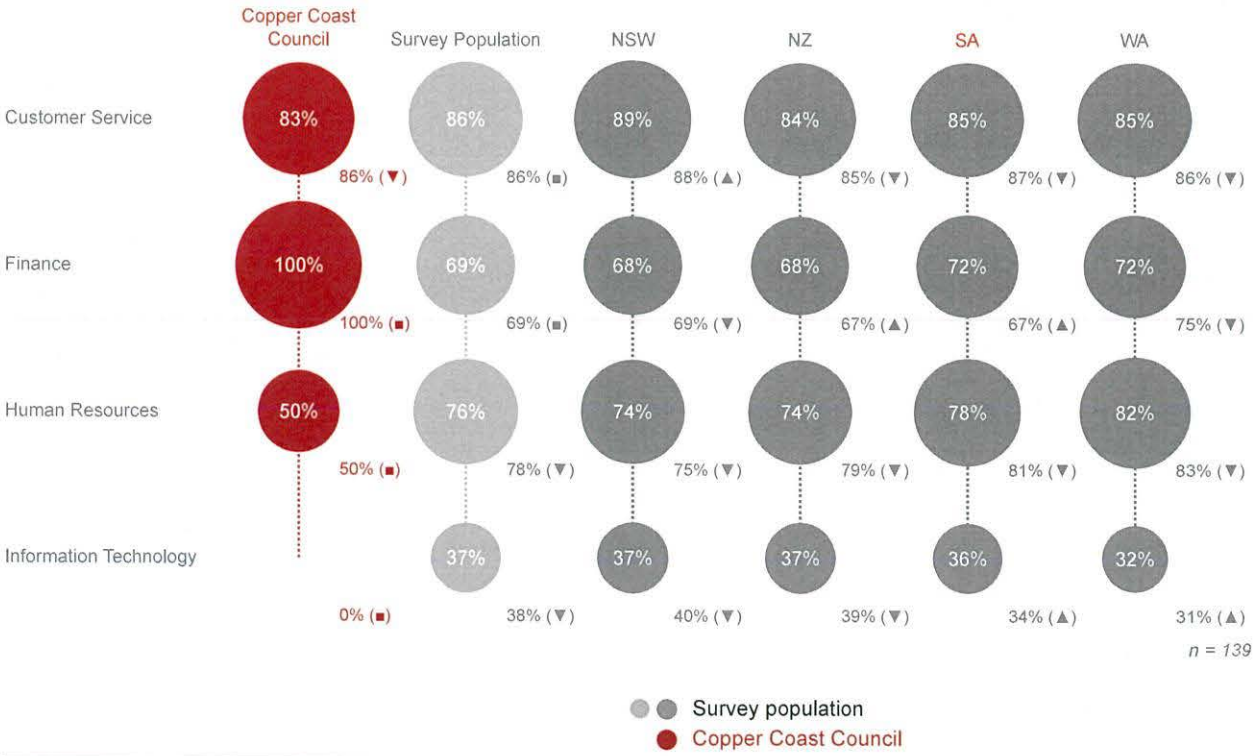


Figure 1.31: Percentage of female employees by corporate service area



13 PwC, 2018, Time to talk survey, 'Time to talk: What has to change for women at work'

Removing the glass ceiling

Promotions

One indicator of how well a council is delivering visible diversity results is the rate at which women are promoted into senior roles over time. It is important that councils are growing the career opportunities for both women and men in leadership positions. By assessing the rates of promotion, councils can determine how close they are to gender balance during promotion cycles and more importantly how much more focus they need in this area.

Our findings show for the first time since FY15, a much closer alignment of men and women being promoted into Supervisor or above roles; 1.2% of men were promoted, compared to 1.1% of women.

Regional councils were the only group of councils with a higher promotion rate of women into supervisor or above levels (1.5%), compared to men (1.3%). In comparison rural councils, despite having a similar representation of females in the workforce, experienced a pronounced gender imbalance when it came to promotions. Rural councils were almost three times as likely to promote men (1.4%), compared to women (0.5%) into supervisor or above levels in FY18, showing no improvement in the gender promotion rate from FY17.

NSW councils have, for the first time since this program commenced, achieved promotion gender balance during FY18, with both 1.6% of women and men being promoted into supervisor or above levels.

Meanwhile, both SA and WA councils have promoted women into supervisor or above at a higher rate than men. SA promoted 1.4% of women and 1.1% of men into supervisor and above, with WA promoting 0.6% of women and 0.4% of men.

In NZ councils, men continue to be more likely to be promoted (1.3 times) compared to women, with 0.8% of men and 0.6% of women being promoted to supervisor or above levels. This should remain an area of focus for NZ councils given their workforce, and their 'other staff', is comprised of more than 50% female staff.

We acknowledge that change happens over time so a single year of results should be read with care; a slight increase in female or male promotions, especially if one off, might not be correcting any gender imbalances across the staff levels. A council needs to assess whether it is actively focused on the long-term progression of both female and male employees, across all staff levels and business areas.

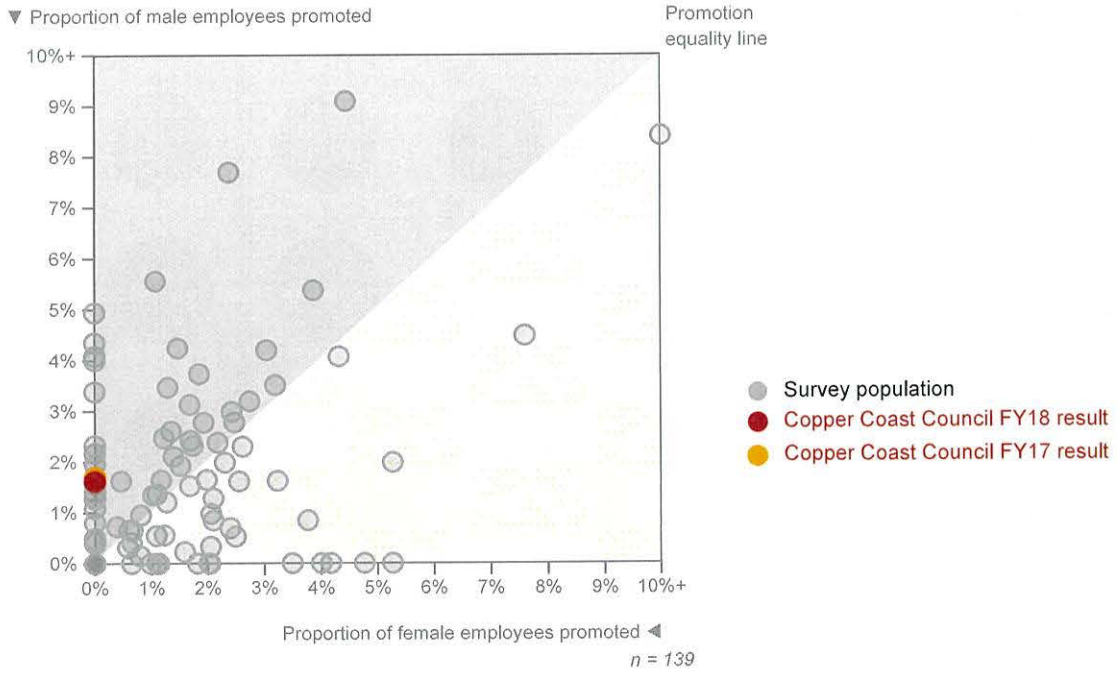
Definition

Likelihood of promotion: Starting with the pool of male and female employees at the beginning of the year, we calculate the proportion of men and women who were promoted into the supervisor level or above, during the year. The 45 degree line represents equal promotion rates for men and women.

Key considerations

- Do you perform a final review of your promotion decisions to consider diversity statistics? i.e. percent of male vs. female promotes?
- Have you analysed your promotions at each level and by business unit? Is there an imbalance across the more senior levels? Why is this?
- Do you have a rigorous and independent talent review process that supports enhanced decision making regarding senior promotions?
- Do you have a structured merit based selection process, especially in regard to existing promotion processes for senior executive positions?

Figure 1.32: Likelihood of promotion by gender into supervisor or above levels



Removing the glass ceiling

Rate of promotion

We have also examined the rate of promotion for all employees within different staff levels, as shown in Figure 1.33. At an overall level, there is visible results of councils approach to developing a strong leadership pipeline for female staff members, with increases across the majority of staff levels.

Our rate of promotion calculation examines the proportion of employees, who were in the opening headcount of a specific staff level, and were promoted during the year. This year our findings show a remarkable shift in the proportion of female managers being promoted, compared to male managers.

Women in a manager role were 1.7 times more likely to be promoted than men with a promotion rate of 4.3%, compared to 2.5% for men. While this was seen right across all jurisdictions, it was largely driven by SA councils, and to a lesser extent, NZ councils.

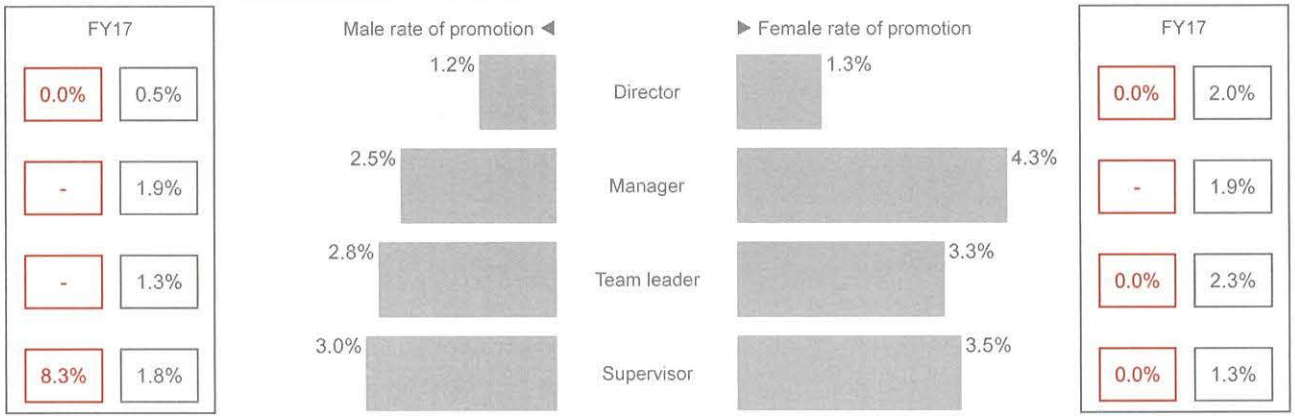
The team leader level is an important career development milestone where staff start to become more accountable and gain valuable soft skills such as coaching, delegating and conflict resolution. The trend for more females within this level to be promoted continues in FY18, with 3.3% of female team leaders being promoted, compared to 2.8% of their male counterparts.

Another interesting development, is that women, at the supervisor level, for the first time, were more likely to be promoted.

This is a pivotal stepping stone in career progression, where potential successors for key management roles may emerge, so we encourage the continued focus and achievement of gender balance at this level.

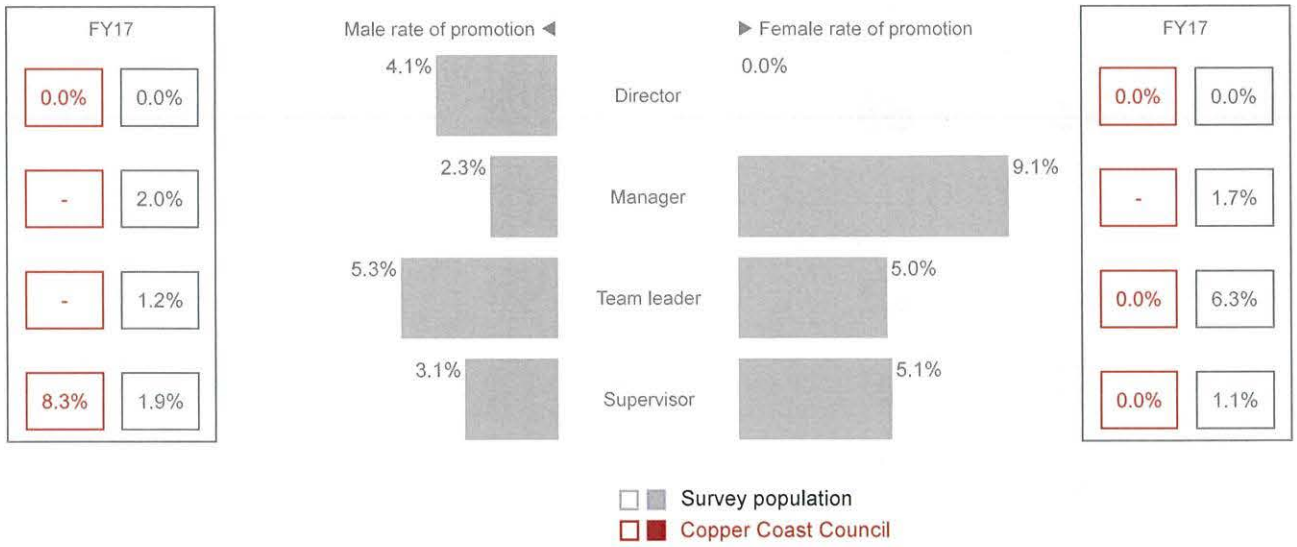
With the availability of key skills still in the front of mind for CEO's in PwC's 21st Annual Global CEO Survey it's imperative that organisations identify, develop and leverage all existing talent.[14] As people move into management positions, some of these skills are more generic in nature and require less technical ability. With management and leadership skills often being transferable, career-progression can become more agile as promotions are not restricted to an employee's current business unit.

Figure 1.33: Rate of promotion - gender split by staff level



n = 139

Figure 1.34: Rate of promotion - gender split by staff level (SA councils only)



14 PwC, 2018, 21st Annual Global CEO Survey, 'The Anxious Optimist in the Corner Office'.

Are you leaving succession planning too late?

Generational diversity

Understanding the patterns and trends by profiling generational diversity in the workforce assists council to plan for the future and introduce and enhance relevant HR strategies and initiatives. While we continue to see baby boomers dominating the workforce, the generational shift continues to unfold, with baby boomers now comprising 36% of the workforce, compared to 39% in the prior year and 45% back in FY14. As a result, there are now 29% of Gen Y and younger employees (up from 27% in the prior year), and Gen X employees have increased slightly to 35% from 34% in the prior year.

In Figure 1.36, we are now seeing more Gen X enter the director level (44%), up from 39% a year ago.

Figure 1.35: Generation headcount mix

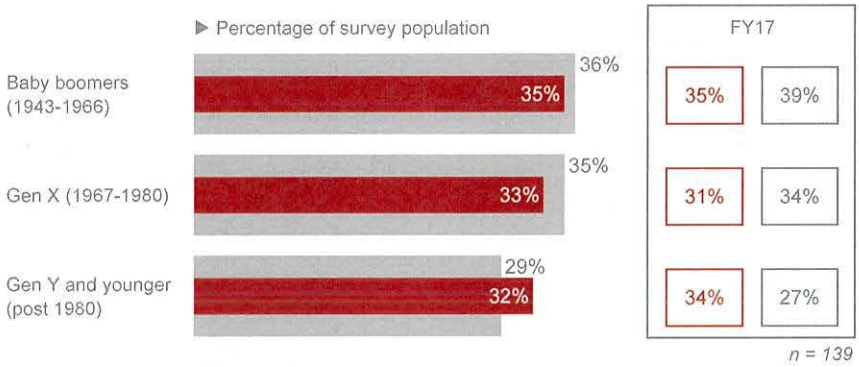


Figure 1.36: Workforce profile (closing headcount breakdown by generation and gender)

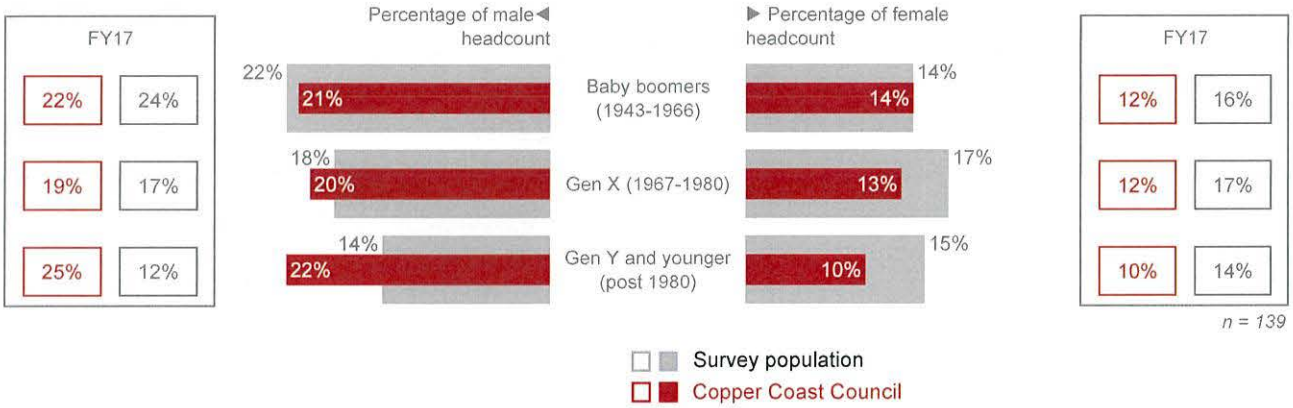
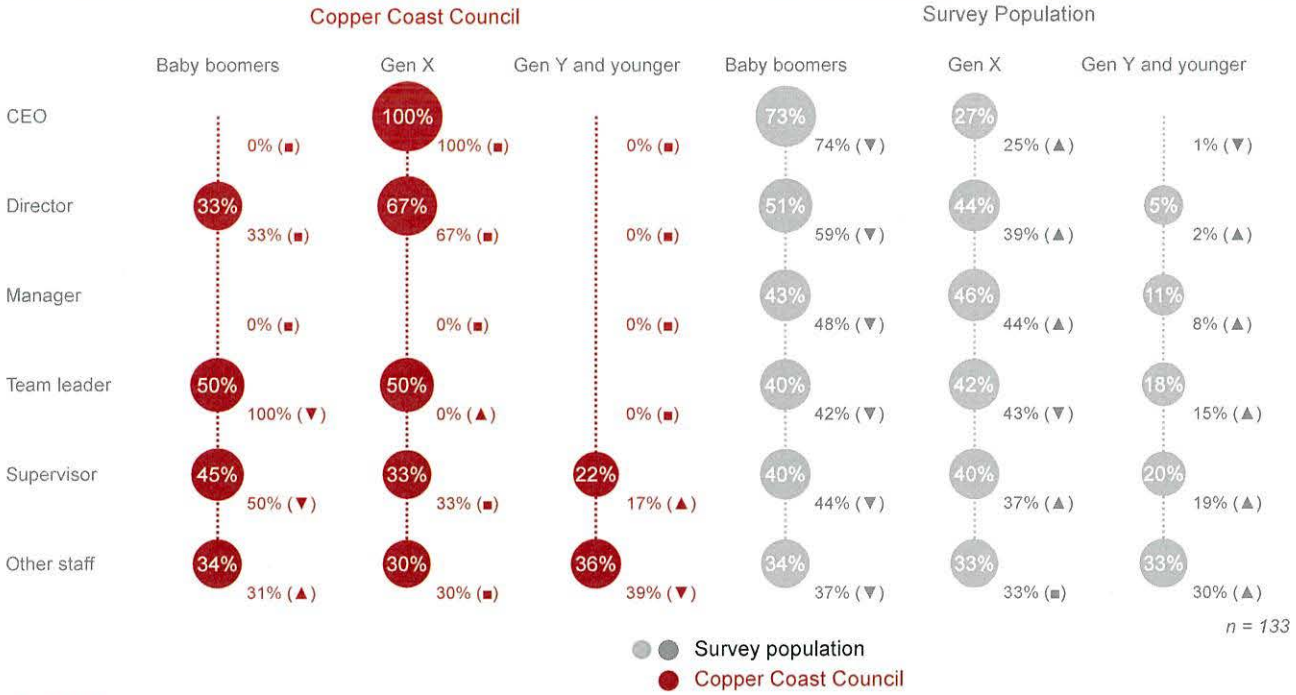


Figure 1.37: Generational staff level mix



Case study: Trainee Program to Tackle the Ageing Workforce

Wollongong City Council, NSW

Background

The ageing workforce is a challenge and opportunity for our council, with a large proportion of key leadership staff likely to retire in the next decade and at least 38% of other staff likely to retire in the next 5 years. These statistics have been a strong driver in our core strategic focus to ensure knowledge retention and a continuous pipeline of skilled employees. In 2016, we implemented a Traineeship Program in our City Works division as a proactive solution to tackle the ageing workforce of our operational staff.

Traineeship program

Our Traineeship Program is a comprehensive program targeted at individuals under the age of 25 who have completed at least a Year 10 School Certificate or Record of School Achievement or had an equivalent combination of study/work/life experience. It provides exposure to a variety of open space and civil theoretical training as well as relevant practical experience. After their first 12 months, trainees will have received a specifically tailored TAFE qualification in Certificate II Local Government in Operational Works.

Our first program intake began with 24 trainees and in the 2 years running, 90% of trainees successfully completed the program with 48% progressing to a second stage of the traineeship and 34% proceeding to accept either permanent positions or temporary relief lists in areas of civil operations, horticulture and parks.

Key challenges and advice

A key challenge in the first year was acknowledging that extensive time and consultation was required with affected staff, and providing support on how to mentor and coach the trainees to build their skills and capabilities. Furthermore, the development of this traineeship program demanded resources and administrative commitment from our council staff so it was crucial we had a structured approach and clear communication between the administrator, coordinators and trainees.

A key learning was to ensure our recruitment practices and training program across the two functions enabled trainees to be well positioned and competitive when permanent roles arose; or a smooth transition into relief staff pools. By coordinating trainees and relief lists we reduced the administrative burden on our City Works coordinators and managers.

Significant benefits

The engagement of entry level employees assisted in lowering the overall age profile of our workforce where our under 30's demographic increased from 6% to 13% over the two years. The combined Certificate II Local Government in Operational Works balancing open space and civil skills provides the organisation with greater operational flexibility. By establishing skilled, and specialised trainees in the second year and mentoring relationships between trainees and older staff we have been able to foster more corporate knowledge retention and created a pipeline of appropriately skilled and experienced employees positioned to step up.

The opportunities for trainees to progress into permanent roles has directly addressed labour market concerns and provided entry level opportunities in a region of high youth unemployment. Moreover, with emphasis on diversity in the program, we have a wider workforce representation of females, Indigenous, disability and other cultural minority groups within the community.

Key Considerations

- Can you introduce a traineeship program to assist in succession planning and ensuring your future workforce is adequately skilled?
- Have you considered how introducing a traineeship program could positively impact your engagement with your communities youth? And provided, potentially much needed, local opportunities for employment of younger constituents?
- Does your state or federal government offer grants, assistance or other support towards the successful introduction of a traineeship program?
- While there are many benefits, have you considered the cost and time implications of hiring a trainee? Are you committed to providing a safe working environment with the appropriate level of supervision throughout the whole traineeship?

Are you leaving succession planning too late?

Potential retirements

As a result of the current generational workforce trend, councils need to start planning for the impact this will have on future resourcing requirements and transition of critical knowledge.

In less than 10 years (by June 2028), we can predict that 27% of workers who were employed by councils at 30 June 2018 will reach the retirement age of 65 years and have the option to retire. This equates to around 14,000 employees across all participating councils.

It will be some of the most senior positions that are impacted in ten years, with 59% of the current CEOs due to reach the retirement age of 65 years and have the option to retire; and this is magnified for NZ councils, with 74% of CEOs potentially being in a position to consider retirement.

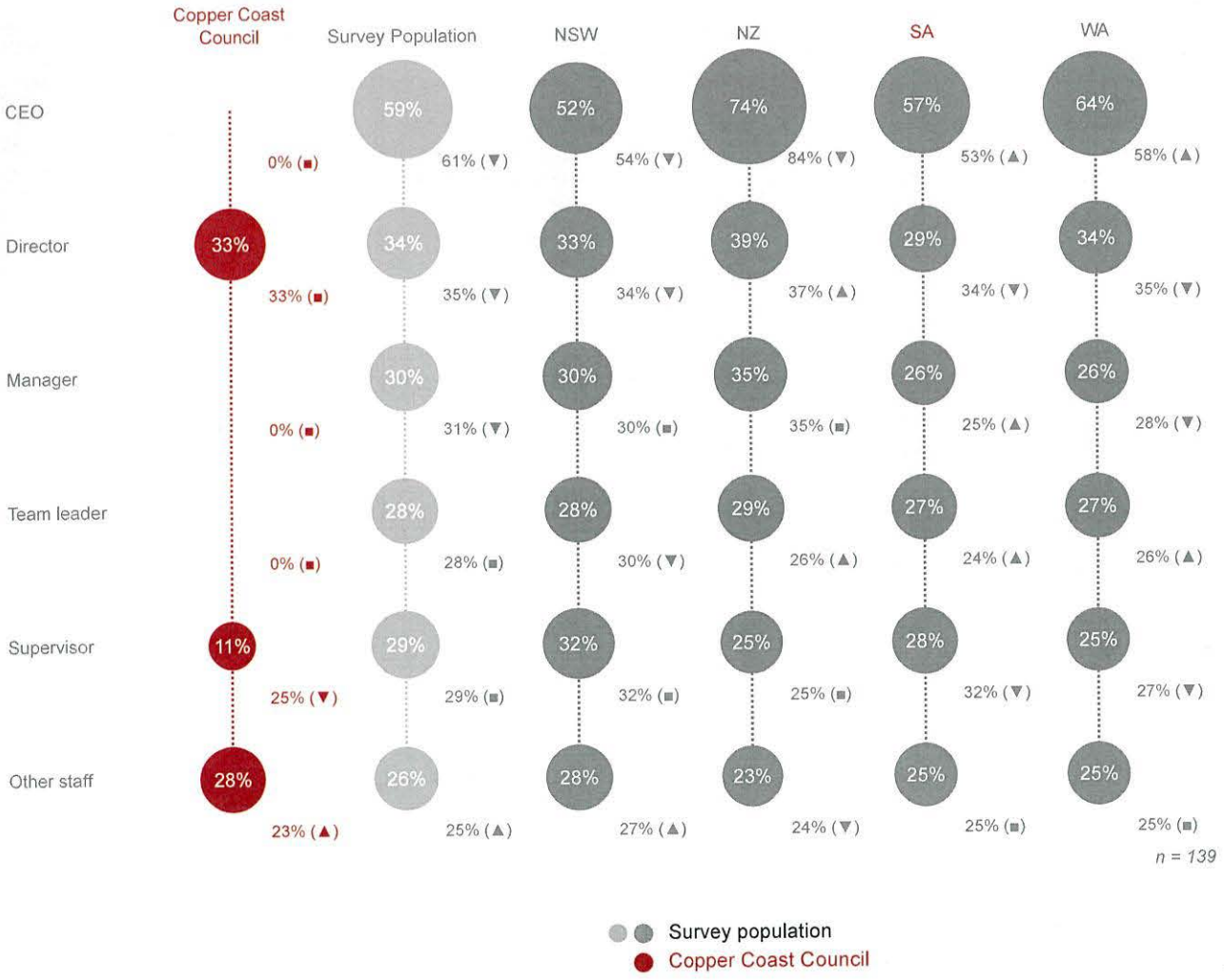
Across all council jurisdictions, we observe 34% of all current directors, who will also find themselves in a position to consider retirement in ten years.

Based on these demographic changes, it is a good opportunity to take action and embrace the change. It is a time to match the work experience requirements and acknowledge some of the different needs of the generations within the workplace, and work together to resolve and accommodate accordingly.

This large number of senior employees reaching retirement age should be a key focus for the entire local government industry. Now is the time for solid plans to evolve assessing knowledge management and knowledge transfer capabilities, given most councils would have become accustomed to a stable, experienced workforce provided by these workers.

As such, senior leaders within councils need to examine whether they have a highly strategic workforce plan, with resourcing strategies for dealing with the impending retirements. This means having access to analytical insights to assist in driving forward strategic plans to ensure resourcing will be adequate into the future as well as building a strong leadership pipeline now.

Figure 1.38: Potential retirements by June 2028



Are you leaving succession planning too late?

Succession planning

A good succession planning program is about retaining high-performing employees and building capability resilience into all levels. Filling senior leadership roles can take time, and this can be lessened to an extent if councils invest in identifying, rewarding, challenging and developing the skills of their key talent, especially for the more senior roles.

As highlighted, there is an identified risk in losing vital talent, with years of local government expertise and leadership skills due to the impending retirements over the next 10 years. It is therefore essential for councils to establish a formal succession planning program to help them identify and develop emerging talent.

In our program, we continue to see almost 9 out of 10 councils (86%) without a formal succession planning program. We understand that some councils choose to create a talent succession plan and work with other nearby councils to identify potential leaders, especially in rural locations. While this may have worked well in the past, we suggest formalising this approach given the reality that lies ahead for most councils.

WA and NSW councils have focused on this important HR initiative in the past year, and are more likely to have established a formal succession plan (WA 21%, up from 13% in the prior year and NSW 18%, up from 11%). This is encouraging to observe as we acknowledge that this takes time to establish and formalise.

Some options that may make the transition easier for councils upon retirement of their senior management is:

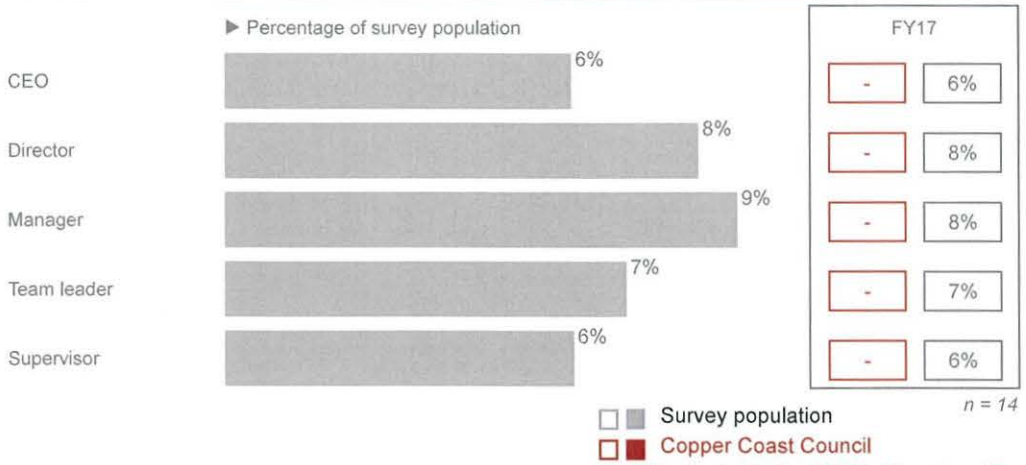
- Structural review and implementation of deputy CEO positions to build succession experience and allowing these roles to 'act' as CEOs as needed
- Appropriate handover and shadow time for the successor
- Transition to retirement programs providing more flexible work arrangements to prolong employment and delay retirement for key roles eg. transition to three days per week or act as a consultant on an as-needs basis
- Increased management training, mentoring and secondment opportunities

Key considerations

- Is succession planning and identification of the next wave of leaders discussed?
- Are you considering the best methods of transitioning senior management positions upon retirement?
- Who is responsible for creating strategies and action plans that focus on the long term resourcing health of your senior leaders?

Figure 1.39: Did your council have a formal succession planning program in FY18?

Figure 1.40: Percentage of staff with a succession plan in place



Do you have an active leave management strategy in place?

Annual leave

An active leave management strategy assists in maintaining and improving the wellbeing of the employee, along with managing the financial risk associated with large leave liabilities. Failure to rest and recuperate may result in health problems and stress-related productivity issues for employees. Consideration of the financial impact is also important given over time the value of leave balances can increase significantly as individual pay rates rise.

Our survey results show that as at 30 June 2018, 36% of employees carried more than four weeks of annual leave (up from 35% in the prior year) and 9% had more than eight weeks accrued (up from 8% in the prior year). This upward trend is primarily due to the result of an increase in annual leave balances in the WA and NZ council workforce; WA has increased to 36% (up from 33% in prior year) and NZ now sit at 29% (up from 27% a year ago) of their workforce have more than 4 weeks accrued leave.

When analysing the proportion of employees carrying more than eight weeks of accrued annual leave, this is most pronounced across the NSW council workforce, with this group of employees being 2.5 times more likely to carry this excess accrued leave balance (13%, up from 12% last year), compared to 5% of NZ council employees and 8% of both the WA and SA council workforce.

The higher proportion of unused annual leave in NSW councils is even more concerning when we look at this in conjunction with the paid overtime hours per FTE metric. We observe the median NSW council, with an annual paid overtime per FTE of 55 hours, which compares unfavourably to the median results of the other council jurisdictions, ranging from 12-19 hours median paid overtime per FTE. This suggests that NSW staff are working excessive hours on top of accruing large leave balances - councils facing this scenario are urged to address their resourcing strategies and instigate change by reviewing roles and a new approach to using annual leave.

From a financial viewpoint, across all councils, just over one of three employees are effectively rolling over one month of salary each year, with almost one in ten employees rolling over two months salary. Just as concerning, if not more important, is the wellbeing factor and the signal this sends to staff regarding annual leave being something you bank, rather than use.

Key considerations

- Are you on the path to creating a culture where leave is used as a way to maintain good health and wellbeing?
- Are you making your managers accountable for managing leave balances for all staff?
- Are you analysing high level balances and high overtime hours by business unit?

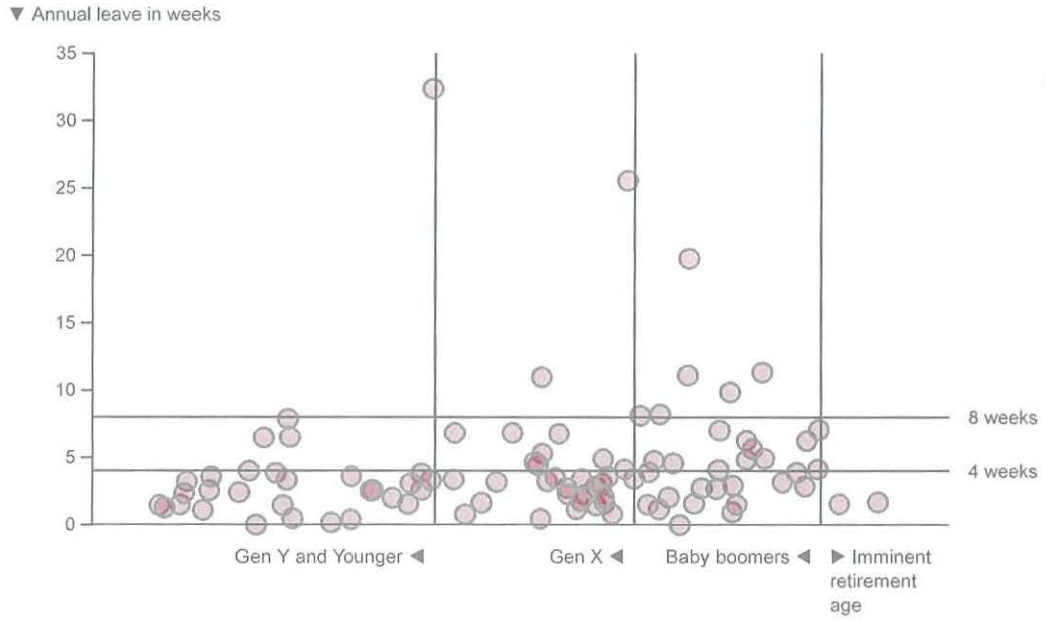
33% of your workforce has 4 weeks leave accrued

10% of your workforce has 8 weeks leave accrued

36% of the SA surveyed workforce has 4 weeks leave accrued

8% of the SA surveyed workforce has 8 weeks leave accrued

Figure 1.41: Employee annual leave balance



Your council's average weeks accrued leave per FTE is

4.4

○ Copper Coast Council employees

The importance of managing long service leave and retirement

Long service leave

In this section, we profile for each council, the spread of LSL balances across the various generations; each dot represents an employee in the council who has a LSL balance. Councils can use this chart to assess the extent of financial liability that exists, and when this may come to fruition, especially if the higher balances sit within the baby boomer generation.

Although turnover rates have been increasing, and the generational shift has begun, we have not seen this impact the overall percentage of employees with long service leave balances over 12 weeks, which remains at 14%; a result that has not moved in the past two years.

This remains particularly prevalent in NSW councils, which is still the highest jurisdiction, with 25% (although it has decreased from 28% in the prior year).

Our expectation was that end of career retirements would result in a reduction in this measure across the workforce, however it appears that the practice of banking leave may have transferred to the next generations.

SA councils have had an increase to 13% of the workforce with more than 12 weeks of long service accrued, up from 11% in the prior year, while the WA council workforce is much lower, with just 6% carrying more than 12 weeks of long service leave.

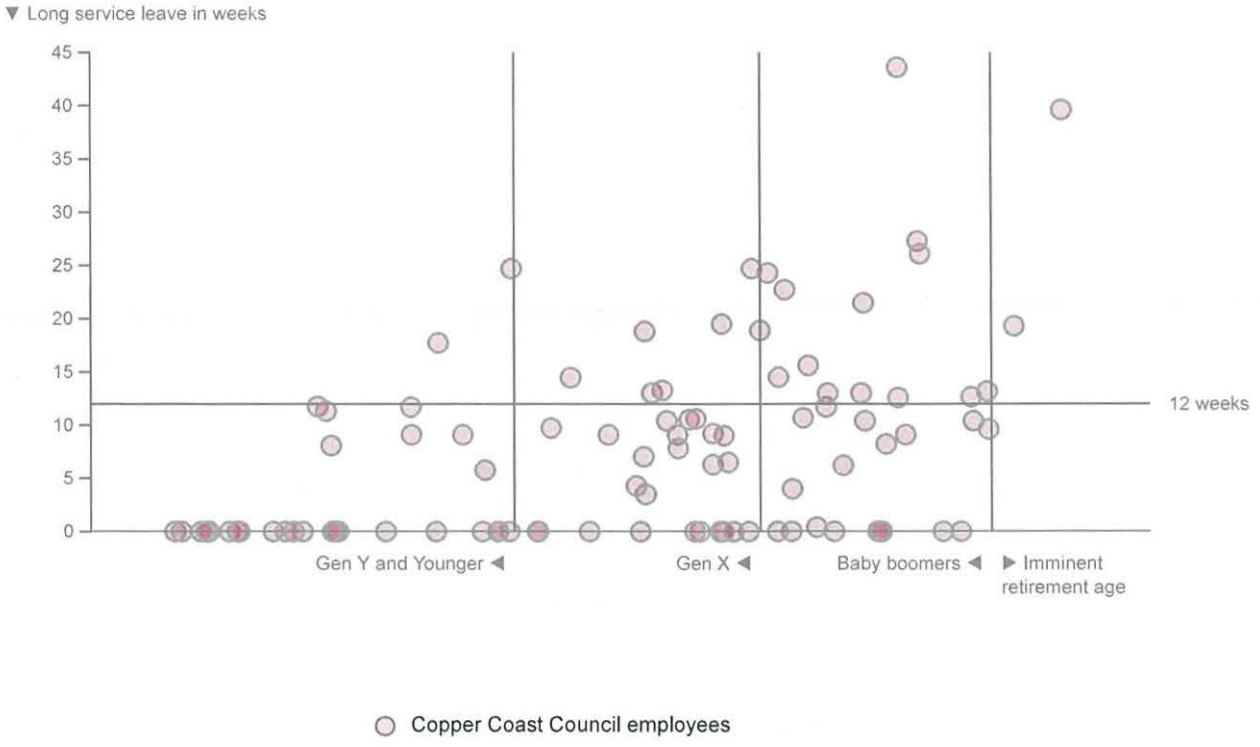
Potential benefits that stem from implementing an active long service leave management program include:

- A shift in the workplace culture, where senior management models the desired behaviour of using accrued leave
- A smoother transition from work to retirement, leading to better employee welfare, knowledge retention, and knowledge transfer within the council
- A refreshed workforce, possibly leading to less sick leave and lost time from injuries
- More opportunities for staff and an improved skill base, as existing employees accept opportunities to 'act' in different roles
- A more engaged workforce, due to the variety of work on offer and heightened visibility within senior management

26% *of your workforce has more than* **12** *weeks of leave accrued*

13% *of the SA surveyed workforce has more than* **12** *weeks of leave accrued*

Figure 1.42: Employee long service leave balance



Learning from sick leave and absenteeism

Absence

The absence rate can be used as an indicator of two key workforce outcomes:

- The volume of absence management that needs to be performed and/or managed
- The extent to which excess absenteeism can be attributed to low employee engagement or poor health in the workplace

Across the survey population in the 2017–18 financial year, the 25% of employees who used a small amount of sick leave took 2.6 days or less (up from 2.4 days or less in the prior year), and on the other end of the spectrum 25% of employees took 10.5 days or more (up from 9.9 days or more in the prior year). The remaining 50% of staff took between 2.6 days and 10.5 days of sick leave, an overall median of 5.9 days – this is the 'normal' range.

It is important for each council to examine their sick leave profile in Figure 1.42, especially if you have more than 25% of employees in the higher range (taking more than 10.5 days). Reviewing flexible work practices might assist in reducing sick leave as employees can work around their appointments or family commitments instead of being absent.

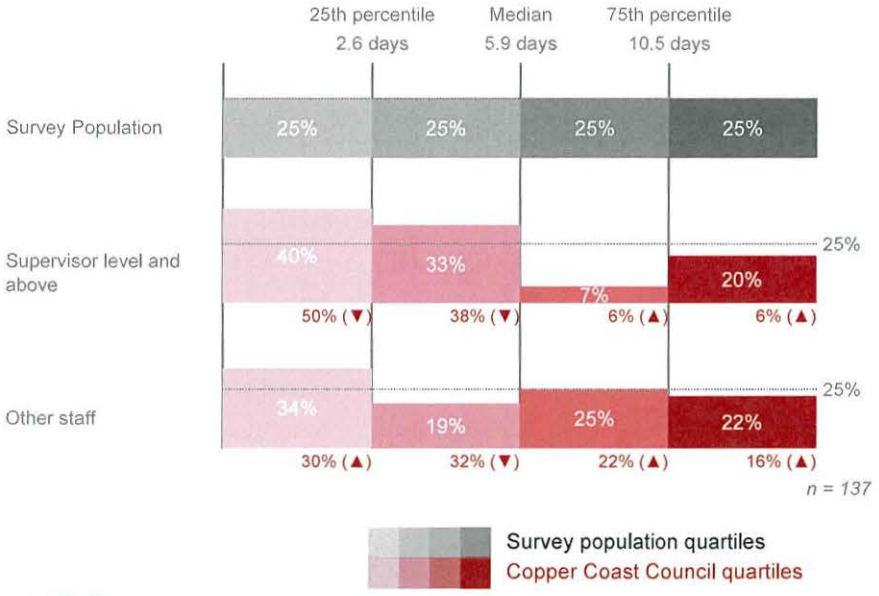
To gain a deeper understanding of your sick leave profile we have provided each council with a quartile breakdown on sick leave taken by supervisors and above compared to other staff in Figure 1.43. A high level of absenteeism among employees at the supervisor level can have a demotivating effect on the lower levels of staff, which may lead to higher absenteeism in the team overall.

Key considerations

- Does management actively review absenteeism across the organisation?
- Which employee groups (levels and business units) are reporting consistent high levels of absenteeism?
- Are you understanding the root cause of critical absenteeism to apply preventative measures? Do you perform return to work interviews?
- Do you equip managers with the ability to manage and monitor staff wellbeing and absenteeism?

Figure 1.43: Breakdown of percentage of employees taking sick leave by quartile

Figure 1.44: Breakdown of percentage of employees taking sick leave by quartile



4.5
median sick leave days taken in FY18 across your workforce

5.9
median sick leave days taken in FY18 across the survey population

Are you equipping staff with new skills?

Staff training

Our survey results show that 99% of councils set a formal training budget each year, however, only 24% of councils with a training budget for the 2017–18 financial year actually spent the full amount. This trend has been observed for some years now and remains an issue for the sector. This year NSW councils have been more likely to use their training budget, compared to other jurisdictions, with one third spending the full training budget. Conversely, NZ councils are least likely, with just 5% spending the full training budget (down from 23% in the prior year).

Those councils that are spending less per FTE on training, compared to the full training budget, should be examining the reasons behind this decision and the possible ramifications on the workforce.

The rapid change in customer and employee expectations, and the increasing need to innovate, automate business processes and introduce new technology means that equipping staff with new skills has become even more important than ever. In saying this, just as much importance needs to be placed on 'soft' skills that might already be expected of the workforce, such as leadership, communication and management skills. This came out in PwC's 21st Annual Global CEO Survey, with 91% of CEOs who participated acknowledging a need to strengthen soft skills alongside digital skills.[15]

If councils do not respond to this need to create opportunities for learning, this may lead to reduced productivity, low staff engagement, loss of staff, reduced management pipeline, as well as an inability to innovate and quickly respond to changing circumstances.

Some ways to provide staff training options without impacting their day to day roles could include:

- Offering short or long–term secondments to other areas of the business or councils
- Providing short and sharp sessions such as 'lunch and learn', e-learns
- Incorporating training into planned social or team bonding sessions
- Gamify the training, by using an app or virtual simulations

Figure 1.45: Is your council spending its training budget? (A$)

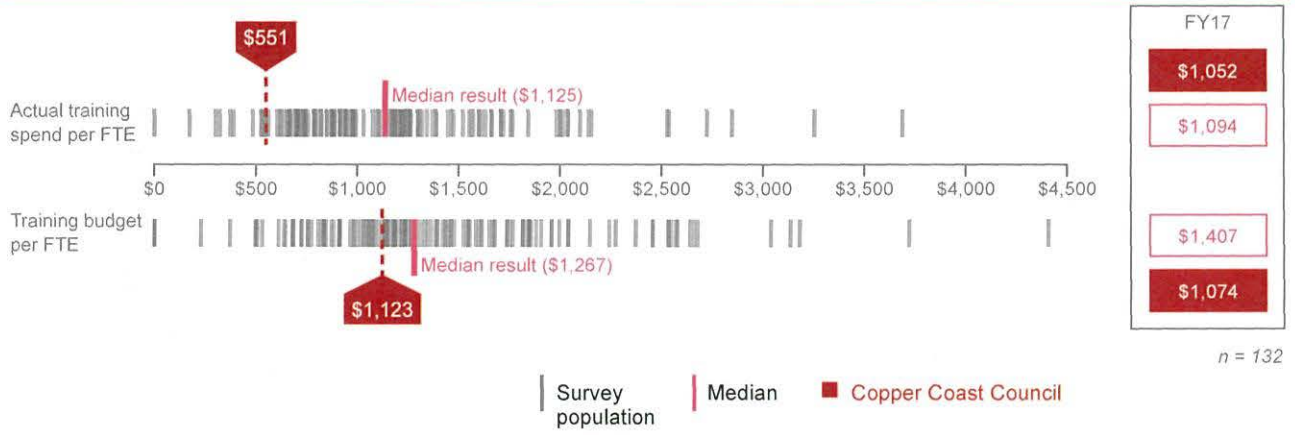
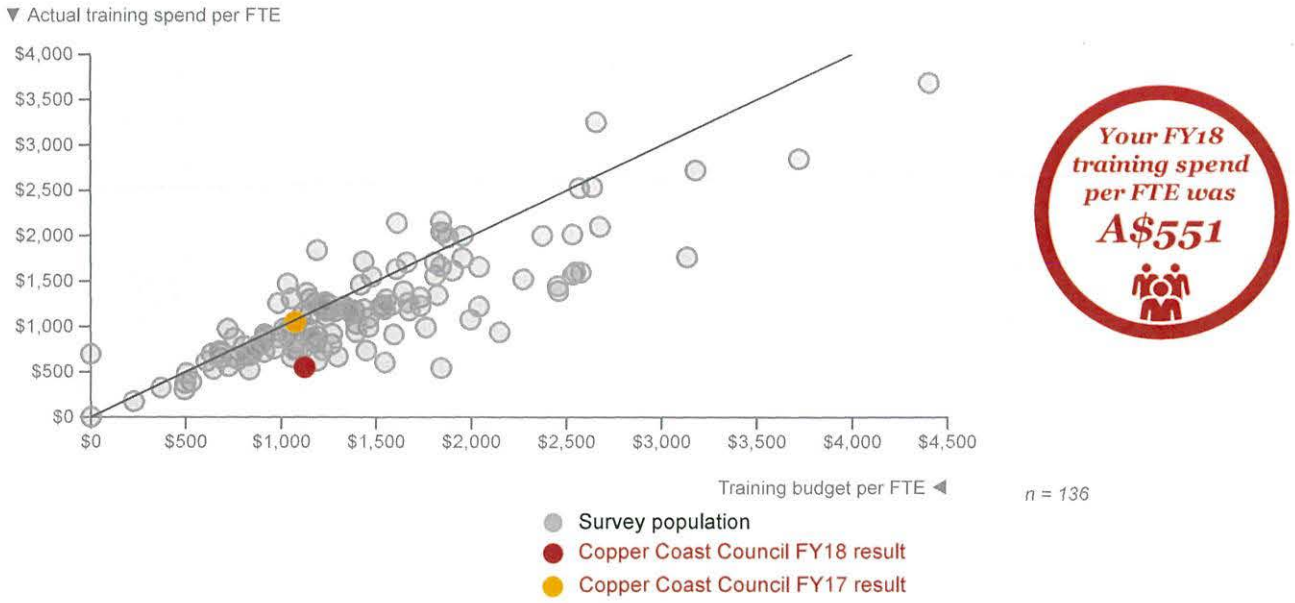


Figure 1.46: Actual training spend against training budget per FTE (A$)



15 PwC, 2018, 21st Annual Global CEO Survey, 'The Anxious Optimist in the Corner Office'.

Strategy and performance are intrinsically linked

Performance appraisals

Committing to providing honest and timely performance feedback can have a significant impact on employee morale and productivity, as well as create a culture of continual improvement.

Our survey continues to highlight that overall, CEOs and directors (70%) are more likely to receive a formal performance appraisal (although this is down from 75% in the prior year), compared to staff members at any other level. There has been a consistent downward trend across all staff levels, particularly at the supervisor level, with only 51% of supervisors receiving formal feedback during FY18 (down from 60% in prior year).

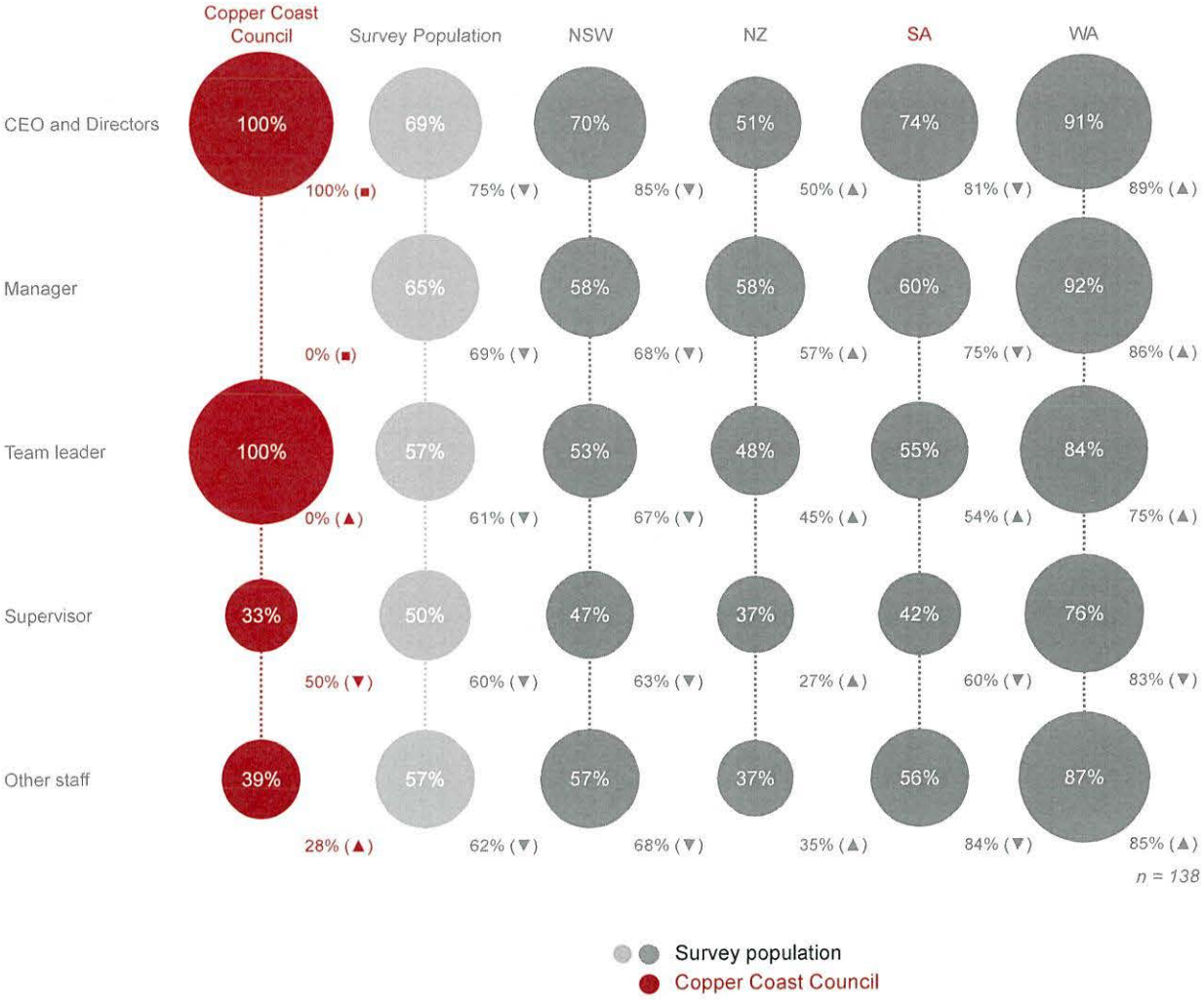
WA councils continue to have a strong performance management culture with increases from the prior year across all staff levels except supervisor, which decreased to 76% from 83% in the prior year. NZ councils improved the extent of feedback to all staff levels in FY18.

Conversely, we see a dip in the performance management culture across NSW and SA councils. In NSW councils there is a decline of 10 or more percentage points across all staff levels, compared to the prior year. This is particularly apparent for staff at the combined levels of CEO and director, which has decreased to 70%, down from 85% in the prior year. This could be a result of the tail end of the NSW council reform.

In SA councils, the most concerning trend is the decrease in the provision of performance appraisals to the 'other staff' level, with just 56% of 'other staff' receiving formal feedback, compared to 84% in the prior year.

We encourage councils to re-balance the conversations to be forward looking, focus on future career paths and the capability and development required to achieve this, along with providing constructive feedback on past performance. It is important to recognise achievements, identify performance issues and plan for further development needs.

Figure 1.47: How many of your employees had a formal annual performance appraisal in FY18?



Are your workforce costs growing faster than your revenue?

Productivity

It is very challenging to measure productivity; there are many variables that can influence revenue (outputs) and costs. As a result, we present a directional view only, looking at councils' overall relative performance in this area and identifying performance segments on the charts below, as a guide to help councils plan for the future.

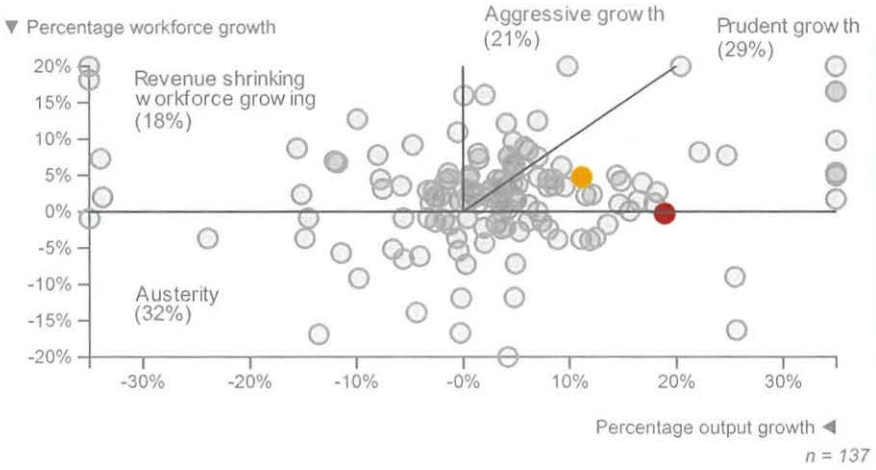
Our productivity segmentation measure aims to assess whether councils are improving the balance between the rate of change and level of their controllable outputs (measured by controllable revenue), compared to the rate of change and level of the employed workforce cost.

This year we see a shift from the 'aggressive growth' (now at 21%, down from 31% in the prior year) and 'prudent growth' areas (down to 29% from 33%) towards the 'austerity' area of the chart, with 32% of councils clustered in this area of the chart (up from 18% in the prior year) sitting in this area. This suggests councils have seen minimal growth in both staff costs and controllable revenue.

There are many factors which could contribute to these results, and councils should consider how the below may affect their productivity and growth:

- Introduction or improvement of automation, and other process optimisation measures
- Workforce review: does your workforce have capacity? are all roles needed? can your current staff levels cope with the ramifications of growth?
- Revenue review: do you understand the root causes of any revenue leakage? Is there more services you can provide that you can recover the costs?
- External factors, such as population growth, land values, government changes and legislations, could also be affecting the output growth and therefore overall productivity.

Figure 1.48: Productivity compared to survey population

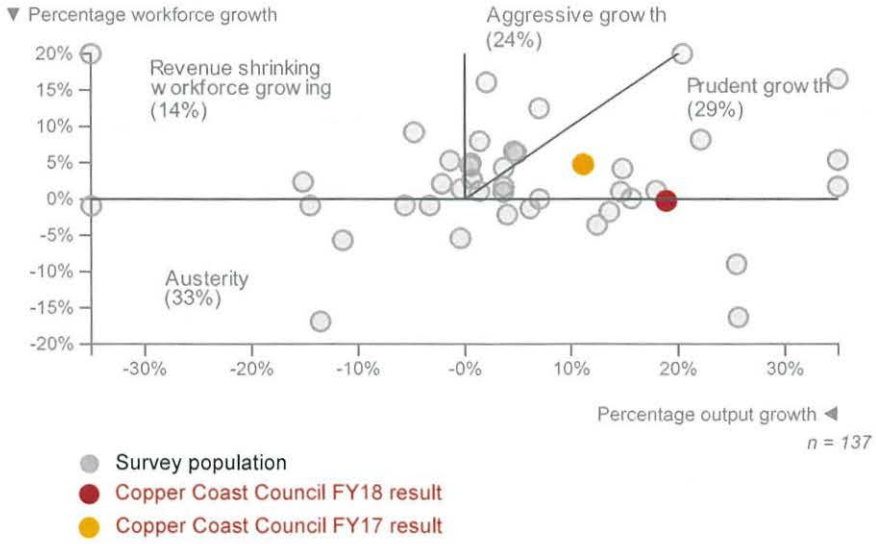


Definitions

Output growth is year-on-year controllable revenue growth that excludes revenue from providing outsourced services, all types of grants and domestic waste management revenue.

Workforce growth is year-on-year growth in total employee costs.

Figure 1.49: Productivity compared to Rural councils



How do you manage lost time injury incidents?

Lost-time injuries

In Figure 1.50, we have plotted each council's rate of incidents (measured as the number of incidents per 100 employees) against the average claim cost. We acknowledge that councils with a higher percentage of outdoor workers may have a higher rate of incidents.

We observe that, during the 2017–18 financial year, the average rate of incidents has remained stable across all age groups of workers. The two higher age brackets (60+ and 46-60) continue to be the highest relative number of incidents per 100 employees, with 2.6 incidents per 100 employees within the 60+ age group and 2.3 incidents within the 46-60 age group. Councils should further explore the nature of these incidents so they can implement awareness and wellbeing programs that target the 46-60 and 60+ age groups.

NZ councils continue to have a much lower volume of days lost per 100 employees, with 13 days per 100 employees, compared to the Australian jurisdictions. This is to be expected given the higher rate of outsourcing of services that occur across NZ councils. Within Australia, we observe 52 days lost per 100 employees for SA, 62 days for WA (although a decrease from 99 days in the prior year), and 89 days for NSW councils (up from 63 days lost per 100 employees in the prior year).

The nature, shape and mix of council services will invariably impact the extent of workplace injuries, and where outsourcing is used to deliver services it is important that councils contract with a provider that manages this risk appropriately and that the contract itself incentivises safe work practices.

Key considerations

- Do you use the data you collect on incidents to support and improve your prevention program?Is this analysed by service area within the council?
- What was the nature of the incidents? How did they rate on a scale of very serious to minor?

Figure 1.50: Lost time injury incidents

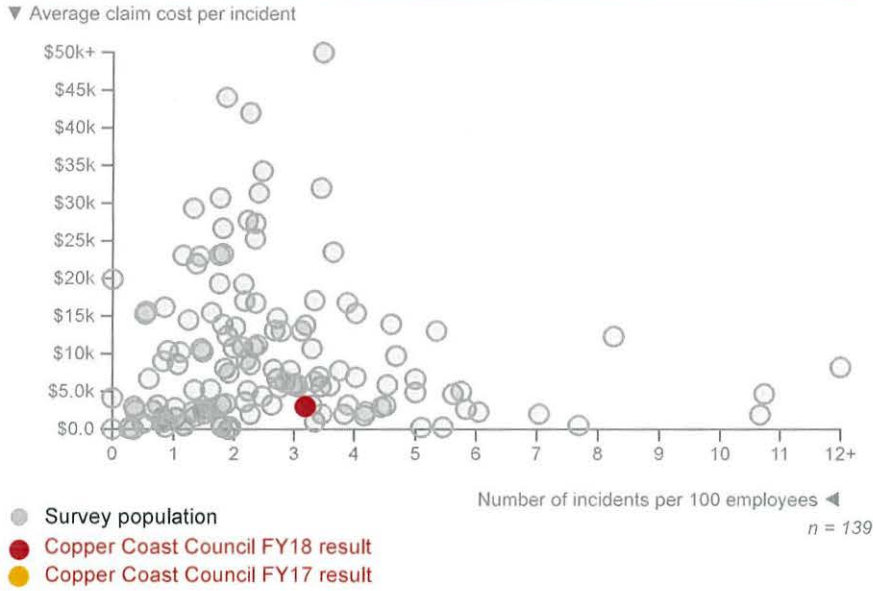
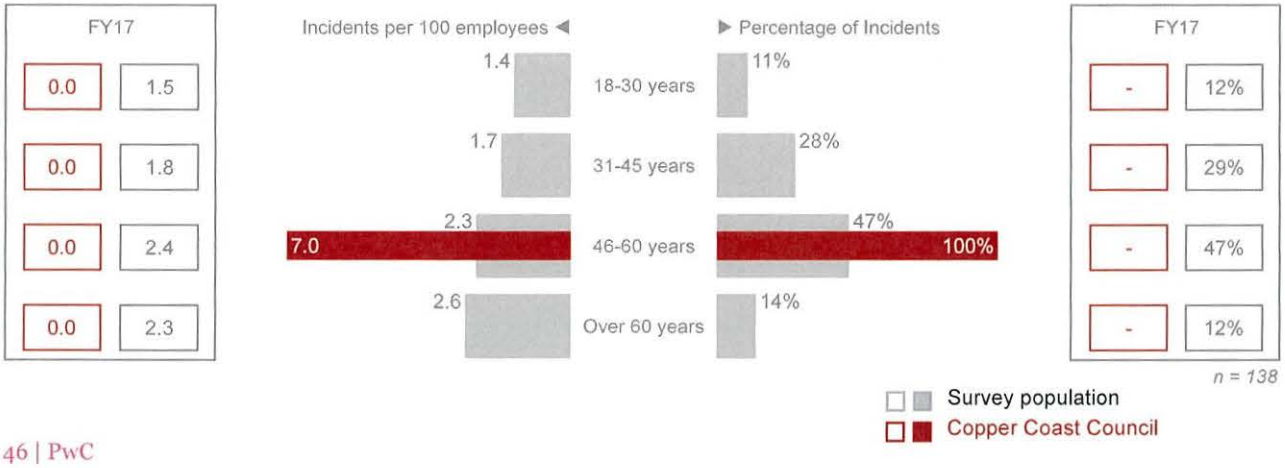


Figure 1.51: Incidents per 100 employees by age bracket



Finance

60% *council rates collected at the end of Q2*

24% *of councils' finance function effort is devoted to business insights*

2.2% *median cost of finance as a percentage of revenue*

Finance Trend Summary

Copper Coast Council

● SA Survey population ● Copper Coast Council	FY17	FY18	Change from FY17 to FY18
1. CFO works closely with general manager and leadership team	Yes 59% (Yes)	Yes 65% (Yes)	
2. Finance employees with at least a bachelor degree	49% 43%	44% 29%	▼14% ▼5%
3. Finance function effort - transactional tasks	74% 59%	70% 58%	▼4% ▼1%
4. Finance function effort - business insight tasks	27% 10%	27% 10%	■ 0% ■ 0%
5. Finance function effort - compliance and control	16% 14%	20% 15%	▲4% ▲1%
6. Cost of finance as a percentage of revenue	3.4% 0.8%	3.4% 0.6%	▼0.2% ■ 0.0%
7. Frequency of reporting financials to senior management team	Quarterly 41% (Quarterly)	Quarterly 17% (Quarterly)	
8. Total elapsed days for the budgeting process	131 131	130 130	▼1 ▼1
9. Rates and annual charges collected by end of quarter 2	55% 54%	55% 54%	■ 0% ■ 0%
10. Capital expenditure per resident (A$)	$1,500 $480	$1,270 $550	▼$230 ▲$70

Finance partnering with the business

The role of finance

We continue to see the CFO playing an increasingly important role in the development of the strategic vision in local government, with 70% of councils reporting that their CFO works closely with their CEO and senior executives to define the business strategy.

Consistent with the prior year, NZ and WA councils have CFOs who are more engaged in a strategic role (86% and 78% respectively), compared to 65% of SA councils and 62% of NSW councils. Importantly, both NSW and SA councils are trending in the right direction; NSW councils are up from 54% back in FY14, and SA councils are up from 59% a year ago, reflecting more CFOs playing a key role in the development of the council's business strategy.

This is crucial, as the role finance plays within an organisation continues to extend beyond the traditional finance function. Organisations are increasing their use of analytical insight to drive business performance as well as increase the transparency of performance to stakeholders. Top performing finance teams are playing a key role in supporting the strategic direction and growth of their organisations, and leading the way in digital transformation, in areas such as robotic process automation (RPA).

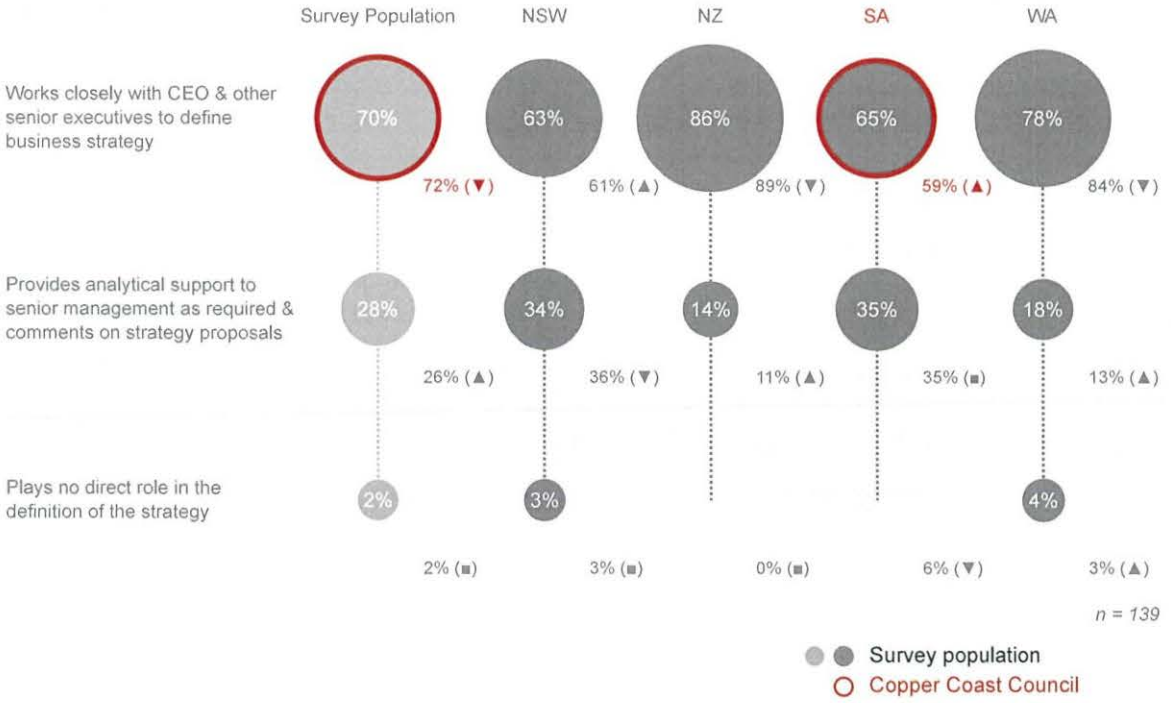
RPA involves the use of software to perform high-volume, repeatable, rules based tasks. The turnaround time on some financial processes can be dramatically reduced which allows highly skilled finance teams to focus on business analysis to drive commercial insights, rather than time spent on transactional tasks.

Often a proof of concept approach is the best way to start and includes assessing the suitability of various financial processes that could benefit from automation technologies.

The CFO or senior finance professional now has the opportunity to embrace and promote strategic transformation, while also safely and reliably managing the reporting and control functions of the council.

Finance has a critical role to play in ensuring organisations continue to thrive. This requires investment in new practices, technologies, and skills that increase the business's capacity to adapt at pace.[16]

Figure 2.1: What role does the CFO play in the development of the council's business strategy?



16 PwC global Finance Effectiveness Benchmark Report 2017, 'Stepping up: How finance functions are transforming to drive business results'.

Finance partnering with the business

The role of finance (continued)

Finance professionals who have an analytical mindset and are experienced and creative are best placed to deliver meaningful data-driven insights that lead to strategic transformation. Creating a dynamic finance team often attracts high calibre candidates with a higher level of education.

Top organisations are changing the skill profile in finance to be more insight driven. This is in contrast to teams stuck in the traditional finance function mindset, typically with leaders who are not committed to agility and innovation.[16]

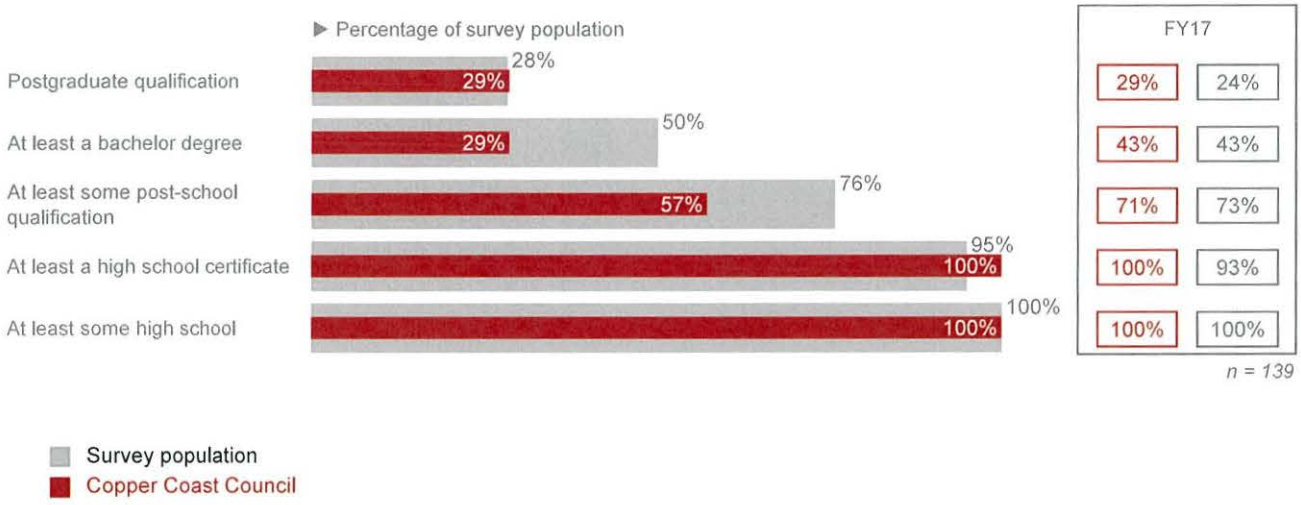
Our overall survey findings are reflecting a more educated finance team, with 50% of finance employees now having at least a bachelor's degree (up from 43% in the prior year), and 28% having a postgraduate qualification (up from 24%). NZ councils continue to employ higher-educated finance staff, with 68% holding at least a bachelor's degree, followed by 46% of WA councils and 44% of SA councils (compared to 39% in NSW).

With this level of highly qualified staff, it will be important that the work is challenging and impactful and that the finance function becomes insight-focused, with transactional activities being reduced through the use of automation technologies.

Key considerations

- Has your CFO and finance team identified a clear value proposition – one that leads to a more informed performance discussion with the business units and the leadership team?
- Does your CFO collaborate closely with the business to identify strategic opportunities and threats? Can they identify strategic priorities and highlight ways to drive the business forward?
- Is your finance function embracing change, and starting to explore how automation technologies could reduce time and occurrence of errors, allowing a re-focus on driving data-driven insights?
- Is your finance function supporting business units to understand the overall performance of their areas, providing more visual and analytical insights to assist business decisions and longer term plans?

Figure 2.2: Finance employee qualifications (cumulative)



How are you leveraging technology to create real time insights?

Finance function activities

We continue to observe a focus by council finance functions in devoting time to value-adding business insight activities. Almost a quarter of finance effort (23%) is spent on business insight activities (slightly down from 24% in the prior year), 17% on compliance (no change from the prior year), with the remaining 60% of time on transactional efficiency (up from 59% in the prior year).

This measurement is based on employed resources only, and so those councils that have outsourced or share some transactional functions (eg. 8% of councils that outsource or share accounts receivable/payable) should expect a lower proportion of effort allocated to transactional efficiency.

There has been no change in the proportion of time spent on business insight activities across metro and regional councils, yet rural councils have reduced their focus on business insight, now 17%, down from 22% in the prior year. The increased focus on transactional tasks in rural councils (63%) is comparable to the result two years ago.

Our metro council result of 28% of time on business insight activity surpasses the global benchmark of 24% of time devoted to business insight activities, as evidenced in the 2017 PwC finance effectiveness benchmark report[17], where results were drawn from over 600 PwC finance benchmark engagements across different industries around the globe.

The global findings highlight how leading finance organisations are delivering greater commercial impact by harnessing the skills of the insight-focused employees to analyse and interpret large datasets.

In order to achieve a high performing finance function, the PwC finance benchmark report[18] recommends prioritising the following areas:

- **Adding value** through partnering with the business and delivering insights
- **Investing in skills** to enhance problem-solving and their commercial mindset, with soft skills such as communication, creativity and teamwork
- **Focusing effort** on analysing data, not just collecting it
- **Making savings** a high cost finance function does not equal a top performing team, the benchmarking found leading finance functions cost 35% less than the median finance functions
- **Eliminating inefficiency** by not only focusing on automation and process improvement, but understanding how technology could be used to eliminate some processes altogether.

As a result of digital advances, the opportunity now exists for finance teams to transition to more timely and insightful management reporting. Using the latest business intelligence and data visualisation packages allows for more self-service information gathering and analysis that in turn creates more capable users.

In addition, emerging technologies such as artificial intelligence and automation can increase efficiencies and quality within finance transaction processes while reducing costs in the long term. More importantly, investments in new technologies can provide the finance function the capacity to spend more time on analysis and value add activities.

Key considerations

- Have you reviewed how many tasks or processes could be improved, automated or eliminated to increase efficiency?
- Have you created an inventory of finance reports produced and then researched how they are being used by the business? Eliminating any that are irrelevant?
- Have you invested in technology to support better financial and business analysis, and reduce the amount of time spent gathering and manipulating data?
- Are your finance teams empowered with online collaboration tools and/or mobile computing to create flexibility in working practices?

Figure 2.3: Finance function effort by process

17 PwC global Finance Effectiveness Benchmark Report 2017, 'Stepping up: How finance functions are transforming to drive business results'.
18 Ibid

What is your finance function really costing you?

Finance function cost

Finance teams face mounting pressure to deliver greater value and innovation, while at the same time maintaining a focus on efficiency and cost. It is, therefore, important to understand the cost of the finance function when assessing the current value derived and changes that may be required to create further efficiencies.

Based on the most recent global PwC finance effectiveness benchmarking study, global finance functions are costing a median of 0.86% (finance cost as a percentage of revenue), with the lowest cost quartile finance functions measuring 0.55%.[19]

By comparison, the overall median local government result of 2.3% is regarded as high. SA councils continue to have the highest median cost of finance as a percentage of revenue (3.4%), equating to 1.5 times more than the overall median of 2.3%. This is likely related to the high amount of time spent on business insight activities (27%), as well as the high percentage of SA council finance teams holding a postgraduate degree (33%).

Likewise, we see NZ councils with the second highest median cost of finance, at 2.4%, and an increased amount of effort on business insight activities occurring (31% of time), and a larger proportion of the finance team holding post graduate degrees (39%).

These results are consistent with the findings from the PwC finance effectiveness benchmarking study, which found that not only do top-finance functions spend more time on work that adds value, they also pay their 'insight' professionals more.[20]

Opportunities still exist for local government finance functions ranging from exploring automation, elimination of low value activities, and improved efficient use of capacity to potentially share financial transactional activities.

The PwC finance benchmark report[21] identifies that 40% of finance effort could be aligned to more value-driven activities through automation, which will ultimately reduce the cost of the finance function. The report goes further to rank typical finance processes by their automation potential. The top three best opportunities for automation are noted as being the billing, reporting and general accounting processes. Automation can be achieved through the introduction of a variety of systems or technologies including web-based tools, enterprise resource planning systems and artificial intelligence or robotic process automation technologies.

Figure 2.4: Cost of finance as a percentage of revenue (council jurisdiction)

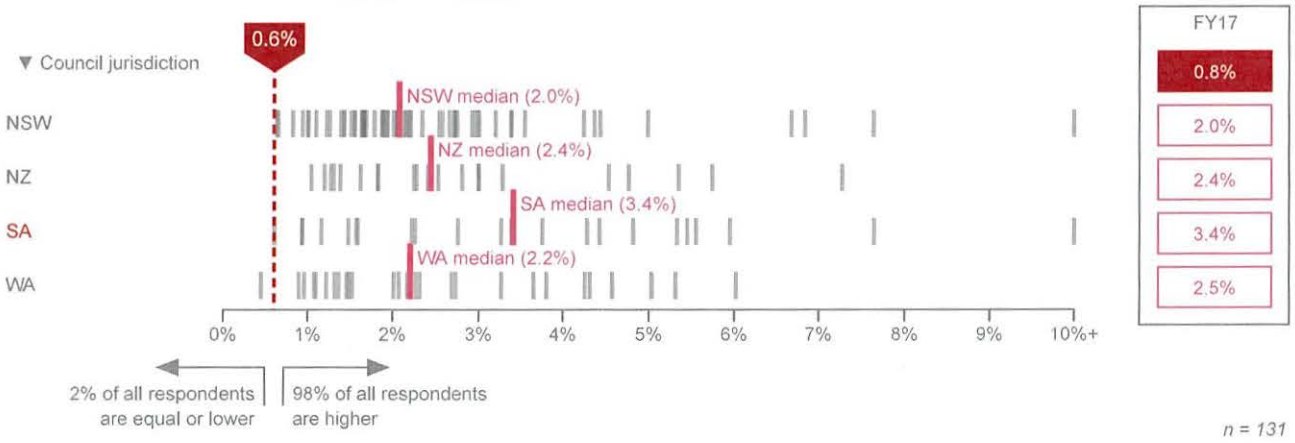
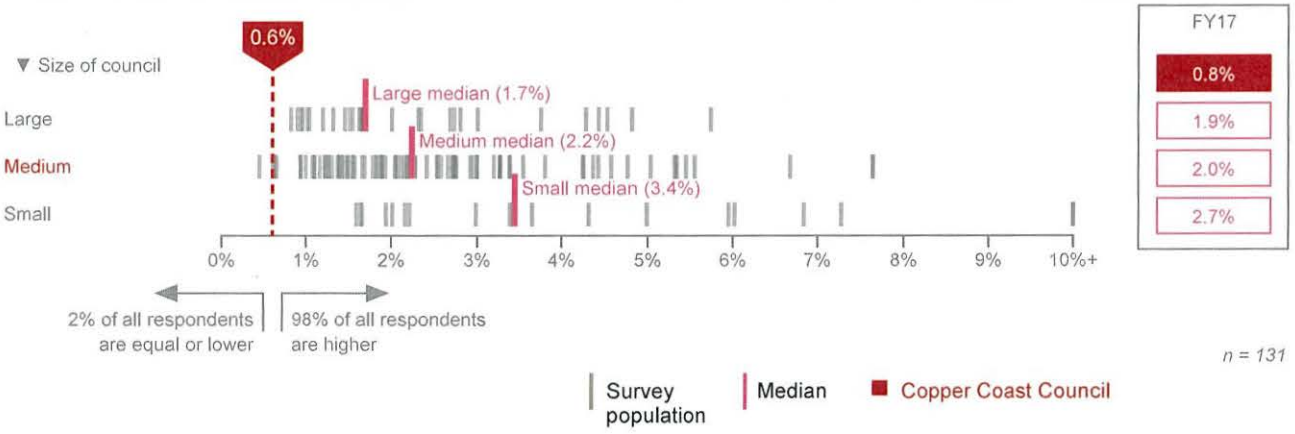


Figure 2.5: Cost of finance as a percentage of revenue (size of council)



19 PwC global finance effectiveness benchmark report 2017, 'Stepping up: How finance functions are transforming to drive business results'.
20 Ibid
21 Ibid

How efficient is your finance function?

Days to report and manual journals

It is crucial for the CFO and senior management to have access to timely, insightful and accurate information to support efficient decision making. A drawn-out reporting cycle can signal an irregular amount of time spent gathering and collating data, restricting the team's capacity to deliver value-driven analysis and interpretation of results.

Our survey results show that the median council operates with a close-to-report cycle within 11 days, up from 10 days in the prior year. In comparison, top quartile councils are able to provide financial results to senior management in just 8 days, up from 7 days in the prior year.

By jurisdiction, we see an increase in the NSW days-to-report median, now at 11 days, compared to 10 days in the prior year, and the median SA council has shifted to 12 days, up from 11 days. Both the median NZ and WA council remains stable at 10 days to report to senior management.

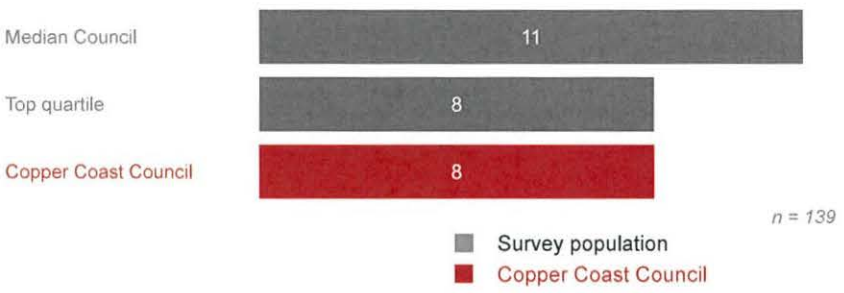
Strategies to reduce the duration of month-end close and reporting, aside from automation, include:

- Setting materiality thresholds for reconciliation investigations
- Adjustments and accruals
- Performing tasks throughout the month instead of waiting for month end
- Reducing and simplifying management reporting to meets the needs of the business

One indicator of an efficient finance function can be the number of manual journals processed in any given year. Our findings show that 22% of surveyed councils are processing more than 1,500 manual journals annually, down from 26% in the prior year. If we assume that each manual journal takes approximately three minutes to process, then this equates to one person spending at least 75 hours a year or around 10 business days per year manually processing journals.

Quality control is also a factor to consider and involves additional time spent by senior resources on the validation and review of the manual journals for accuracy and completeness. This time could be spent on more more value-adding business insight reporting at month end.

Figure 2.6: Days to close and report



Key considerations

- Have you standardised your data and investigated or implemented an automated approach to data collation?
- Do you have a smart and efficient close-to-report cycle?
- Are you using low-cost data analytics tools to improve data visualisation allowing for more rapid interpretation of results?

Figure 2.7: What was the total number of manual journals processed in the year ending 30 June 2018?

Delivering financial information to senior management

Reporting to management

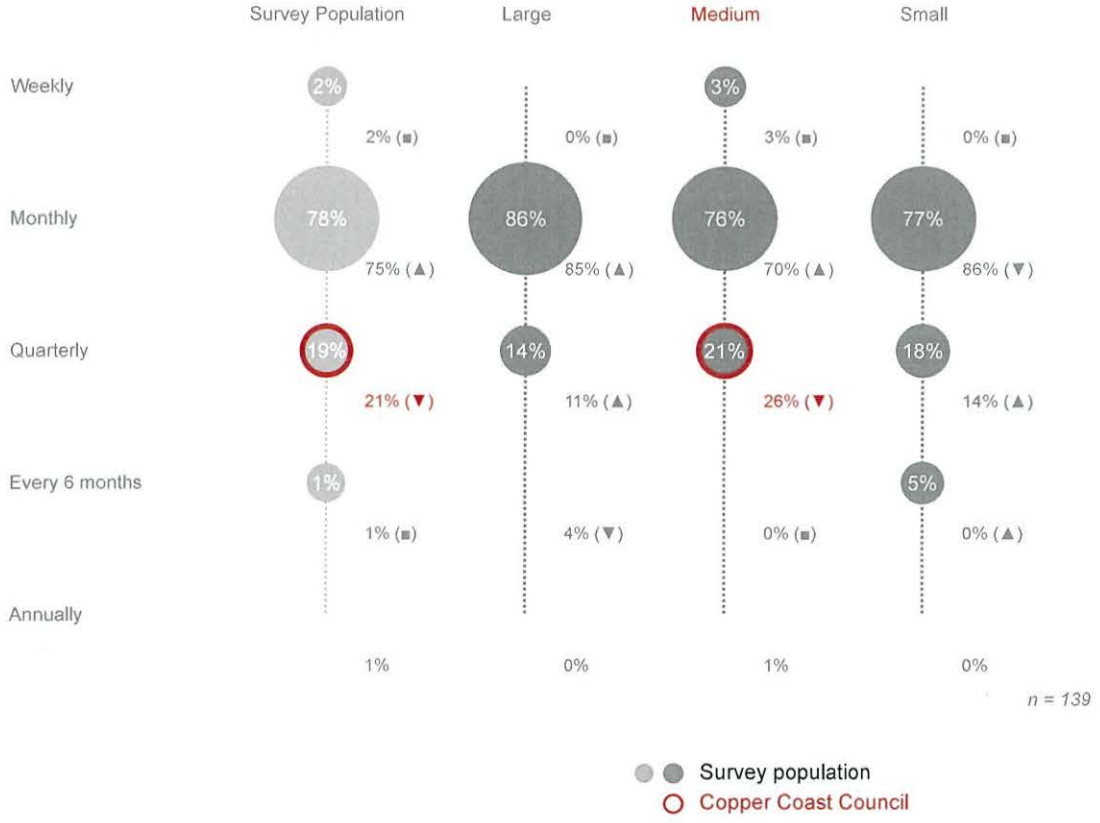
A key responsibility of the finance function is to provide timely financial reporting to the senior management team. NZ and WA councils continue to be more likely to report monthly financial information with senior management, with 90% and 97% respectively doing so.

SA councils are trending upwards to more timely reporting, with 79% reporting monthly (up from just 53% in the prior year). NSW councils have the lowest rate of monthly reporting, just under two thirds of NSW councils (63%) report monthly, with 36% reporting quarterly. This may be a result of the requirement for NSW councils to present a Quarterly Budget Review Statement, minimising the perception of a need to report monthly.

Large councils remain more likely to report to the senior management on a monthly basis (86%), compared to 77% of small councils and 76% of medium-sized councils that report financial results on a monthly basis.

Councils need to consider their specific circumstances to determine the optimal frequency of reporting. Those councils with a larger workforce and greater span of control may need more frequent reporting as senior management are not able to be in the day to day detail of operations and finances. In comparison, smaller workforces or rural councils may have more a stable financial and operational environment and more involvement by senior management in day to day operations, both of which could allow for less frequent formal management reporting to be adequate.

Figure 2.8: How often do you report approved financial information to senior management?



Delivering financial information to senior management

Sharing financial results

In many organisations, the role of finance has expanded to include supporting strategic decisions and driving the organisation's agenda. In order for the finance function to do this, they need to provide, interpret and analyse the most relevant financial information at the optimal time. By building relationships with their peers in other areas of the business, the finance team can better understand what key insights are needed and when.

Our survey results suggest extensive sharing of financial results with the CEO, directors and managers. Lower levels of management are less likely to receive this information however, with our collected responses indicating that just 56% of team leaders and 37% of supervisors are provided with the ability to draw insights from financial information.

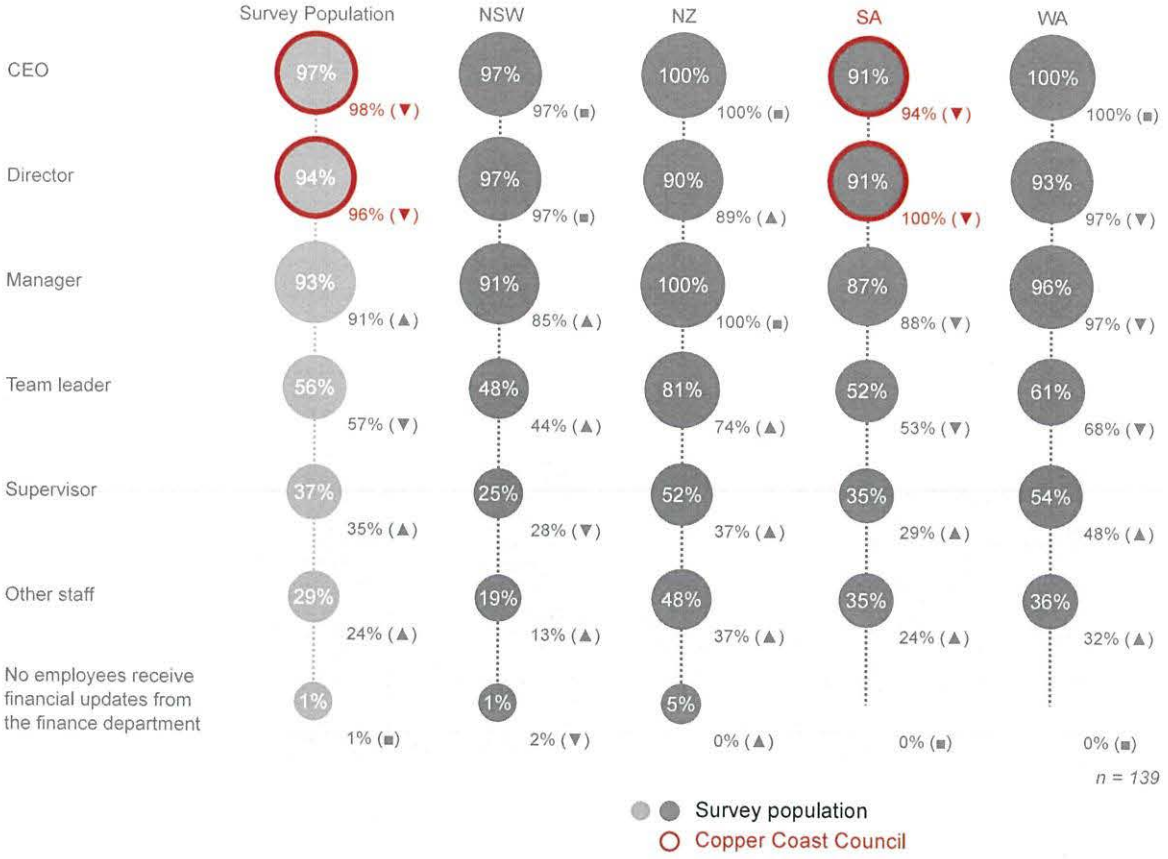
Sharing financial results and business insights with various levels across a council is one way to create a culture where employees within business units become more engaged with, and accountable for, the council's key financial performance drivers.

Exposing team leaders and supervisors to a variety of financial metrics allows them to absorb and understand these key business drivers – instilling a sense of ownership and responsibility as they consider what it means to their business unit and team – before they move into the more senior levels of management. Similarly, if this information is shared with the 'other staff' level, they can begin to understand the bigger picture and get excited about the future for the council and their own career path.

Key considerations

- Are you encouraging finance staff to engage with the business to better understand what insights are needed for effective decision making?
- Is peer to peer relationship building across finance and other parts of the business rewarded and encouraged?
- Are your finance team equipped to support the business as a true business partner? Do they have the right skills and mindset to clearly convey insights and recommendations to their internal customers?

Figure 2.9: Who receives financial updates about council's performance from the finance department?



Balancing insight and efficiency

Budgeting

One of the benefits that stem from the annual budgeting process is the business insights generated as a result of the collaboration between the finance team and the business. By coupling analysis of past performance, with an understanding of future strategic priorities, the budgeting process can assist in forward focused business decisions, as opposed to just an exercise of gathering and manipulating data. This is supported by the PwC finance effectiveness benchmarking study[22] which notes that the value of the budget comes from the collaboration on business decisions and connected thinking.

When assessing the time councils spend on the budgeting process, we measure from the date the process officially begins to the date the budget is finalised and loaded into the accounting system. The median results for the 2017–18 financial year budget process remain relatively stable overall, with 141 days to complete the budget process (down from 143 days in the prior year). The median days range from 107 business days in small councils, to 164 business days in large councils.

Analysing by council jurisdiction shows WA councils continuing to complete the cycle in the shortest time frame, with a median of 119 days. At the other end of the spectrum, NZ councils come in with a median of 226 days – adding 21 business days to the budget process, compared to the prior year, and 47 business days compared to two years prior.

Looking deeper into the budget process in Figure 2.11, we see that finance teams continue to spend most of their time preparing and refining the budget to obtain senior management approval, with 69% of the total budget time spent in this first phase. We continue to see WA councils spending more time (83%) on this first phase of preparation, compared to 69% for NZ, 65% for NSW and 65% for SA councils.

By automating parts of the budgeting process, or improving the planning process to reduce known bottlenecks, councils can reduce the length of the budget preparation process without reducing the potential benefits. This is supported by the PwC finance effectiveness benchmarking study where 35% of processing time could be eliminated by investing in automation of the budgeting and forecasting process.

Figure 2.10: Total elapsed business days for the budgeting process

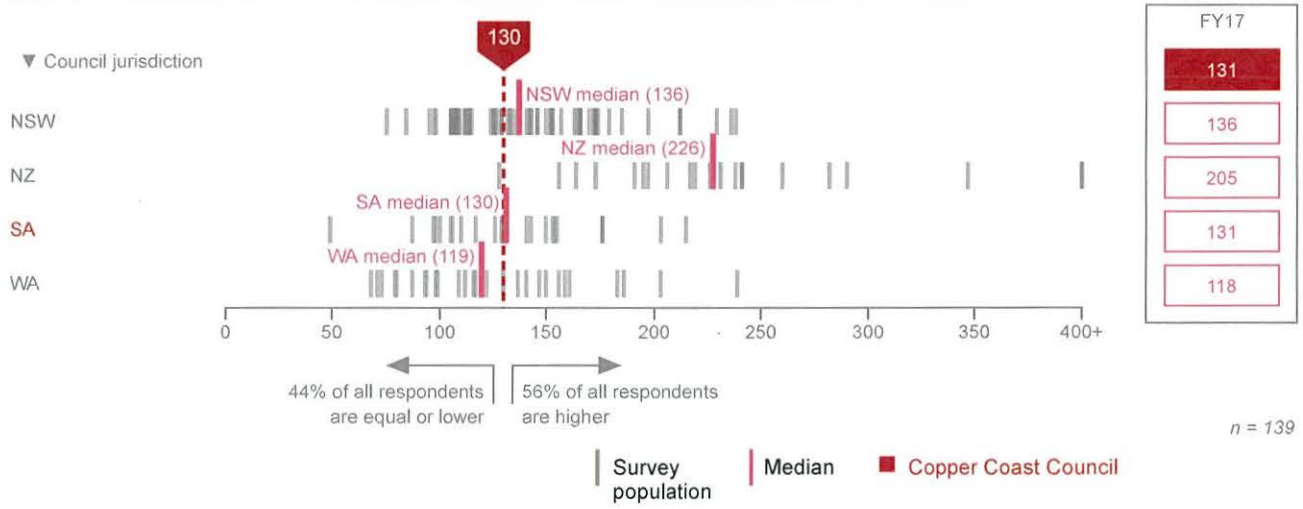
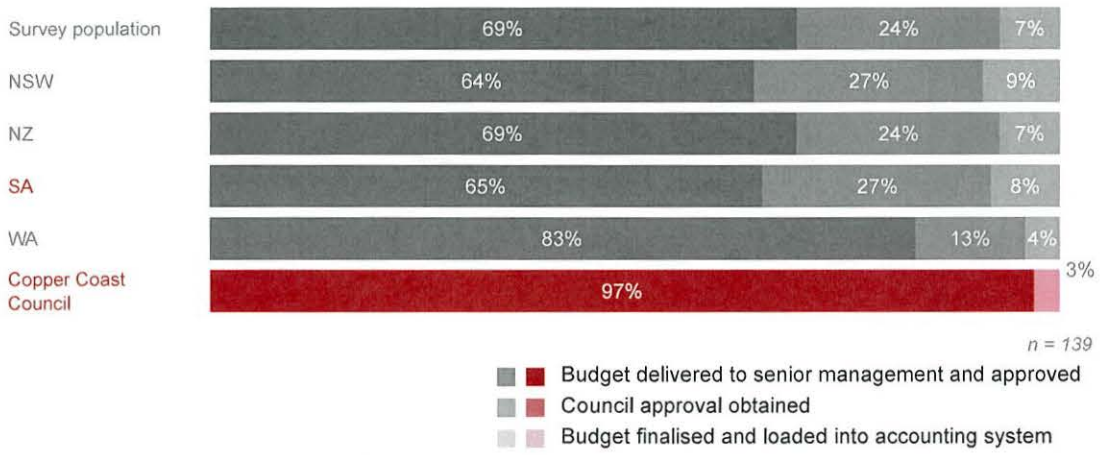


Figure 2.11: Proportion of total elapsed budget days by stage



22 PwC global finance effectiveness benchmark report 2017, 'Stepping up: How finance functions are transforming to drive business results'.

Balancing insight and efficiency

Forecasting

Senior management require access to frequent, relevant forecast information to be able to adequately assess and respond to changing financial results. Forecasting can orient management towards emerging trends, business risks and issues in a timely manner, enabling a more efficient and informed business decision making process to occur.

By setting a materiality threshold, management can efficiently understand the forecast variances and highlight appropriate recommendations and remedies required at that time. By allocating the required actions to specific staff members, accountability is created to ensure the desired outcomes are achieved.

While Australian councils have traditionally been more likely to forecast performance to budget, we now observe 81% of NZ councils forecasting throughout the year, up from 74% in the prior year.

When looking at the frequency of forecasting, WA and NZ councils are more likely to to forecast on a monthly basis and are trending upwards in the proportion of councils that forecast at this frequency level. For NZ councils, this also coincides with the increase in the preparation of the forecasts, with 47% forecasting monthly (up from 35% in the prior year), and 56% of WA councils preparing a forecast each month.

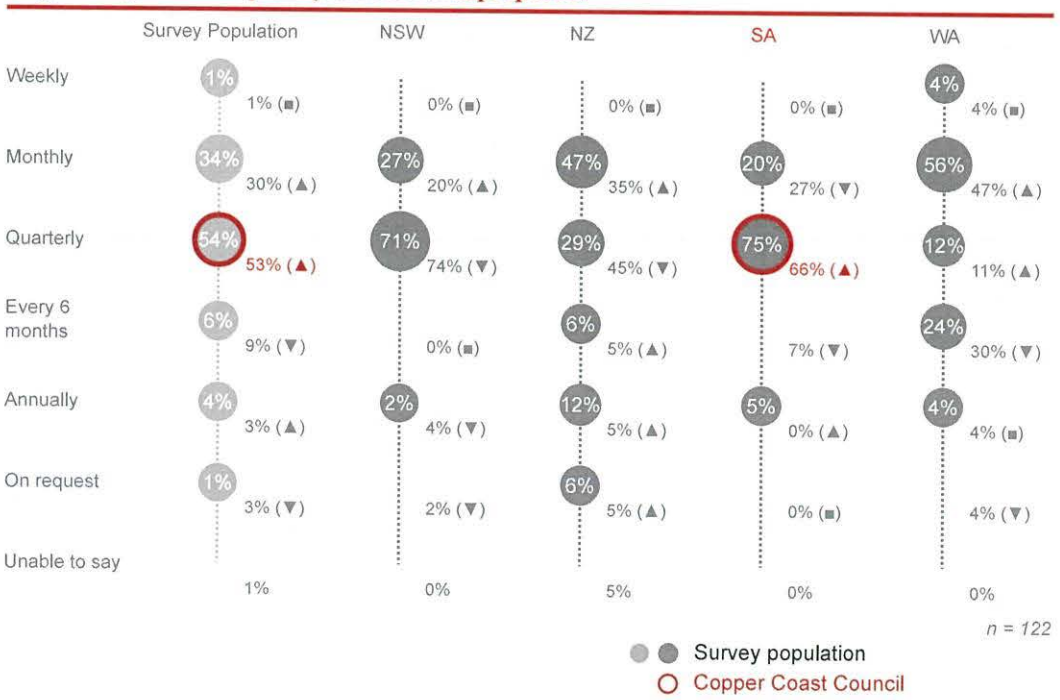
In comparison, just 27% of NSW councils and 20% of SA councils forecast monthly, with the majority of NSW and SA councils forecasting less frequently.

Key considerations

- Have you explored the use of automation technologies to create a more efficient budgeting and forecasting process?
- Do you have the right level of oversight and project management of the budgeting process to ensure it is a continuous, efficient process with no bottle-necks?
- Do you use your budgets and forecasts as a critical management tool to drive discussion, decisions and behaviours?
- Do you have the right balance between the need for the business to have frequent and relevant forecast information, and corresponding costs?

Figure 2.12: Do you formally forecast your performance to budget throughout the year?

Figure 2.13: How frequently are forecasts prepared?



Source of income

Revenue profile

The mix of income associated with local government is not directly comparable between Australian and New Zealand councils, due to diverse service delivery models and different levels of responsibility between local government and other levels of government.

While we have observed over the years NZ councils revenue profile being driven from residents and businesses through the collection of rates and annual charges (58% of all income), we see a slight lift in the proportion of income from alternative income streams, with 18% sourced in this way (up from 14% in the prior year).

The surveyed Australian councils do have some differences; SA councils derive 73% of their revenue from rates and annual charges, compared to 58% in WA councils and just 42% in NSW councils. NSW councils continue to source a larger amount of revenue from grants (33%), over double the percentage of revenue derived from grants in SA councils (14% of all income).

This increased reliance on grants for NSW councils stems from the fact that the NSW survey population has, for the past three years, comprised a high percentage (83%) of rural or regional councils that rely on government grants to manage their extensive road network. In FY15, when there was a smaller percentage of NSW rural and regional councils (60% of NSW surveyed councils), grants comprised just one quarter of the total revenue derived by NSW councils.

When comparing this across all surveyed councils, we observe regional and rural councils deriving around 30% of revenue from grants, compared to just 17% in metro councils.

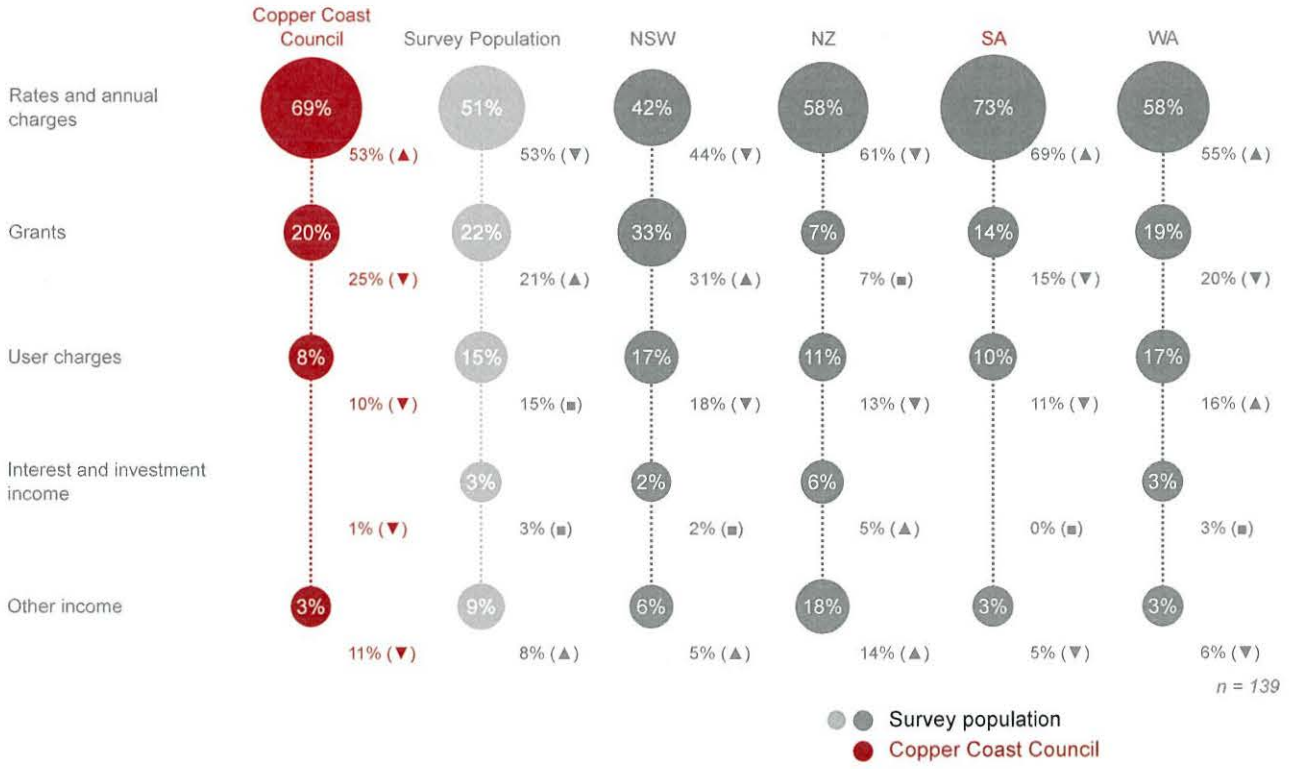
The issue of revenue generation and revenue control is a perpetual one for all councils and as such, while different jurisdictions have different legislative frameworks, based upon these results, the issue of having a level of control over income is still one that is extremely important.

It is essential that councils continually review their overall current revenue profile, including an in-depth analysis of the source of income mix. A high level of income diversity is key to a healthy revenue flow, as is looking for new sources of sustainable revenue or ways to reduce the reliance on less stable existing income sources. It is important to continuously determine how best to manage this critical component in order to support long term plans.

Key considerations

- Does your council review its revenue mix as an area for more active discussion? Do you understand if any implications exist regarding this area?
- Does your management team think laterally when it comes to identifying new revenue opportunities?
- Does your council have the right skills, resources and ability to identify additional revenue opportunities?
- Have you considered contingency plans, in the case of short term or vulnerable funding being discontinued?
- What dormant opportunities lie in your existing revenue streams, fees and services?
- Have you carefully analysed new service pricing options in a bid to optimise revenue?

Figure 2.14: FY18 revenue profile



Optimising working capital

Collection of rates and annual charges

Fast and efficient collection of rates and annual charges supports councils to better manage and allocate cash flow and working capital.

Minimising barriers and facilitating easy payment options for ratepayers, as well as automating financial processes, can help optimise labor-intensive processes, and improve the relationship between councils, ratepayers and suppliers.

Figure 2.15, shows the cumulative collection of rates and annual charges compared to the survey population, and figure 2.16 displays the quarterly cash collections during the 2017–18 financial year. Overall we see this has improved slightly from the prior year, with 60% of rates being collected by the end of the second quarter, up from 57%.

WA councils continue to front load their cash collections from rates and annual charges, compared to the other council jurisdictions, with 61% of this pool of funds collected by the end of quarter one. In comparison, NZ and SA collect 31% and NSW councils collect 36% of their rates by the end of quarter one. NZ councils have shifted their cash collections, with 55% of rates and annual charges being collected by the end of the first two quarters, up from 47% in the prior year.

Some methods which a number of councils use to increase their ability to collect payment upfront includes:

- The offer of incentives for early payment or the imposition of a small fee for late payments
- Offering discounts and entry into early payment prize draws
- Charging a small interest fee and/or an instalment fee if ratepayers choose to pay in instalments.

The infographic shows the dollar-value equivalent of 1% of rates and annual charges collected. Based on this, councils can calculate how far ahead or behind they may be, quarter by quarter.

Figure 2.15: Cumulative collection of rates and annual charges

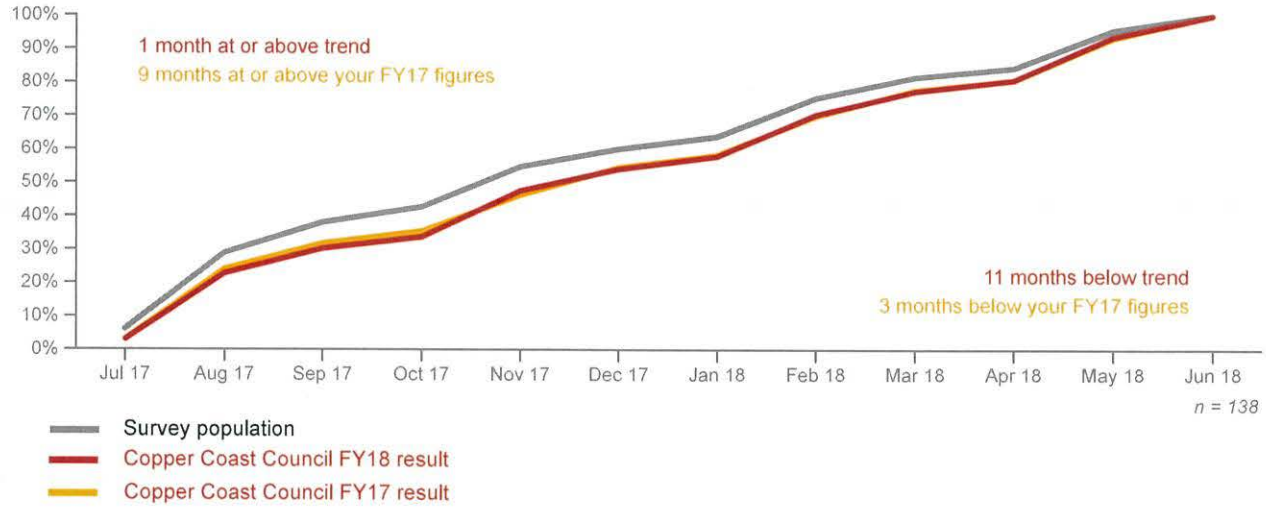


Figure 2.16: FY18 quarterly collection of rates and annual charges

Tracking and managing capital projects

Capital project expenditure

The effective management of capital expenditure is particularly important due to local government's asset-intensive nature and the limited capacity of council operating budgets to absorb variations in the financial outcomes of capital projects. We acknowledge that capital expenditure can be volatile in nature depending on a council's budget, and any significant works or project that is being undertaken in a particular year, many of which are linked to their role in the community or location.

When analysing capital expenditure per resident by council type, we continue to observe a range from a metro council median of A$315 per resident (or NZ$342) to a rural council median of A$1,175 (or NZ$1,247) per resident.

A key component of this higher spend per resident in rural councils is the maintenance required for large-scale regional infrastructure such as, but not limited to, roads and bridges. In some cases, this infrastructure investment also benefits the state or jurisdiction such as primary roads running through a local government area connecting key cities or towns, and grants are received in relation to the capital works.

Geographically, NSW councils continue to have the highest capital spend per resident, with a median of A$790 (NZ$847) compared to the other council jurisdictions where the median capital spend ranges from A$400 (NZ$434) in WA to A$570 in NZ councils (NZ$618).

Figure 2.17: Total capital expenditure (A$) per resident (type of council)

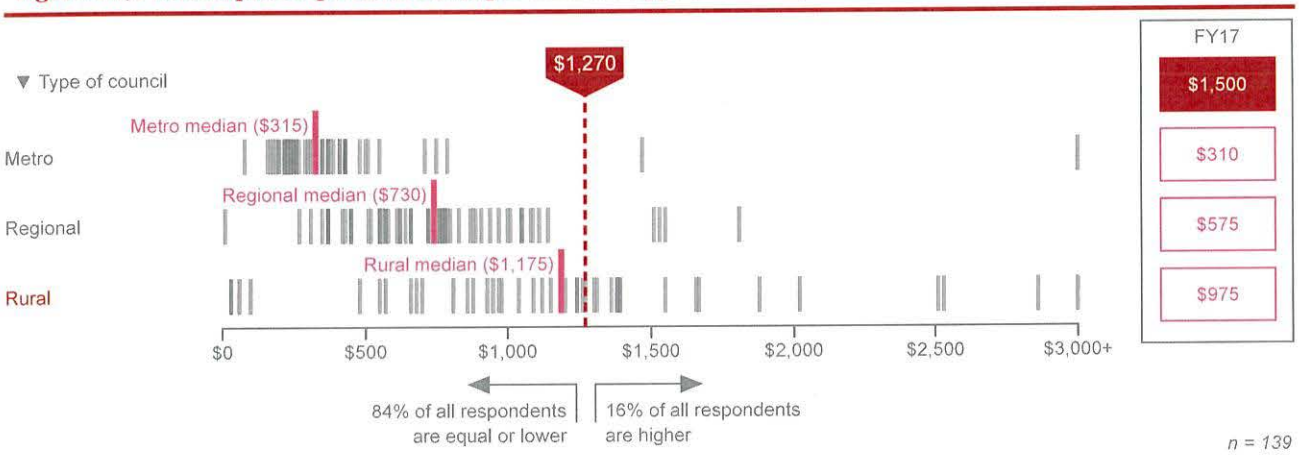
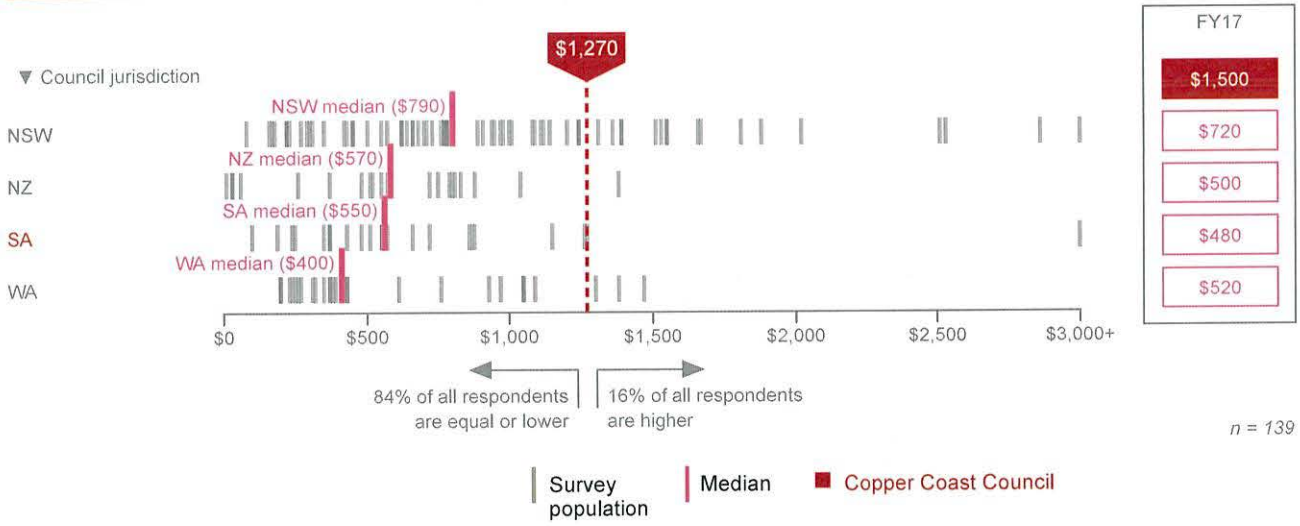


Figure 2.18: Total capital expenditure (A$) per resident (council jurisdiction)



Operations

56% *of councils have a formal IT strategy in place*

66% *of councils outsource or share IT hosting and support of systems*

47% *of councils rate online customer self-service in their top 3 IT priorities*

Operations Trend Summary

Copper Coast Council

● SA Survey population ● Copper Coast Council	FY17	FY18	Change from FY17 to FY18
1. Corporate service staff per 100 employees	16.5	16.0	▼0.5
	14.8	15.0	▲0.2
2. Customer service staff per 100 employees	7.2	6.4	▼0.8
	4.7	4.8	▲0.1
3. Finance staff per 100 employees	5.2	5.3	▲0.1
	3.8	3.8	■ 0.0
4. HR staff per 100 employees	2.7	3.0	■ 0.0
	2.1	2.1	▲0.3
5. IT staff per 100 employees	3.6	3.4	■ 0.0
	2.1	2.1	▼0.2
6. Formal IT stategy in place	Does not exist 24% (Does not exist)	Does not exist 44% (Does not exist)	
7. Effectiveness of IT systems	Adequate 76% (Adequate)	Adequate 70% (Adequate)	
8. IT spend per employee (A$)	$7,931	$8,300	▲$1,015
	$5,198	$6,213	▲$369
9. Customer service FTE per 10,000 residents	4.6	4.8	▲0.2
	1.7	1.9	▲0.2

Fostering productive corporate service functions

Corporate services

Corporate services functions provide important support services and expertise to the entire organisation, and are responsible for establishing safe and sustainable practices so that core activities can be delivered. Through their specific skill sets and expertise, corporate services can provide management with business-critical information and insights needed to cultivate effective and efficient business processes. This then enables management to make sound decisions for the future.

Our program focuses on four specific corporate services: customer service, finance, human resources (HR) and information technology (IT). These corporate services represent 9% of the total council operating expenses, with 12% in SA, 10% in NZ, 8% in WA and 7% in NSW councils.

When looking across the different council sizes, the resource mix between the four areas has altered marginally in the past year. We observe small councils continuing to have a larger finance FTE representation in the corporate service function (at 48%), in contrast to 31% finance FTEs in medium and 29% in large councils. The opposite applies to IT staff where large and medium councils have almost twice the amount of FTEs in this corporate service function, compared to small councils.

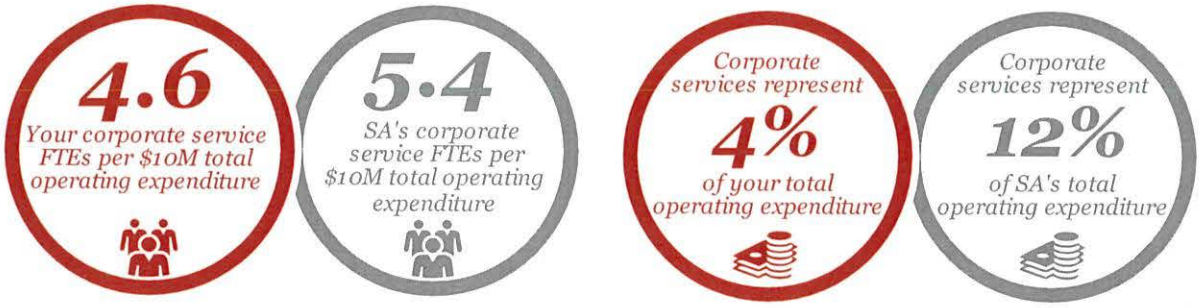
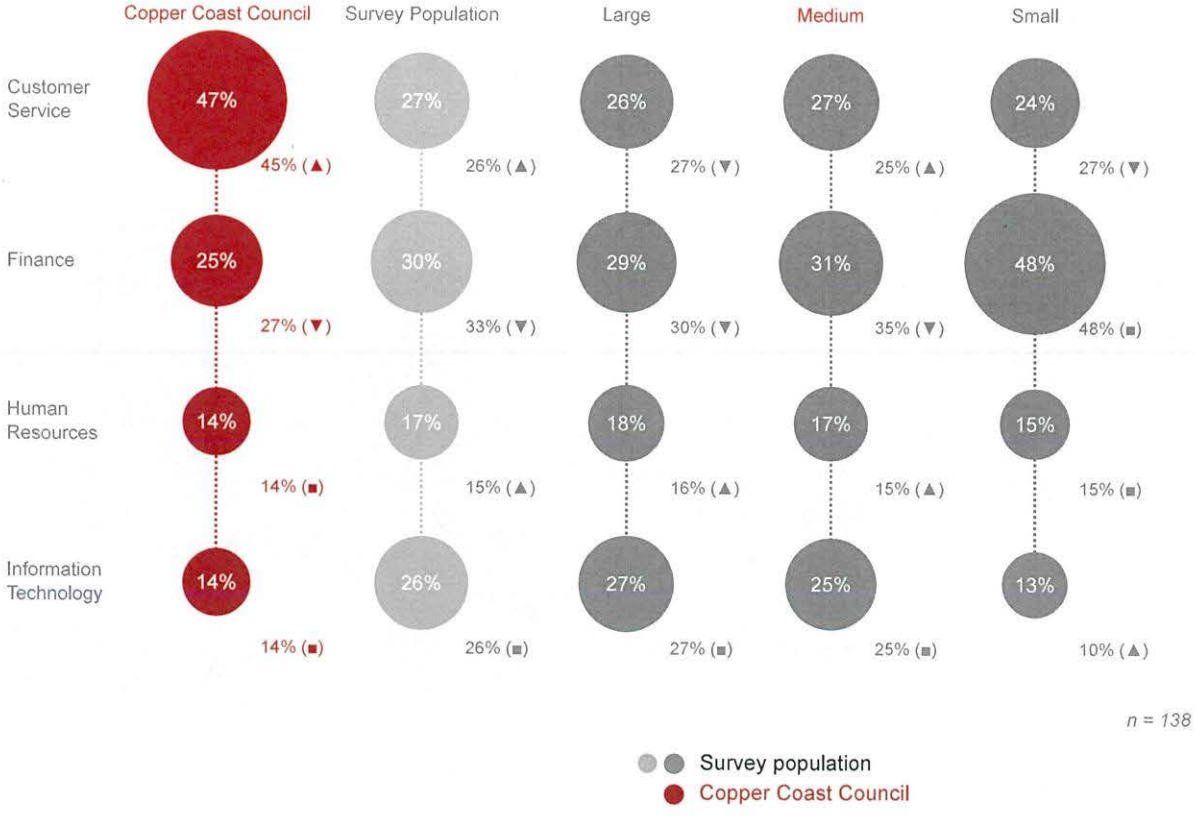


Figure 3.1: Breakdown of corporate service full-time equivalents



Fostering productive corporate service functions

Corporate services (continued)

IT continues to be an area going through change in regards to the method of delivery. Our findings show that large councils continue to reduce the proportion of in-house IT staff, with 3.8 per 100 employees (down from 4.9 two years ago). There remains a stronger reliance on outsourcing or sharing 'IT hosting and support of systems', with 75% of large councils operating in this way. Interestingly, 68% of small councils outsource or share 'IT helpdesk support' which may explain the lower level of IT staff per 100 employees (2.0), as discussed further in this section of the report.

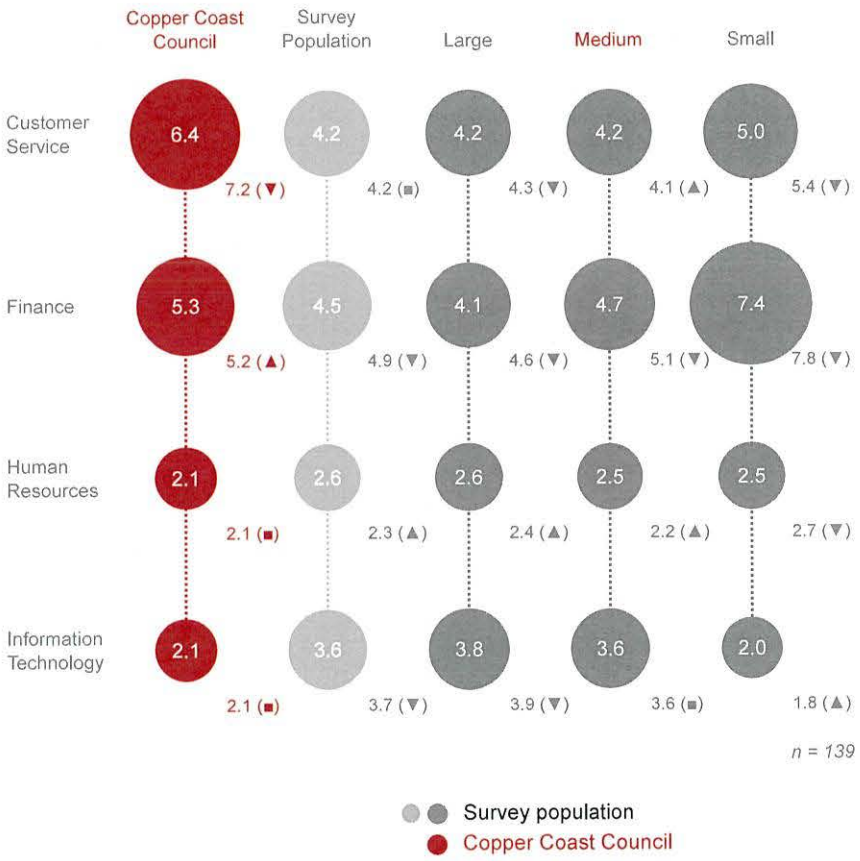
If your council has made the transition to cloud infrastructure, consider whether you have been able to achieve expected cost savings, particularly if your business case was based on headcount reductions.

The level of resourcing in direct customer service FTE roles remains stable across all councils, with 4.2 customer service staff per 100 employees. We observe a closing of the gap between large/medium and small councils in FY18, with small councils carrying just an extra 0.8 customer service staff per 100 employees (down from a gap of ~1.1 in the prior year). We further explore the level of resourcing in customer service in the 'Servicing the community' section of this report, where we observe the median customer service FTE per 10,000 residents has decreased slightly from 2.3, to 2.0 FTEs.

The ability of large councils to benefit from economies of scale and perhaps invest in new technology, such as process automation, continues to be evident in the allocation of resources to finance, with 4.1 finance staff per 100 employees, compared to 4.7 in medium and 7.4 FTE in small councils.

Our findings show that HR resourcing is similar across the different council sizes, with 2.6 staff per 100 employees in large councils, and 2.5 and both medium and small councils. The year on year movement shows an increase in allocation of HR resources in large and medium-sized councils, compared to the slight downwards shift in small councils (2.5, down from 2.7 in the prior year).

Figure 3.2: Breakdown of corporate service staff per 100 employees



Leading councils have an IT strategy

Importance of an IT strategy

The 2017 PwC Global Digital IQ Report surveyed 2,216 business and technology leaders and points to a connection between organisations that have more comprehensive digital strategies and those that achieve stronger financial performance.[23] The top performers in the survey tended to have broader definitions of digital, encompassing customer-facing technology and going beyond 'IT' and embedding technology into an organizational mindset.

Unfortunately in our results, we only see 56% of participating councils with a formal IT strategy that aligns to the business strategy, increasing marginally from 54% in the prior year. This means there are 44% of councils without a formal planned approach to managing their digital strategy. A shared plan between IT and the organisation, developed with existing and future business needs in mind can be the key to unlocking the persistence and the investment required to achieve change.

Each year we continue to have less than a third of councils managing their digital approach with a draft IT strategy (26%, down from 32% in the prior year). Of concern, is the highest proportion of councils (18%) since FY14, operating without a formal or draft IT strategy.

This increase is driven by SA councils, with a large 44% operating without a formal or draft IT strategy (up from 24% a year ago), and to a lesser extent NZ councils, with 24% without an IT strategy (up from 11%). At the other end of the spectrum, we observe 65% of NSW councils with a formal IT strategy.

This area continues to be an opportunity for councils. It is important for councils to reconsider their appetite for developing an IT roadmap and digital strategy that focuses on strategic priorities. Senior management need to drive innovation supported by an IT strategy that articulates how the adoption or upgrade of technologies and infrastructure will be balanced between employee, customer and supplier needs.

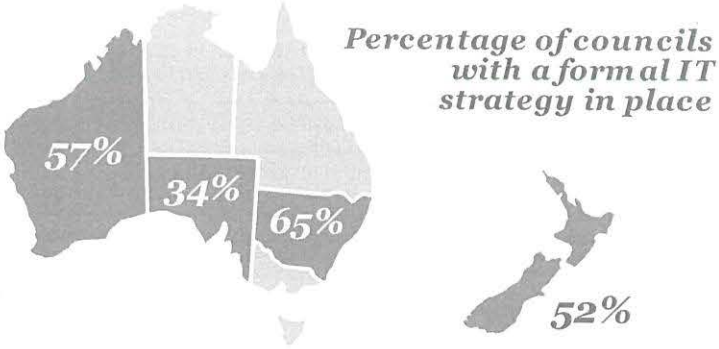
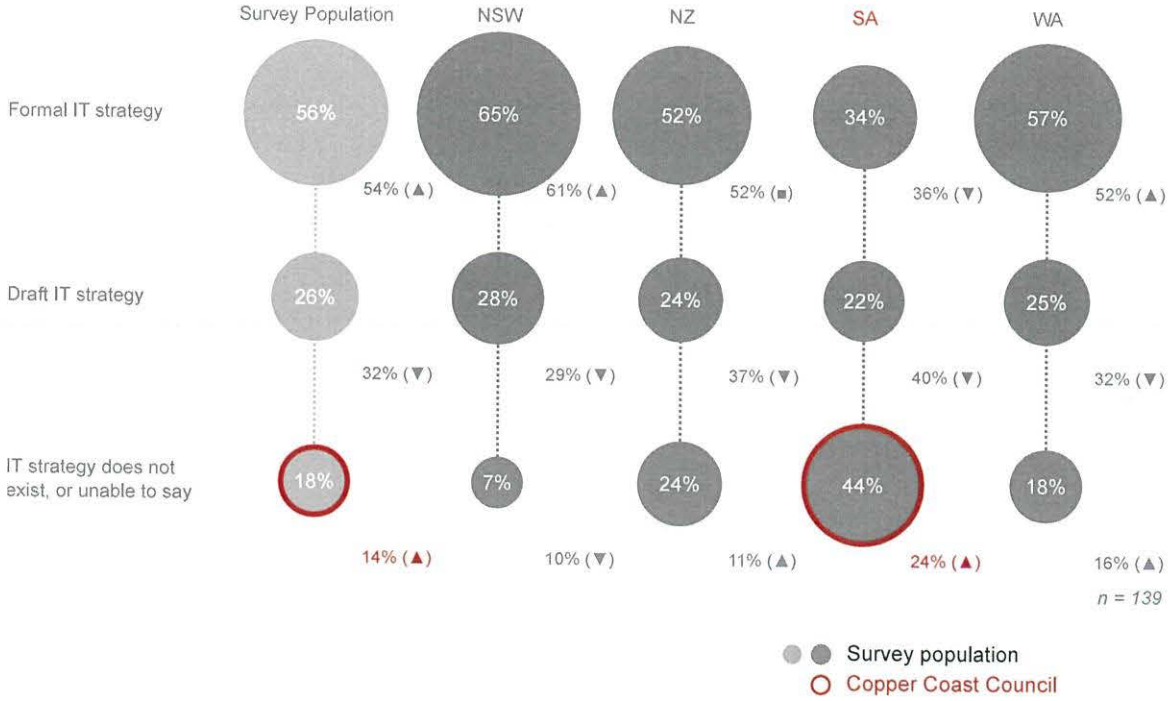


Figure 3.3: Does your council have a formal or draft IT strategy that aligns with the business strategy?



23 PwC 2017, Global Digital IQ Survey, 'A decade of digital: Keeping pace with transformation'

Leading councils have an IT strategy

Importance of an IT strategy (continued)

Digital strategies play a key role in ensuring that IT systems and processes are running as effectively and competitively as possible. An IT strategy defines how technology will support the business strategy with project rationale, timelines, allocation of business and IT owners and estimated investment and duration.

Given that 44% of councils are operating without a formal IT strategy, it is not surprising to see the majority of councils (67%) across all regions reporting just 'adequate IT systems'. This is reflected strongly in 81% of NZ councils, constant with the prior year. Notably, we see a decline in the proportion of NSW councils rating their systems as 'effective'; 25%, down from 31% a year ago.

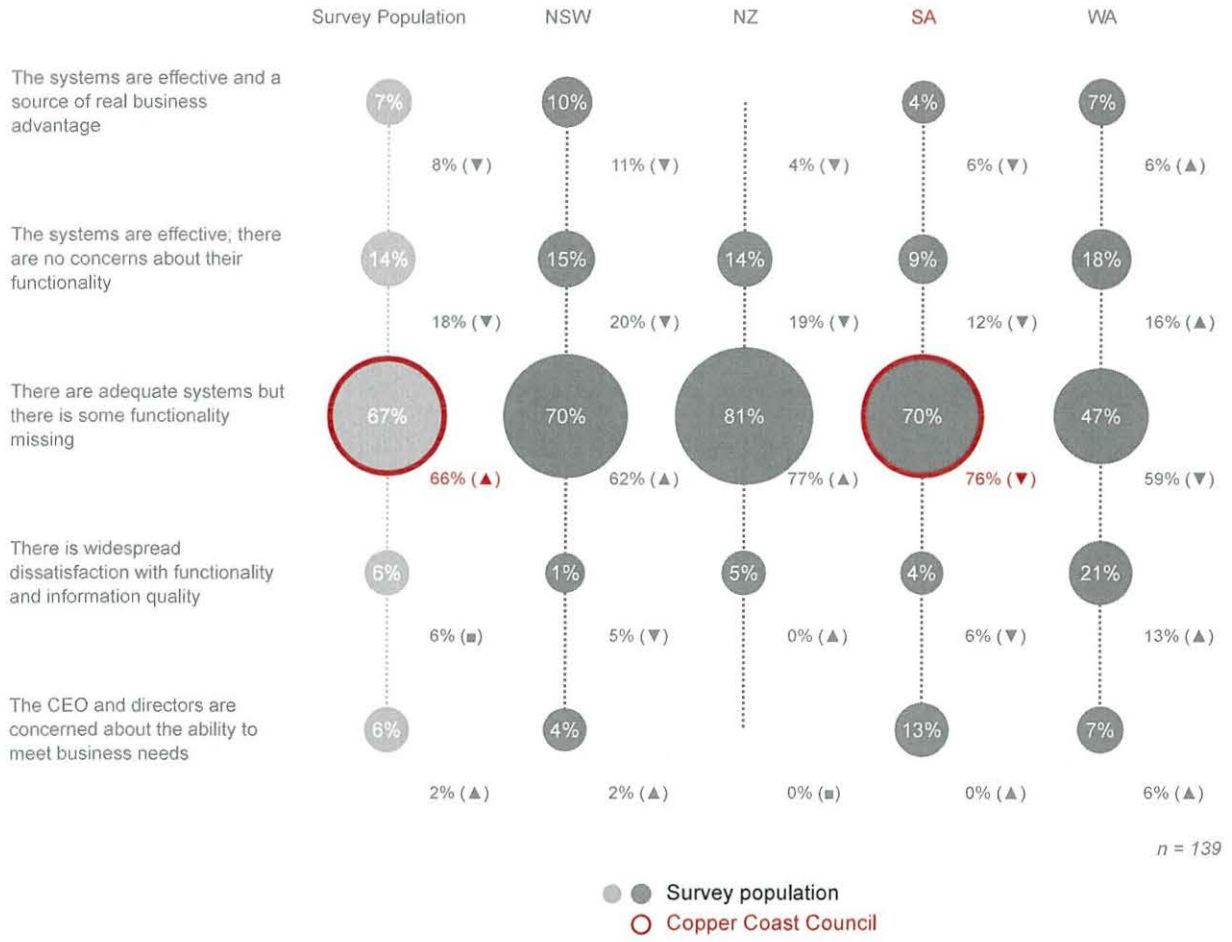
The 2017 PwC Global Digital IQ Survey, goes on to explain that CEOs have become the champions for digital, with 68% now championing digital transformation, compared to just 33% back in 2007.[24] It is crucial that the council leadership team actively supports and collaborates to create a clear vision, comprehensive plan and adoption strategy to support digital transformation in the coming years. This is an opportunity to move away from the status quo and create a dynamic workplace where technology enables efficiency for both employees and a better customer experience for the community.

The human experience is a critical dimension of Digital IQ; to be successful in the digital economy, organisations must create agile, collaborative cultures that adapt to change, focus adequately on customer and employee experiences, and develop the right mix of skills within their workforce.[25]

Key considerations:

- Do you have a strategic view of your current digital capability within your council?
- Which area within your council has the responsibility for ensuring you have a robust IT strategy that connects to your customer experience?
- Do you position IT as a central capability identified as essential (not optional) in your strategic plan?
- How will you acquire and develop the digital skills and capabilities you need in the future?

Figure 3.4: How effective are IT systems at supporting your business?



24 PwC 2017, Global Digital IQ Survey, 'A decade of digital: Keeping pace with transformation'
25 Ibid

Investing in IT

IT spend

IT spend per employee continues to vary considerably, both geographically and across council size. This is to be expected in a single year given the cyclical nature of IT priorities, projects and investments, however the consistent higher median spend by NZ councils (compared to participating Australian councils) and lower median spend by small councils (compared to large and medium councils) has been settled in these patterns for a number of years.

Large and medium-sized councils continue to report a median IT spend per employee that is more than double the median for small councils. Further, we observe small councils with a static median spend, compared to the prior year, while the median IT spend per employee has grown by 11% in both large and medium councils.

When analysing median spend across council jurisdictions, NZ councils continue to spend more on IT than other council jurisdictions, as well as investing heavily in the past year, with a 21% increase in median spend per employee. While NSW councils are at the other end of the spectrum on median spend, they have invested in the past year, with the median IT spend per employee increasing by 11%, compared to the prior year. Some of this increased spend is attributable to the investment that merged NSW councils have made integrating IT systems.

While a higher IT spend per employee may indicate strong investment in digital transformation, given 46% of councils operate without a formal IT strategy, proper consideration of the components of the IT spend and how this links to the business strategy is the next step in understanding whether the IT spend represents an investment in transformation, or a system that is expensive to keep operating.

We continue to encourage the council leadership team to properly plan IT spend by identifying business areas that can benefit from integrated IT systems, cloud computing, software developments and investment in experienced IT professionals.

Figure 3.5: IT spend (A$) per employee (size of council)

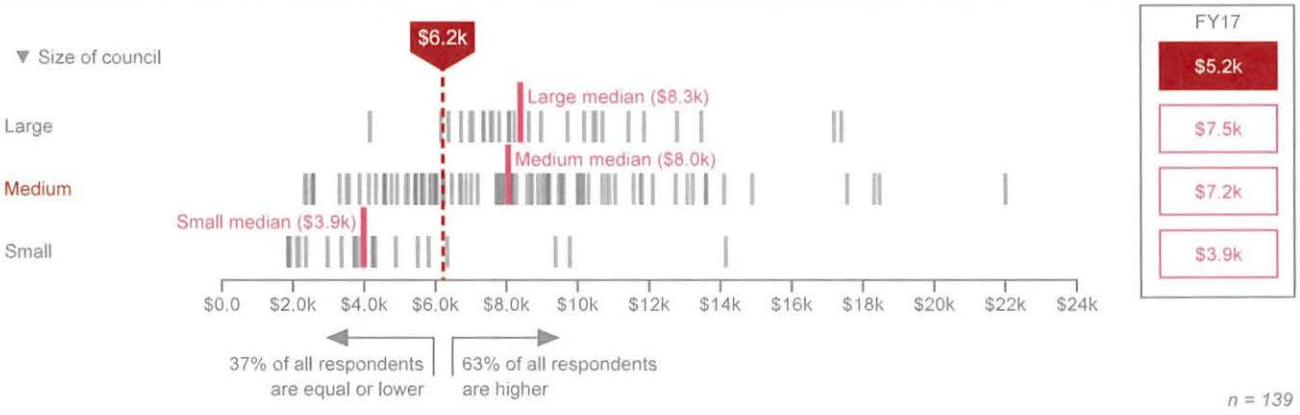
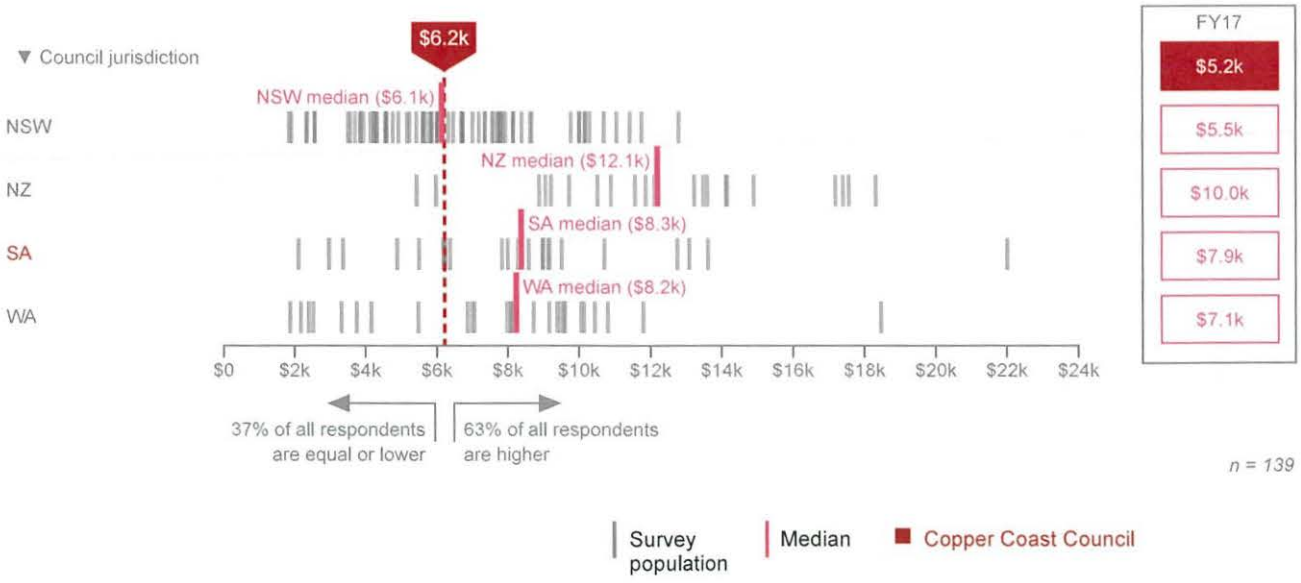


Figure 3.6: IT spend (A$) per employee (council jurisdiction)



Managing your IT projects

IT priorities

Councils are facing greater pressure to digitise their internal business processes and better interact and engage digitally with the community. Given the reality of budget constraints, there is even more reason for councils to formalise an IT strategy that documents the prioritisation of ongoing IT maintenance on existing systems versus investment in IT innovation and new technology enhancements.

It is important then that IT priorities align in a way to ensure efficient and cost effective delivery while aligning to the business strategy.

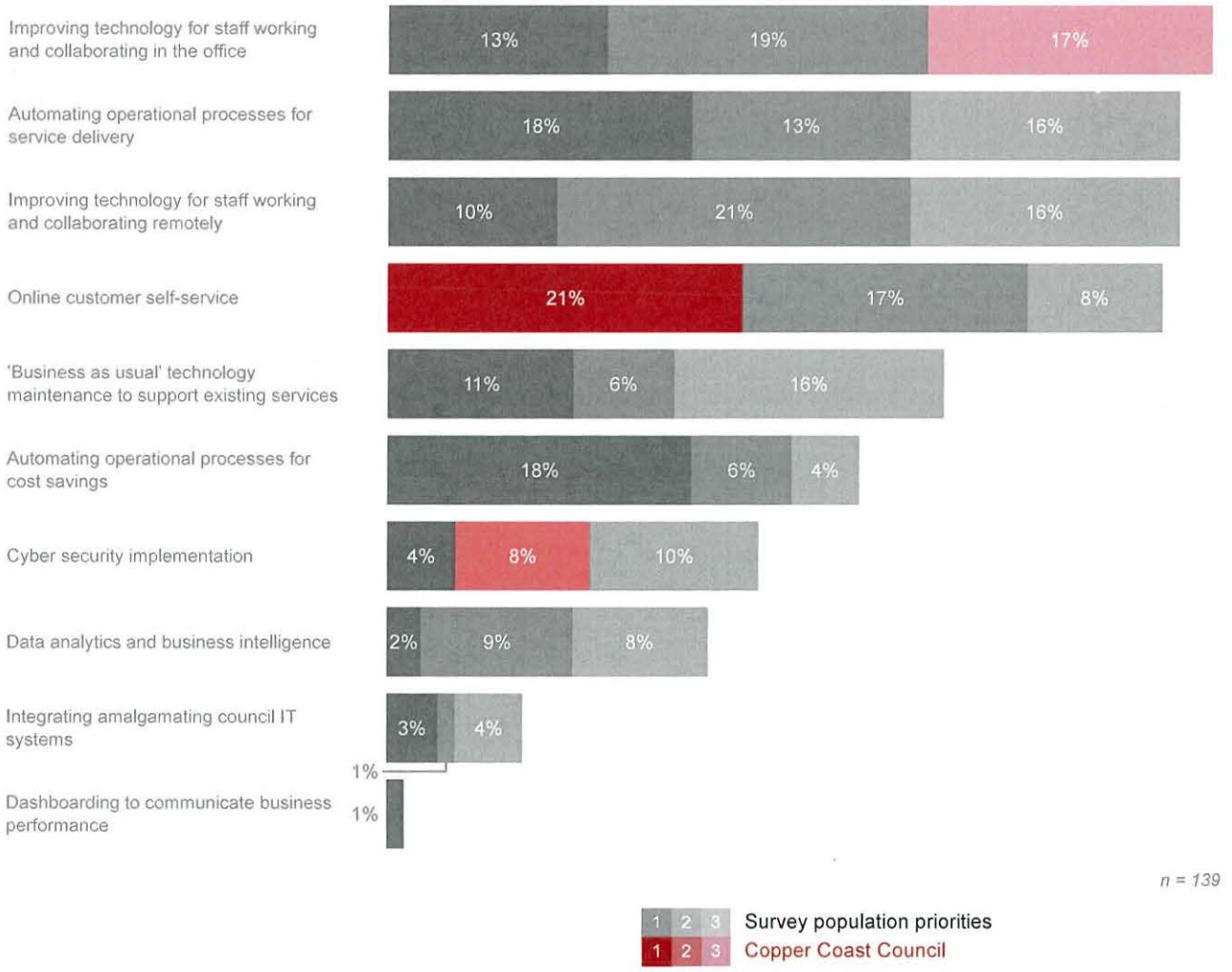
In our program, we ask councils to rank a selection of IT priorities. The overall top priority continue to show that councils are acknowledging the importance of improving technology, providing capacity for staff to focus more on customer service and improving community satisfaction and engagement.

It is encouraging to see a decline in the focus on day to day technology maintenance, which could indicate a more innovative digital approach being adopted by councils outside of the standard ongoing maintenance. This shift in focus has resulted in an increase in the proportion of councils ranking 'online customer self-service' as a number one priority (21%, up from 10%). This is an important step towards digital transformation, through the introduction of self-service options, councils can provide a more flexible, and likely more convenient, customer experience.

Key considerations:

- Is your technology assisting the business to be efficient as well as meet and support changing customer needs in service delivery?
- How are you managing information security and protocol around cyber attacks and data breaches?
- How are you managing digital transformation as well as business as usual IT?

Figure 3.7: What are your top three IT priorities over the next three years?

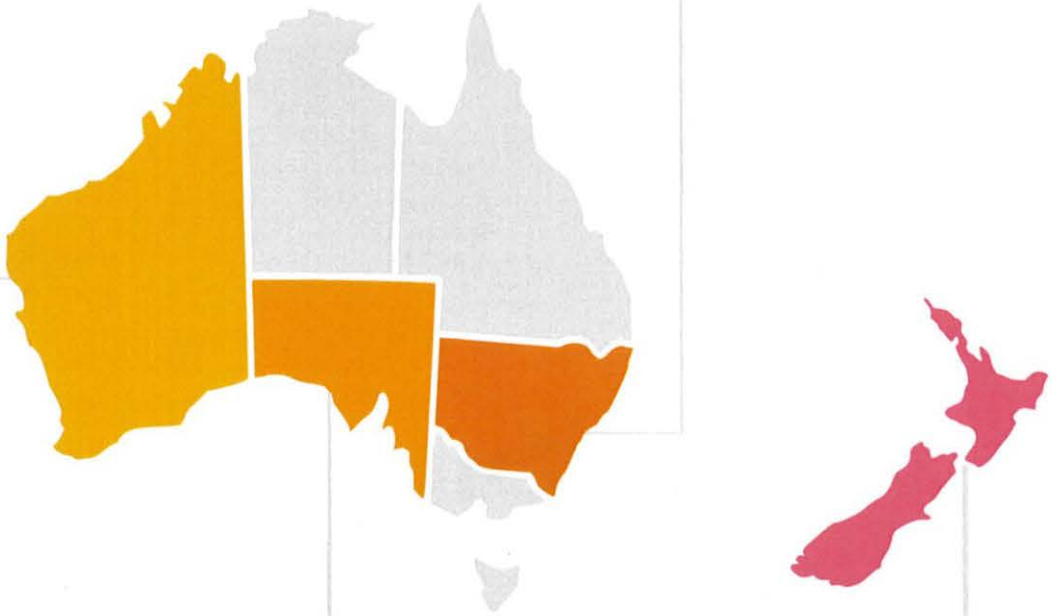


Managing your IT projects

Top IT priorities by council jurisdiction

1. Cyber security implementation (54%)
2. Online customer self-service (54%)
3. Improving technology to facilitate working remotely (50%)

1. Improving technology to facilitate working remotely (54%)
2. Automating internal processes for enhanced services delivery (52%)
3. Online customer self-service (50%)



1. Automating internal processes for enhanced services delivery (61%)
2. Improving technology to facilitate working locally (48%)
3. Online customer self-service (44%)

1. Automating internal processes for enhanced services delivery (58%)
2. Improving technology to facilitate working locally (48%)
3. Cyber security implementation (43%)

Customer service scorecard

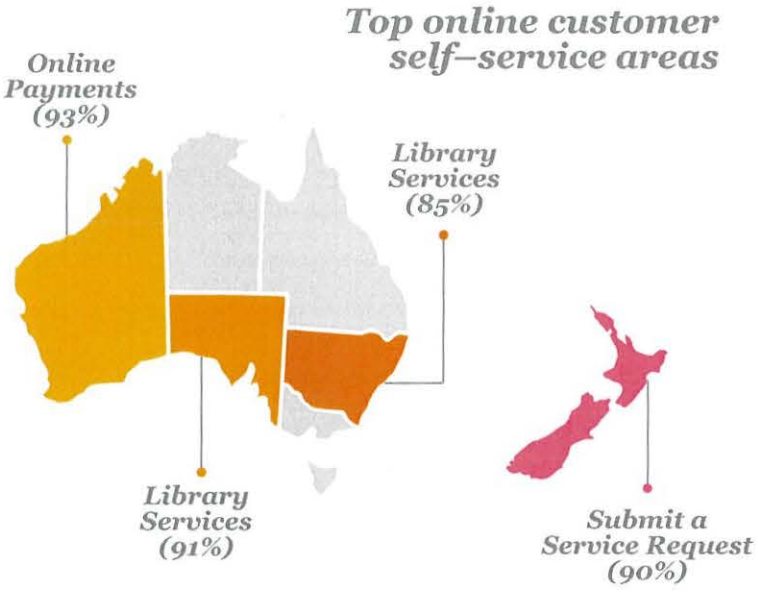
Automating the customer experience

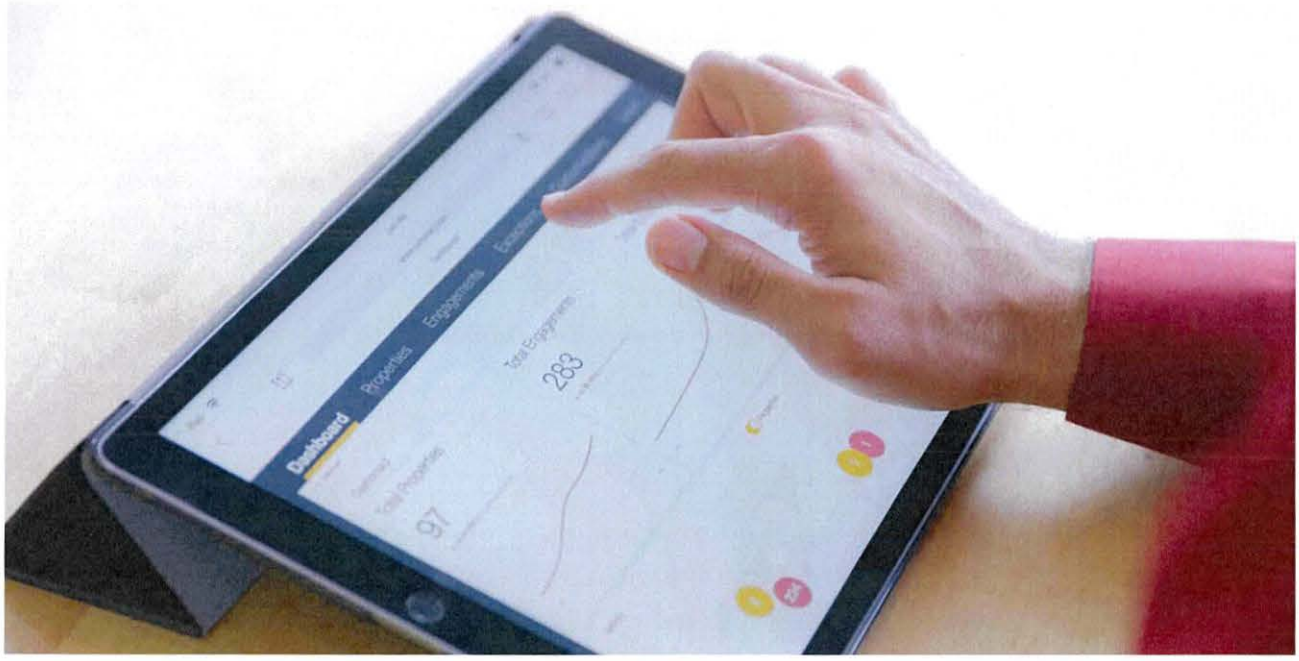
As more organisations offer online and self–service options to their customers, consumer expectations are shifting towards an automated online approach becoming the norm. Customers are expecting more flexible, easily accessible and convenient interactions and experiences with their council. The customer service function is often the first interaction residents and businesses are exposed to, whether it be via the website, phone or face-to-face, and so it is vitally important to the overall community satisfaction.

Embracing new technology can enable customer service enquiries to be dealt with faster, and at a time convenient to the resident or business. This can help to alleviate resourcing pressures and associated cost pressures often faced by customer service departments, and can also provide an enhanced service experience to many members of the community.

While automation of the customer service experience is popular, there needs to be recognition that for some groups of the community, accessibility requirements will need to be considered by councils. For example, following a digital implementation, traditional methods of engaging with the community may need to stay in place for a period of time (paper forms, in person counter service) to make sure that everyone can access services.

It is interesting to note that in the PwC Future of Customer Experience Survey, where 15,000 people from 12 countries were surveyed, most consumers say they'll want more human interaction in the future, with 81% of Australians saying they'd want to interact with a real person more as technology improves. Hence, while it's important to take advantage of automation, councils should make sure customers can reach a human when one is needed.[26]





26 PwC, 2018, IT Foresight,'Experience is everything: Here's how to get it right'.

Customer service scorecard

Automating the customer experience (continued)

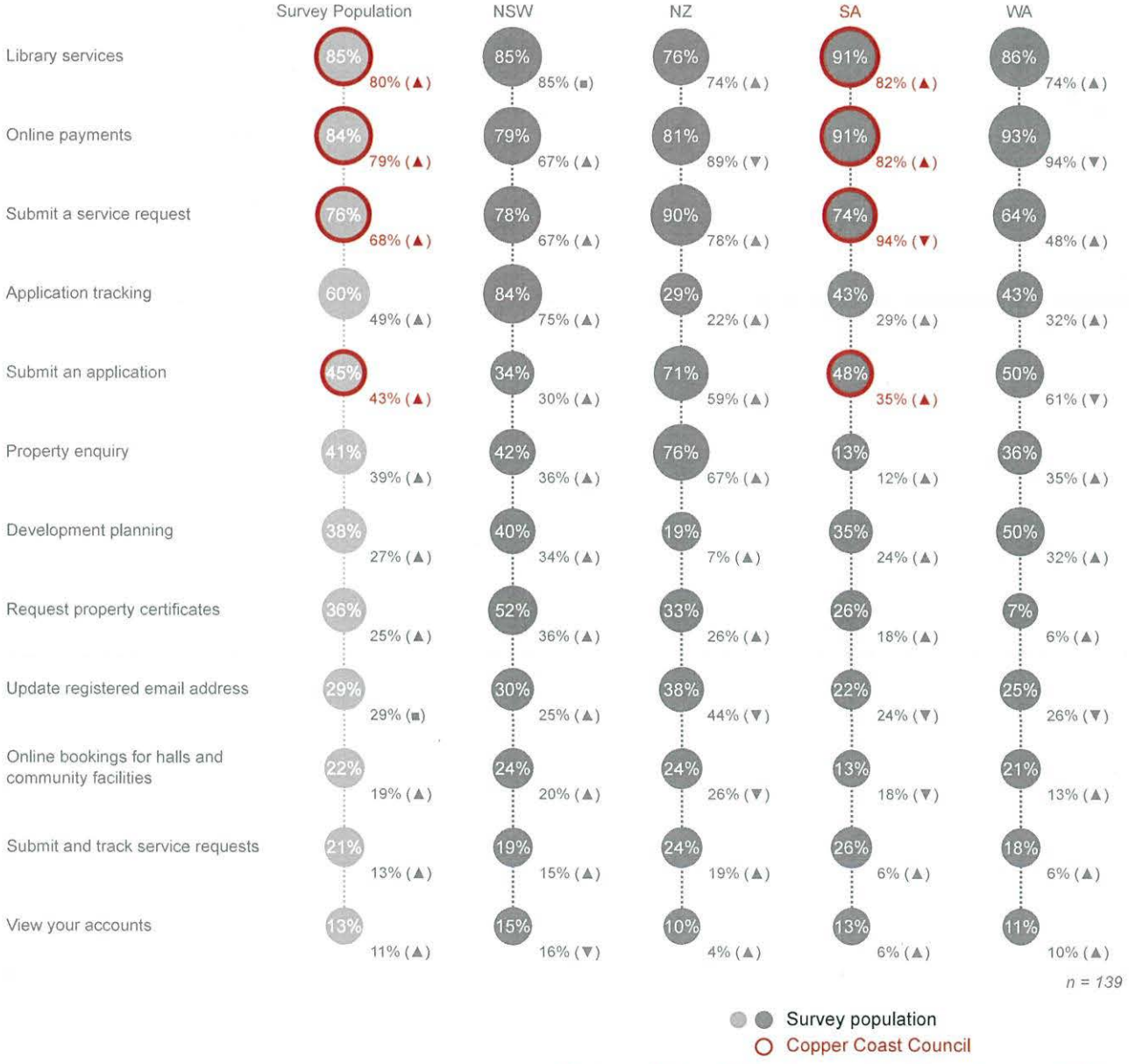
While there are some differences between jurisdictions, the general trend is towards more online service delivery and access to customer self–service. Compared to the prior year, more councils are now offering online library services (85%, up from 80%), online payments (84%, up from 79%) and online submission of a service request (76%, up from 68%).

Given 90% of NZ councils are offering online service requests, this a good opportunity for participating Australian councils to further explore how to move to a more digital approach to service requests. This is particularly evident for the 36% of WA councils, that are not offering this online service.

Across the survey population, one of the largest shift comes from 60% of councils offering residents the ability to track applications online, up from just 49% in the prior year. It is interesting to note the disparity between councils offering online application submission and online application tracking. There is a clear opportunity here for councils to provide complete application services online, both submission and tracking.

An increased number of NSW councils now offer their customers the ability to make online payments (79%, up from 67% in the prior year). This brings NSW more into line with the rest of the council jurisdictions, with 93% of WA, 91% of SA and 81% of NZ councils offering this time-saving service for residents and businesses.

Figure 3.8: Percentage of councils offering online customer self–service



Customer service scorecard

Servicing the community

The downward trend in the median number of customer service full-time equivalent staff members (FTEs) per 10,000 residents across the council population continues. Overall, in FY18 we see a median of 2.0 customer service FTEs per 10,000 residents, compared to a median of 2.3 in FY17 (compared to 2.4 in FY16 and 2.6 in FY15).

Across small councils, we see a reduction in the median customer service FTEs per 10,000 residents, falling from 7.3 in FY14 to 3.8 in FY18. This reduced customer service FTE per 10,000 resident metric, links to a higher proportion of small councils now offering online services, with 68% offering online library services (up from 57%) and 73% online payments (up from 43% a year ago). In addition, we see a slight increase in the proportion of small councils operating an outsourced or shared customer service call centre (18%, up from 12% two years ago).

However, when compared to medium councils, there is still further opportunity for small councils to re-define the customer service function. Medium-sized councils operate with a median of 2.5 customer service FTE per 10,000 resident, and 89% and 85% of medium-sized councils offer online library and online payments respectively to their community. In addition, 44% of medium councils outsource or share the customer service call centre.

Councils will need to weigh up the benefits of customer service staff accessibility to their community, against the longer-term issue of a higher resourcing cost. Obtaining input from the community would be a good first step in determining where face to face interaction is no longer a requirement and what elements can be digitised.

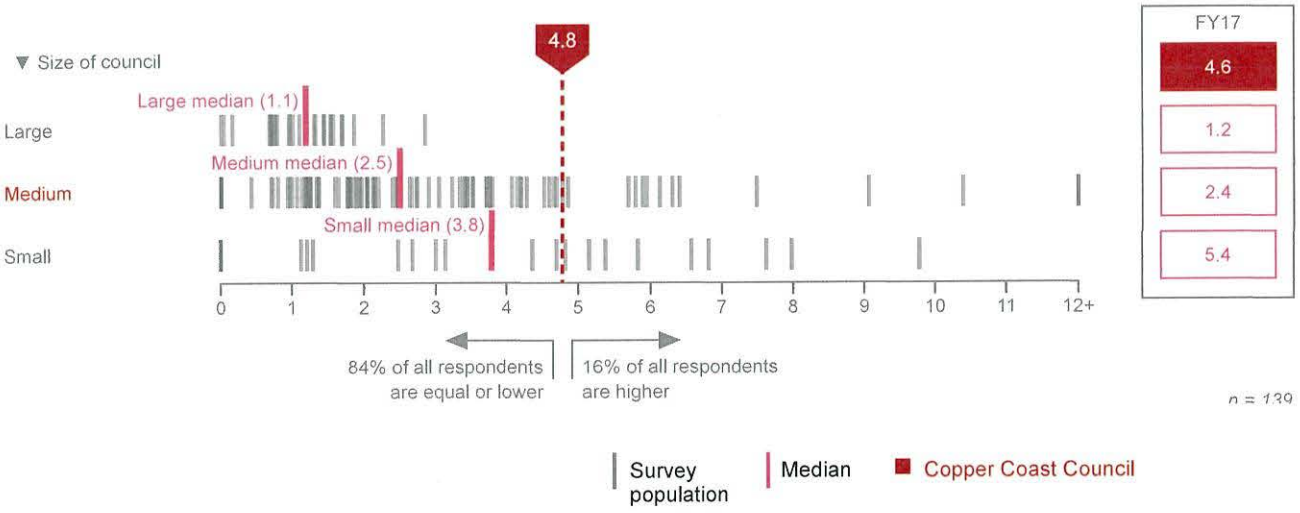
The PwC Future of Customer Experience Survey[27], asked consumers what it takes to deliver the kind of experience that keeps them satisfied, and identified that the elements that matter most to customers, as noted below, sit at the intersection of people and technology:

- Speed
- Ease of payment
- Knowledgeable employees
- Convenience
- Friendly service
- Up to date technology
- Human interaction

Key considerations:

- Is your customer profile mix changing and do you understand how your customers prefer to interact with your council in the future?
- Have you assessed the benefits to the community of personal interaction with customer service staff against the increased cost?
- Have you assessed how other councils are delivering online customer services effectively and the impact this has had on customer satisfaction?
- Are you exploring new ways to engage and interact with your customers via online self-service options?
- Are your staff encouraged to innovate and seek out new ways to enhance the customer service experience?

Figure 3.9: Customer service full-time equivalents per 10,000 residents



27 PwC, 2018, IT Foresight,'Experience is everything: Here's how to get it right'.

Looking at different ways to deliver corporate services

Outsourcing or sharing corporate services

There are a variety of ways to optimise operational effectiveness in delivering corporate services, including outsourcing or sharing corporate services. In building a sustainable operating model, any form of outsourcing or sharing should aim to support councils to achieve high quality service levels and build better resilience into the service, via increased efficiencies, delivery of better value directly to users and ultimately generate cost savings that can in turn be invested into other services, new initiatives and building of enhanced skill capability among staff members.

Our findings show that there continues to be a limited number of corporate services that are widely outsourced or shared between councils. The top three corporate service areas that are either outsourced or shared remain consistent with last year with legal (91% of councils), IT hosting and support of systems (66%), and in third place, recruitment (47%).

Geographically, NZ councils (85%) are more likely to outsource or share IT hosting and support of systems, especially compared to NSW councils where only 55% are outsourcing or sharing this corporate service function, and this NSW result is down from 64% in the prior year. Conversely, both SA and WA councils are increasing the outsourcing or sharing of IT hosting and support of systems, compared to the prior year.

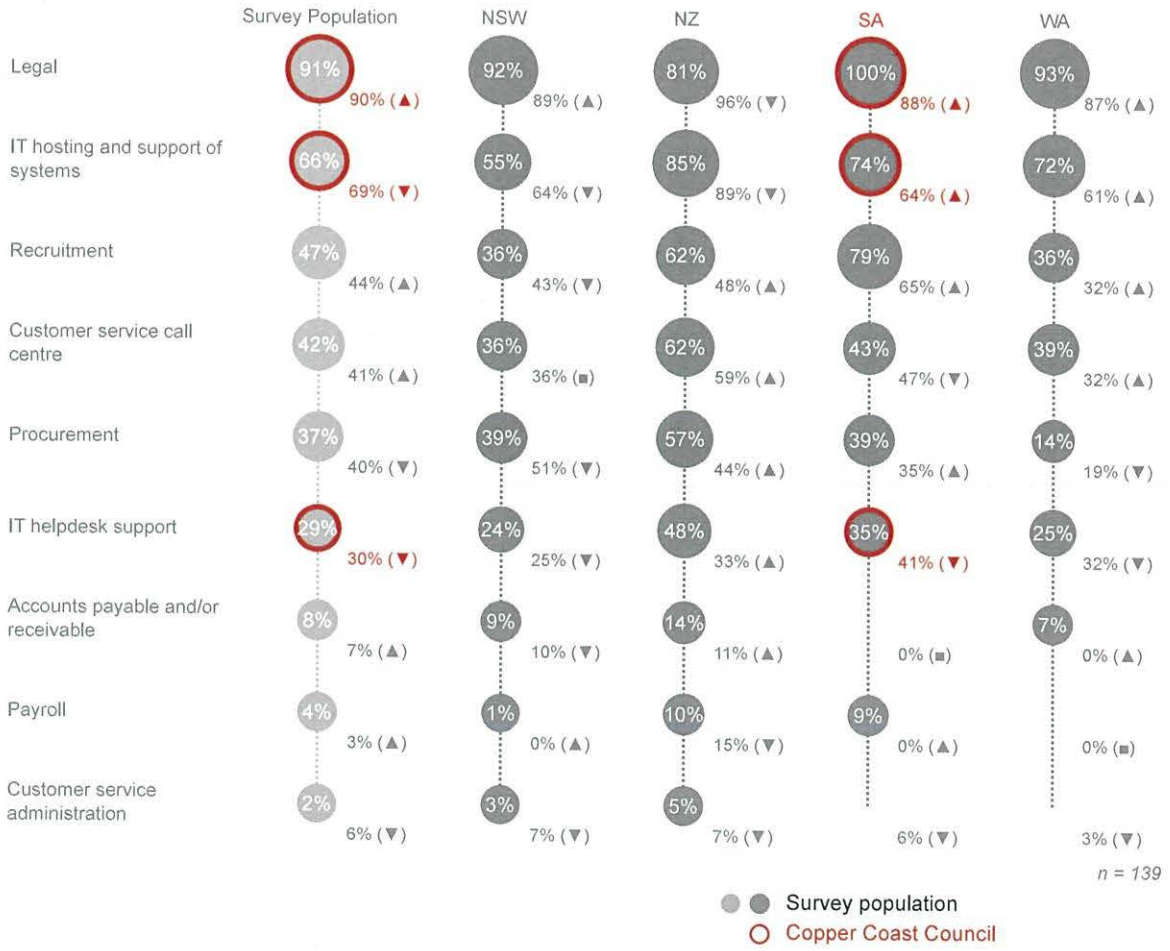
Interestingly, the outsourcing or sharing of the IT helpdesk is not as prevalent, with just under one third of councils (30%) operating in this way. However, we now see 48% of NZ councils outsourcing or sharing the IT helpdesk, up from 33% a year ago.

Councils should be assessing if they have the skills to support the next generation of software and tools. One strategy to address this concern could be to further outsource or share IT helpdesk, hosting and support of systems to provide extra capacity for the current IT staff to focus on preparing the council for the digital future.

Key considerations:

- Have you duly considered the strategic options you might have for the sharing or outsourcing of corporate services?
- Have you discussed the cost and service model of your council's corporate services with neighbouring councils, including options that might allow you to review your approach together, either as a learning exercise or as a consideration for co-delivering?
- Could you vary the way services are delivered to create capacity for current staff to perform more value-adding activities?

Figure 3.10: Percentage of councils outsourcing or sharing corporate service areas



Looking at different ways to deliver corporate services

Outsourcing versus shared services

The key objective of sharing services is to provide enhanced service delivery and customer experience through the use of skilled staff. The focus is to obtain economies of scale and centres of excellence by standardising, re-engineering and consolidating processes. This allows councils to access information more effectively and the community to interact with more experienced, specialised staff.

The option to outsource services is useful when the service is better able to be delivered by another party, whether that is due to the need to access best in breed skills or to free up capacity of council staff to focus on their core strengths and strategies.

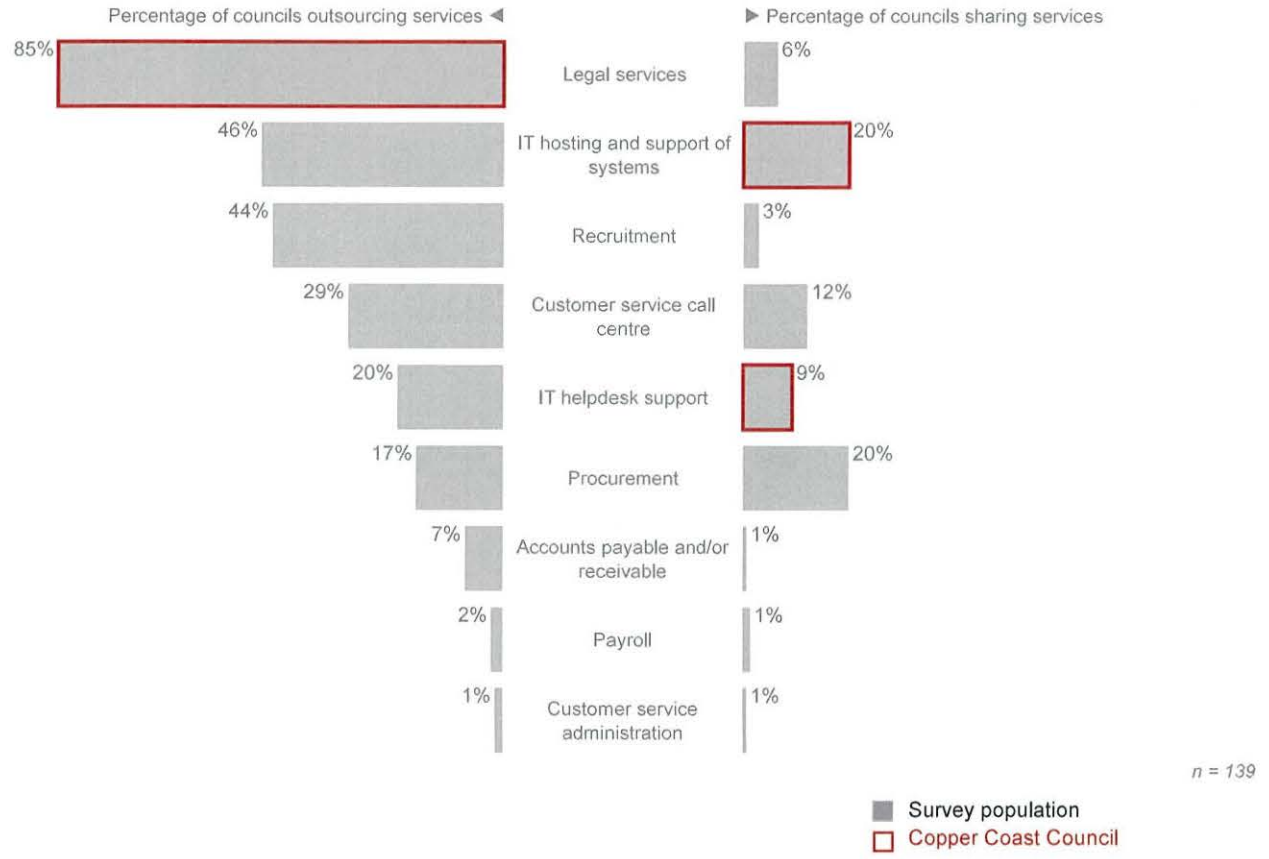
However, success requires a clear vision and formal service-level agreements to be established between councils and service providers. Where feasible, councils should continue to consider the benefits of sharing resources in regional areas especially with the growing network of regional clusters; this creates a consistent regional approach on important matters for employees and/or residents.

Taking a closer look at the top outsourced or shared corporate areas shows that the highly specialised skill set required for legal services continues to be primarily outsourced with 85% of councils choosing this option, while just 6% elect to share this service. Similarly, IT hosting and support of systems is 2.4 times as likely to be outsourced (46%), compared to 20% of councils sharing this service.

On the flipside, the sharing of a corporate service is optimised when the nature of work is recurring, and benefits are derived from economies of scale such as the procurement process; 20% of councils share procurement, while 17% outsource this service. Opportunities exist when councils sharing the procurement service as better outcomes may be reached, as negotiations can occur with the same suppliers across multiple contracts.

Councils differ in their approach to how they deliver corporate services, and there may be good reasons to keep service delivery in house. We acknowledge that local governments are there to support, and meet the needs of the community. Part of this may be achieved by providing employment opportunities to the local community, as well as people who reside in or near the catchment area, meaning that outsourcing is not always a preferred option. However, by sharing service areas with councils that are in close proximity, there may be the opportunity to achieve additional efficiency in the processes and still offer local employment opportunities.

Figure 3.11: Outsourcing versus sharing of corporate service areas



Looking at different ways to deliver corporate services

The future of outsourcing or sharing corporate services

In our final analysis of outsourcing or sharing of corporate services, we compare the percentage of councils that currently outsource or share corporate services to those that have plans to adjust the way they deliver corporate services.

Although outsourcing or sharing of IT hosting and systems support is an area where two thirds of councils are already actively delivering a service model in this way, it is also the corporate service area with the largest percentage of councils considering outsourcing or sharing this service in the next two years, at 11%.

Geographically we see that council jurisdictions are most focused on introducing an outsourced or shared model for either IT hosting and support of systems (NSW councils 12%, SA 17%) or IT helpdesk support (NZ councils 14%, WA 14%).

Some other corporate service areas where certain jurisdictions are focused on alternate resourcing models include procurement and/or finance accounts payable/receivable. We see 9% of SA councils planning to outsource or share either procurement or finance accounts payable/receivable in the next two years and 5% of NZ councils considering their service model options for finance accounts payable/receivable.

The opportunity continues to exist for more collaboration with nearby councils by investigating how corporate services may be shared with each other, or outsourced to service providers with specific expertise.

Figure 3.12: Current and future outsourcing or sharing of corporate service areas

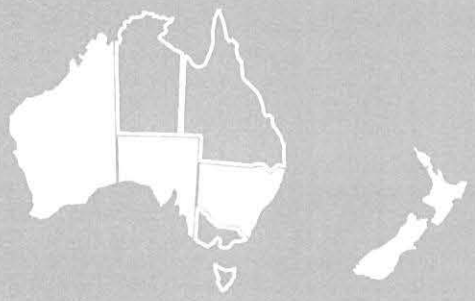
Service Delivery

56% *of the workforce is represented by 5 service areas*

39% *of councils completed service reviews and formally reported outcomes*

12.4% *median staff turover rate in town planning*

Industry Snapshot



Top Services

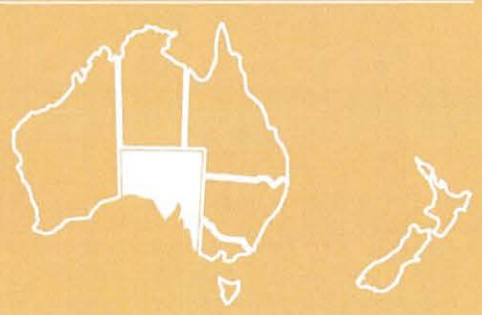
Councils provided information about their operating expenses for the services they deliver. Below are the top six services by the average operating cost per resident.

	*Number of councils**	*Average operating expense per resident**	*Range of operating expense per resident^*
Governance & Administration**	135 councils	A$311	A$148 - $678
Roads & Bridges	129 councils	A$262	A$72 - $1018
Water	61 councils	A$200	A$14 - $424
Sewerage	69 councils	A$176	A$13 - $337
Solid Waste Management	122 councils	A$150	A$72 - $262
Town Planning	126 councils	A$77	A$15 - $89

** where service is provided*
^ middle 80% of councils by operating expense per resident
*** Governance & Administration operating expenses are a combination of Customer Service, Finance, Information Technology, Human Resources, merger transition and other governance and administration costs*

Jurisdiction Snapshot

SA Top Services



Councils provided information about their operating expenses for the services they deliver. Below are the top six services in SA by the average operating cost per resident.

	*Number of councils**	*Average operating expense per resident**	*Range of operating expense per resident^*
Governance & Administration**	23 councils	A$346	A$182 - $714
Roads & Bridges	22 councils	A$155	A$72 - $745
Solid Waste Management	20 councils	A$102	A$77 - $160
Parks & Reserves	21 councils	A$98	A$64 - $114
Other Economic Affairs	21 councils	A$78	A$19 - $239
Swimming Pools	12 councils	A$50	A$2 - $49

** where service is provided*
^ middle 80% of councils by operating expense per resident
*** Governance & Administration operating expenses are a combination of Customer Service, Finance, Information Technology, Human Resources, merger transition and other governance and administration costs*

Overview

Introduction

Each council delivers a range of services to meet the unique needs of its community. In a sense, each council is therefore unique, because no two councils deliver the exact same set of services, and each council serves a community comprising different people of different needs. This fundamental feature of local government makes comparisons challenging for many important issues.

Rather than attempting to compare councils overall, this section of the report aims to look at councils from the viewpoint of the services that are being delivered, and the resources that go into delivering those services. Workforce costs remain a major controllable component of total council expenditure (median of 35% of total costs), and so the heart of this analysis is to use workforce data as a key to unlocking insights about service delivery.

Councils are constantly balancing various tensions in the investments made in the workforce. Firstly, there is the tension between the need for resourcing in direct service delivery, and resourcing in the support of central administration functions. Secondly, there is the challenge of optimising the skilled support in management layers with the right number of resources in direct service delivery. And of course it is not necessarily only the current resourcing, but also the future resourcing needs of the council, that matter.

This section of the report provides you with information about how some of these challenges and tensions are being resolved by peer organisations. The allocation of resources within service areas, as well as overall, is one of the most important areas of management, given the competitive pressures on skills, capacity and increased community demands.

Understanding the relative size and shape of your various services, in terms of workforce and cost, is important, and this program enables our participating councils to see relevant comparisons of their service delivery profile, compared to other councils' profiles.

This section will benefit councils by providing a better understanding of the:

- Profile and scope of services delivered by councils
- Way services are delivered (outsourced vs insourced) across councils;
- Associated costs in delivering these services; and
- Workforce make-up within various services delivered by your council.

Methodology

Participating councils map their council cost centres to a defined set of 36 service areas. As each employee is allocated to one or more of the council's cost centres (via their FTE status), this enables each employee to be allocated to one or more of the defined service areas.

Using the list of mapped service areas, participating councils then compile the specified financial data. The participating councils allocate the FY18 cost to their mapped service areas across four sub-categories of expenses: outsourced contract cost (if any); insourced staff remuneration; depreciation expenses; and insourced other expenses.

Our practical approach is to focus on the linking of the direct workforce to each service, without allocating overhead costs to any service areas. As a result, there is a service area called 'Governance and Administration' that captures all overhead costs and resources ie. non direct workforce service costs. While 'Governance and Administration' is not technically a service area, the total cost of this area is a useful component for comparison purposes, so we have treated it as a standalone area.

Overview

Understanding this section

Each participating council will have the ability to view a variety of metrics for their top five service areas (displayed in red) either ranked by service cost or service FTE (this is noted on each chart). In addition to the top five services, we profile the 'governance and administration' area.

We have adjusted for the different scope of services a council provides, which means participating councils will compare their metrics by service area to other councils that also provide those same services. The number of councils that provided data for each of the service areas is shown on each chart as well as at the end of this section.

When calculating FTE and headcount, we have used the closing balance at 30 June 2018 for fixed term and permanent staff. Given the seasonal nature of some casual employees in local government, we have analysed casual staff employed across the year and then included a casual FTE component based on casual hours worked throughout the year in the relevant service areas.

If councils did not provide service delivery cost or FTE data, they will see the results for the survey population's top five service areas plus 'governance and administration'. However, as no data was collected from this group of councils, the red indicator will be missing.

In FY18, we report the following service areas making up 56% of the total closing FTE:

- Governance and administration (26% of workforce)
- Roads and bridges (10%)
- Parks and gardens (9%)
- Library services (6%)
- Town planning (5%)

In addition, if we look at the share of operating expenses, the following services areas represent 58% of the total service operating cost:

- Governance and administration (23%)
- Roads and bridges (13%)
- Town planning (9%)
- Solid waste management (8%)
- Parks and gardens (5%)

While Library services represents 6% of the workforce, it only represents ~3% of the total operating expense, which explains why we observe solid waste management, instead of Library services, in the top five service areas for cost (8%), but as it is predominantly outsourced it only represents 3% of total FTE employees.

Delivering council services - cost and resourcing

Service delivery operating costs and FTE breakdown

In Figure 4.1, we have shown your council's top five services, ranked by total service cost, as well as an additional category, called Governance and Administration. The remaining services are consolidated into 'Other'.

Based on the data submitted, you will see your total cost and total full time equivalent staff (FTE) during the 2017–18 financial year, across your featured service areas.

The survey population, by service area, is represented by other participating councils that also provide the same service.

For example, a council may have 50,000 residents and spend $10m on solid waste management (equating to $200 per resident). The remodelled survey population result, using the total cost from the councils that also provide solid waste management, may result in an equivalent cost per resident of $220, which equates to $11m for all 50,000 residents.

This means the council in focus is spending less than the survey population to deliver this service to its 50,000 residents - the question then becomes how? Is it due to the way the service is delivered or the nature of the service provided? Is it due to a lower number of employed FTE? Is the mix of staff different? Have procurement agreements been negotiated recently for a better price and volume of materials? Some of these questions may be answered further in this section.

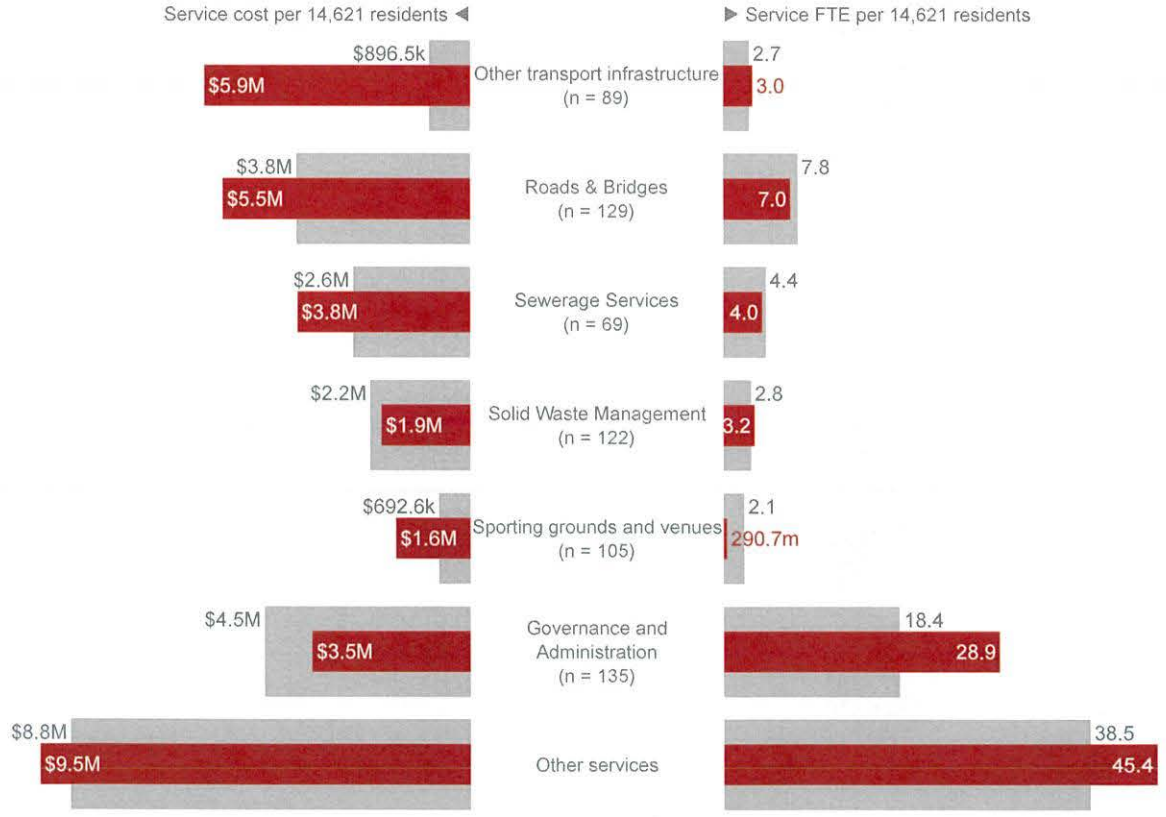
Definition

FTE: Total number of full time equivalent employees at 30 June 2018, including a casual employee component based on casual hours worked throughout the financial year

If your council did not provide the service delivery cost breakdown, we have shown the survey population's top five services, ranked by total service cost, as well as governance and administration. The remaining services are consolidated into 'Other'. These councils will still see these figures adjusted to their number of residents.

For easy comparisons, we have remodelled the survey population result to represent the same size as your council. This means you can observe and compare the average equivalent resources (cost and FTE) of the survey population for each service area, as if this survey population had the same number of residents as your council.

Figure 4.1: FY18 operating expenses (A$) and FTE by service^



^ Your top 5 services ranked by operating expenses plus Governance & Administration and Other
The population top 5 services ranked by operating expense will be displayed if you have not provided us with any cost data

Note: We have remodelled the survey population result to be the same size as your resident population.

Method of delivering council services

Insourcing and outsourcing

On this page, we have shown the extent of current insourcing and outsourcing by service area, using the various cost components, as defined in the notes below the chart. We show each council their top five services (ranked by service operating expense) as well as governance and administration.

As expected, we continue to see solid waste management as the top service area where a substantial component of this service operates as an outsourced model: 48% of the total solid waste management operating expenses is represented by outsourced contract expenses.

It is interesting to note that both NZ and SA councils are more likely to outsource solid waste management; 73% of the total operating expenses relate to outsourced contract expenses, compared to 43% in both NSW and WA.

Camping areas and caravan parks comes in second place, with 38% outsourced contract value and then in equal third place, town planning and aerodromes, with 32% of the total service area expenses dedicated to outsourcing.

The outsourcing of camping areas expenses is driven mainly by NZ councils (59% of outsourced contract value), followed by NSW (39%) and SA (35%), with just 1% in WA councils. Once again, the outsourcing if town planning is more prevalent in NZ councils (39% of outsourced contract value), compared to just 11% in NSW, ~7% in both SA and WA councils.

Outsourcing expenses as a percentage of total operating expenses

Your outsourcing expense is 0% of your total operating expense

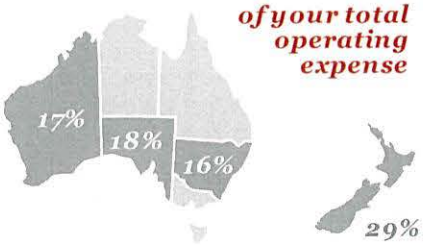
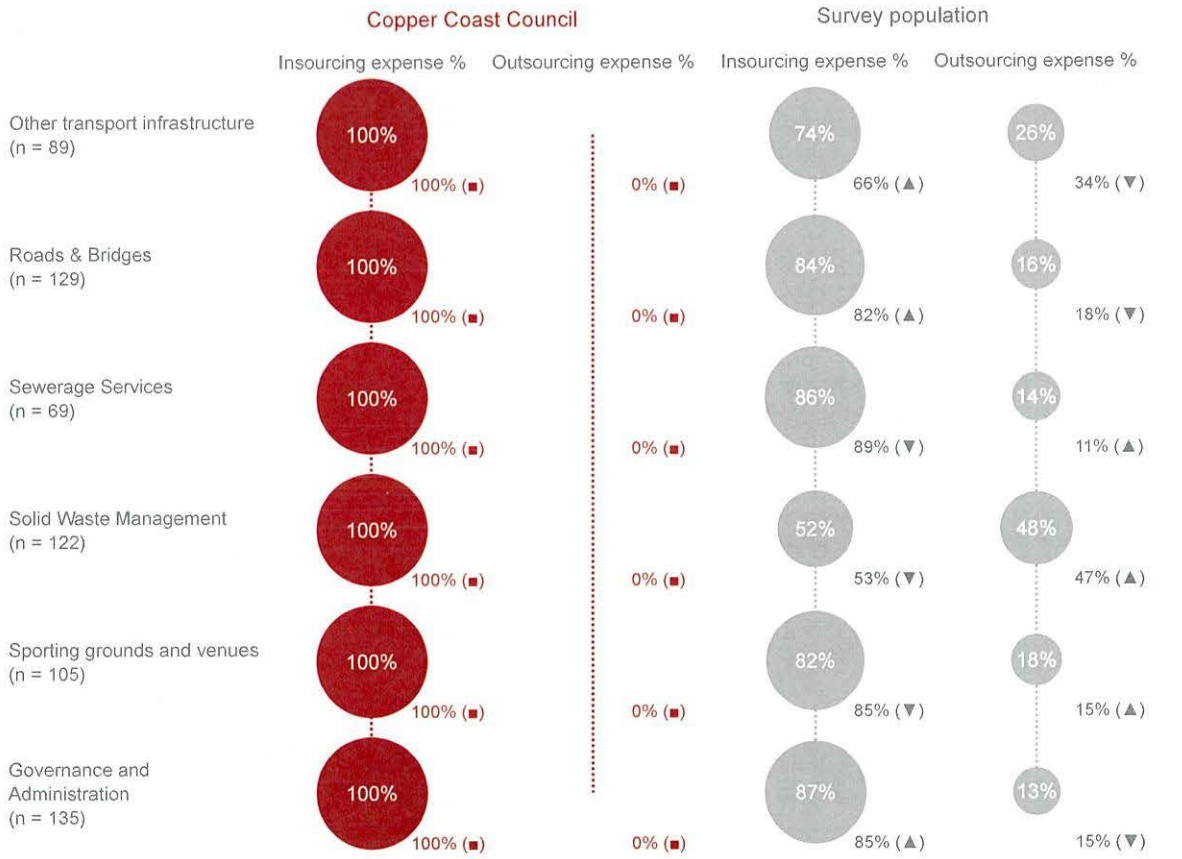


Figure 4.2: Council insourcing and outsourcing expense as a percentage of total operating expenses by service area^



^ Your top 5 services ranked by operating expenses plus Governance & Administration

The population top 5 services ranked by operating expense will be displayed if you have not provided us with any cost data

• Insourced expenses are defined as "Insourced Total Remuneration" + "Depreciation" + "Insourced Other Expenses".

• Outsourced expenses are defined as "Outsourced Contract Value"

Are you conducting regular service reviews?

Service area reviews

Service delivery reviews help councils clarify the needs of their communities, using an evidence-based approach to assess how efficiently and effectively the council is meeting those needs. Using this information, councils can determine any changes to make to service delivery in order to provide enhanced benefits to stakeholders within the constraints of financially sustainability.[28]

Our results show that 61% of councils conducted at least one service review in the 2017-18 financial year, remaining stable from the prior year. Formally reporting the outcomes of these service reviews to senior management is trending downwards, with just under a third of councils doing so this year (32%), falling from 42% back in FY15.

Geographically, we see a decrease in the proportion of NZ councils performing at least one service review (71%), compared to 85% in the prior year. Last year, NZ councils were more likely to go on and report the outcomes of the services reviews (59%), now at just 38%.

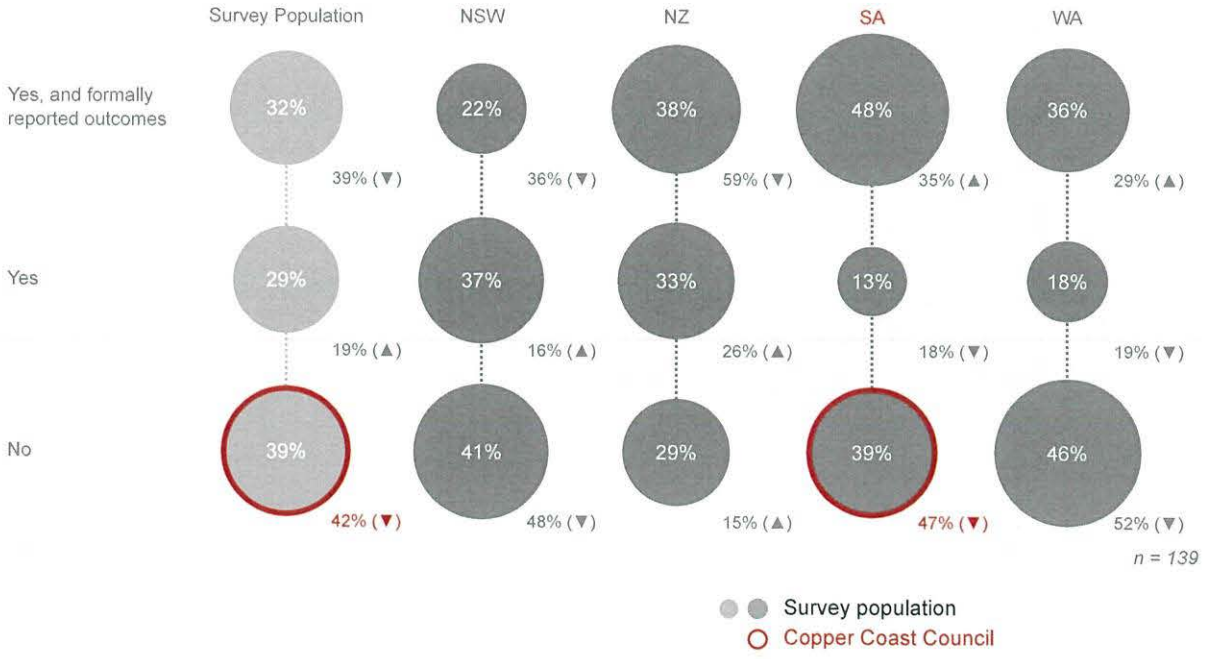
In contrast, we see more rigour being applied in SA councils when conducting, and formally reporting on at least one service review, at 48% (up from 35% in the prior year). To a lesser extent, WA councils have improved in reporting the outcomes to senior management, at 36% (up from 29%)

While a slightly higher proportion of NSW councils have conducted at least one service review this year, 59% (up from 52% in the prior year), senior management are less likely to have been involved in a discussion around the outcomes, 22%, down from 36% a year ago.

The actual performance of service reviews involves time, resources and cost. It is then just as important to report these valuable insights to senior management and engage in a discussion about how to improve or enhance the delivery of services to the community. Otherwise, senior management could be making important decisions about service delivery, without an evidence-based approach.

Service delivery reviews are an ongoing process to ensure council is delivering what the community needs in the best possible way, especially with changing community needs and emerging external factors - such as the need to respond to climate change.[29]

Figure 4.3: During FY18, did your council complete service reviews?



28 Hunting, S.A., Ryan, R. & Robinson, T.P. 2014, "Service delivery review: a how to manual for local government", 2nd edn, Australian Centre of Excellence for Local Government, University of Technology, Sydney.
29 Ibid

Which service areas are being reviewed?

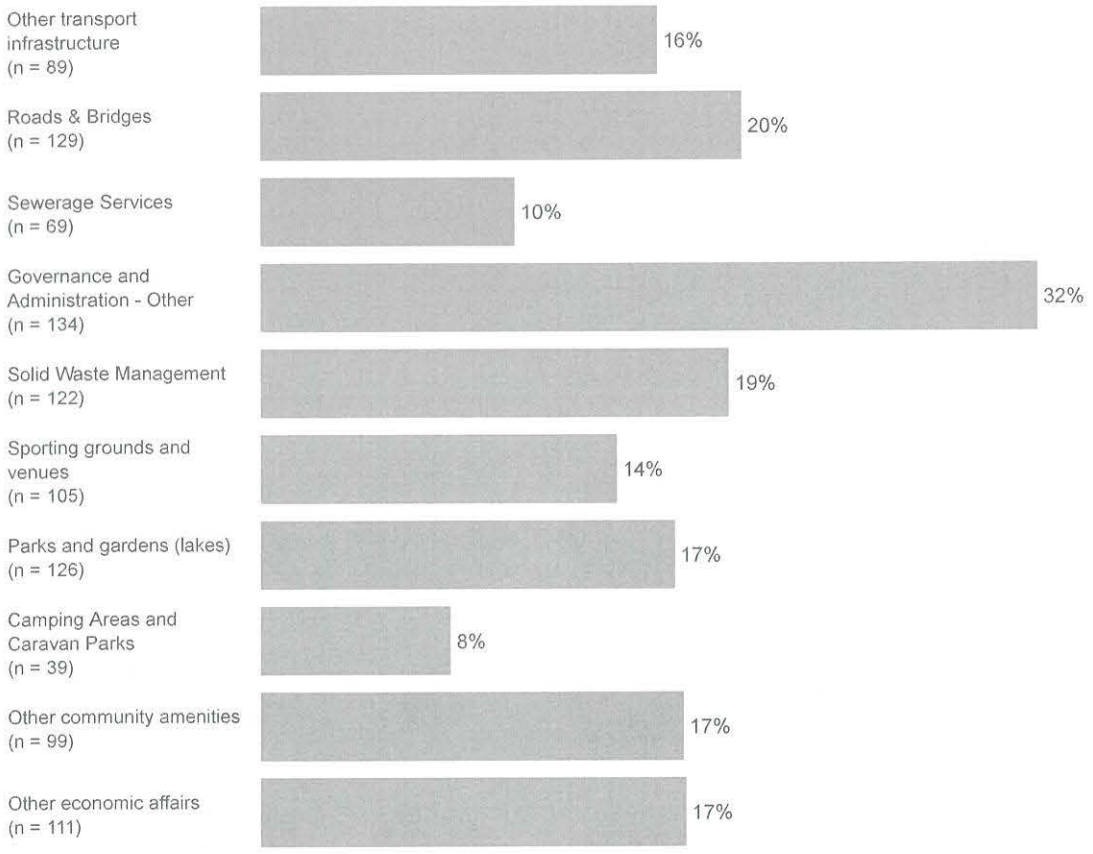
Service area reviews

In our survey, councils were asked to indicate whether a service review was performed, across the council's range of service offerings.

In the chart below, we show each council their top 10 service areas using reported operating expenses as an indicator. We then highlight in red if your council indicated that at least one service review was performed in the 2017–18 financial year, across your top 10 service areas, compared to other councils that provide the particular service.

Councils that did not provide operating expenses by service area will see the survey population's top 10 service areas (by spend) and the percentage of councils that performed service reviews (adjusted to represent a percentage based on councils that provide the particular service).

Figure 4.4: Percentage of councils performing service reviews^



^ Your top 10 services ranked by operating expenses
The population top 5 services ranked by operating expense will be displayed if you have not provided us with any cost data

Survey population
Copper Coast Council

Organisational design by service area

Span of control

In our workforce section of this report, we discuss the merits of structuring resourcing requirements with a focus on maintaining the optimal size of management. Across all council functions and activities, the overall median span of control for the survey population is 3.4 'other staff' per supervisor and above.

Looking at the three service areas with the highest proportion of total FTE, we observe a narrow span of control in governance and administration, with a median of 2.6 other staff per supervisor and above (down from 2.8 in the prior year). However, roads and bridges has developed a slightly flatter hierarchy in FY18, with a span of control of 3.5 (up from 3.0 in FY17), as does parks and gardens, with 4.2 (up from 3.8 in FY17).

Councils should be assessing whether the current workforce structure across the various service areas is ideal for their operations, and consider whether there are too many, or too few, layers of management. The ideal span of control will take into consideration the nature of work involved, the complexity and associated risk level. Other important factors to consider include manager capability, 'other staff' competency, and whether the service area is outsourced (a lower span of control in the employed workforce is to be expected if delivery of the service has been outsourced).

To further explain span of control and enable councils to better understand how their staff level mix compares to other councils, we have displayed your council's closing full time equivalent staff level (FTEs) by supervisor level and above and staff below supervisor (across your top five service areas, if you provided FTE mapping) as well as governance and administration.

Definition

Span of control: Total number of employees (defined as other staff) per manager (defined as supervisors and above).

Councils with no span of control metric for a particular service may find this is due to an absence of staff above the supervisor level

Survey population
Copper Coast Council

Figure 4.5: Span of control median by service area^

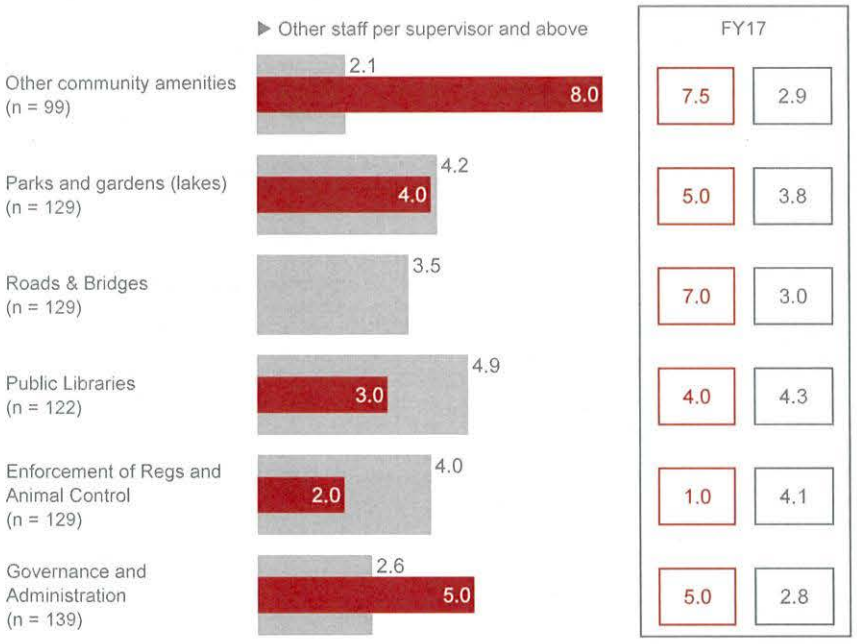
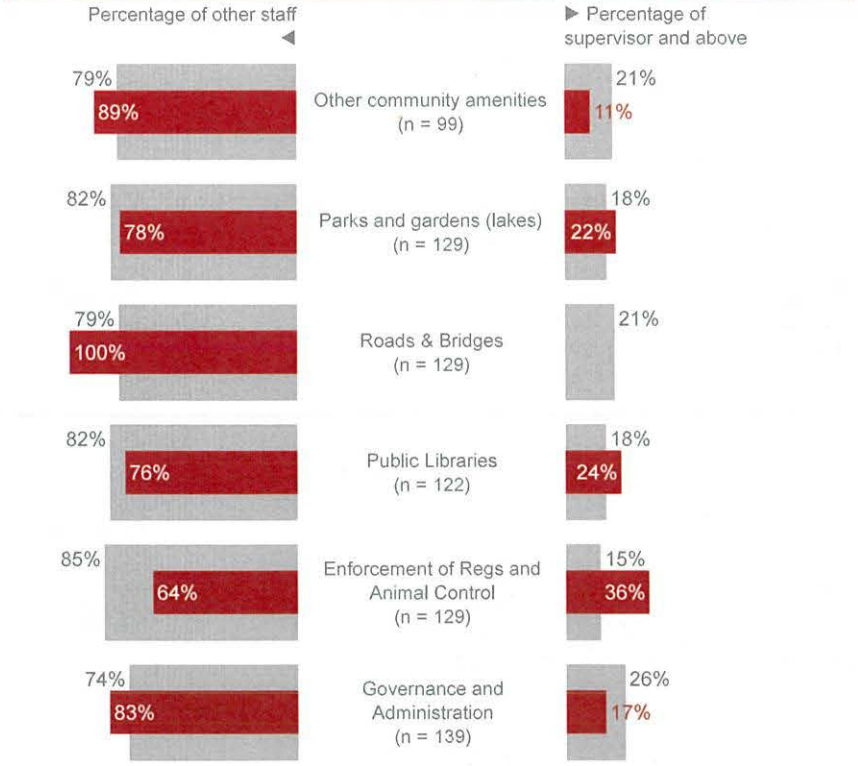


Figure 4.6: Closing full–time equivalents (FTEs) proportions by staff level^



^ Your top 5 services ranked by FTE plus Governance & Administration
The population top 5 services ranked by FTE will be displayed if you have not provided us with any FTE data

Talent management

Gender diversity and staff turnover

In this section, we show councils the extent of gender balance within the various service areas. The extent of gender–segregation that remains in certain workforces reveals that many councils may have achieved overall gender balance within their workforce only as a result of offsetting gender imbalances across the different service areas, rather than because of any steps taken to dismantle traditional barriers to equity.

There continues to be very low levels of female representation in traditionally male-dominated service areas, such as street cleaning (5% females), footpaths (7%), and roads and bridges (8%). Likewise, we observe female-dominated workforces in children services (93%), aged care (84%), and library services (81%).

The service areas with a balanced gender ratio (when averaged across all councils that provided service area breakdown) are town planning and health, both with a 51% female workforce. This is followed by camping areas and caravan parks, with 53% female representation.

In our workforce section, we have discussed the staff turnover rate in depth and report an overall median turnover rate of 12% (excluding casuals and fixed-term contract employees), across all service areas in FY18. In figure 4.8 we have further explored staff turnover by service area.

Once again focusing on the service areas that make up 56% of the total workforce, we observe a high median staff turnover rate in town planning, with 11.3% (albeit down from 12.4% in the prior year). This is followed by 9.8% in roads (stable), 8.9% in governance and administration (up from 7.4% in FY17), 7.4% in parks (up from 6.8%), and 6.7% in library services (down from 7.7%).

Figure 4.7: Gender split by service area^

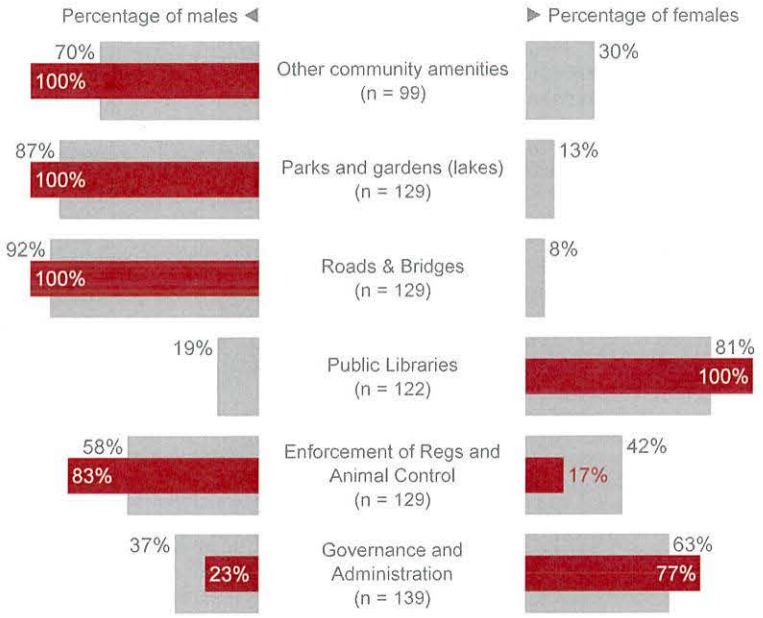
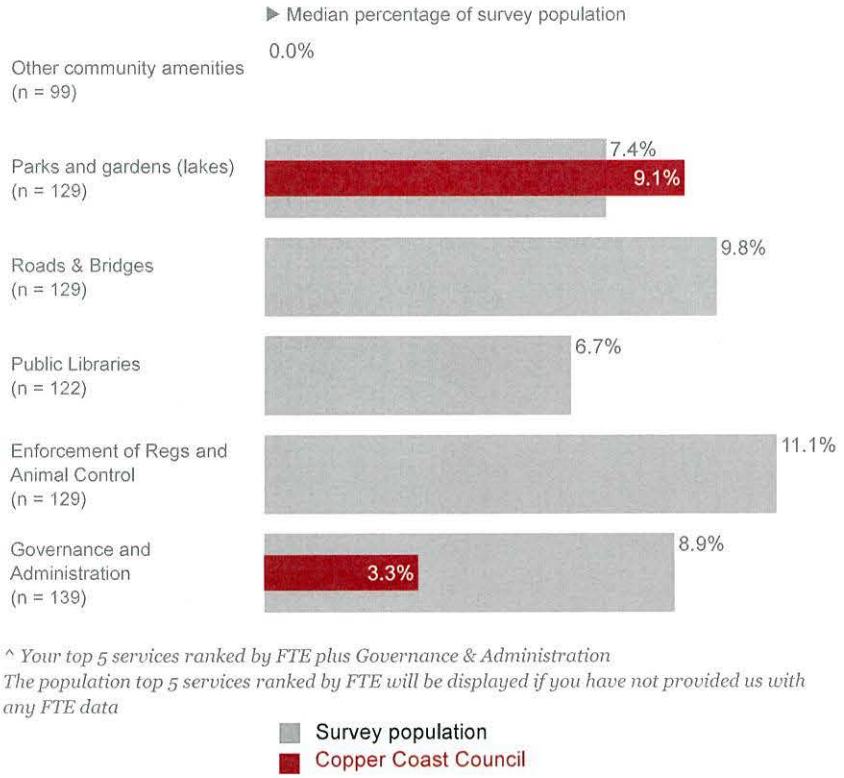


Figure 4.8: Staff turnover rate median by service area^



^ Your top 5 services ranked by FTE plus Governance & Administration
The population top 5 services ranked by FTE will be displayed if you have not provided us with any FTE data

Definition

Staff turnover rate: Total number of leavers divided by the headcount at the start of the year (excluding casuals and fixed term contract employees).

Talent management

Generational diversity

In our workforce section (refer Figure 1.35), we have discussed the fact that baby boomers still dominate the workforce at councils, comprising 36% of the workforce, followed by 35% Generation X and 29% Generation Y and younger.

Looking at the generational mix at a service level, figure 4.9 highlights the top service areas ranked by FTE and their associated generational headcount mix. This will allow councils to quickly identify service areas requiring a focus on succession planning.

Our results show that the following service areas (with a higher proportion of overall FTE) face a high level of potential retirements in the next 10 years, given the dominance of the baby boomer cohort: solid waste management (47%), both roads and bridges and library services (45%), and parks and gardens (40%). In comparison, we observe a third of baby boomers in governance and administration, and a lower 28% in town planning.

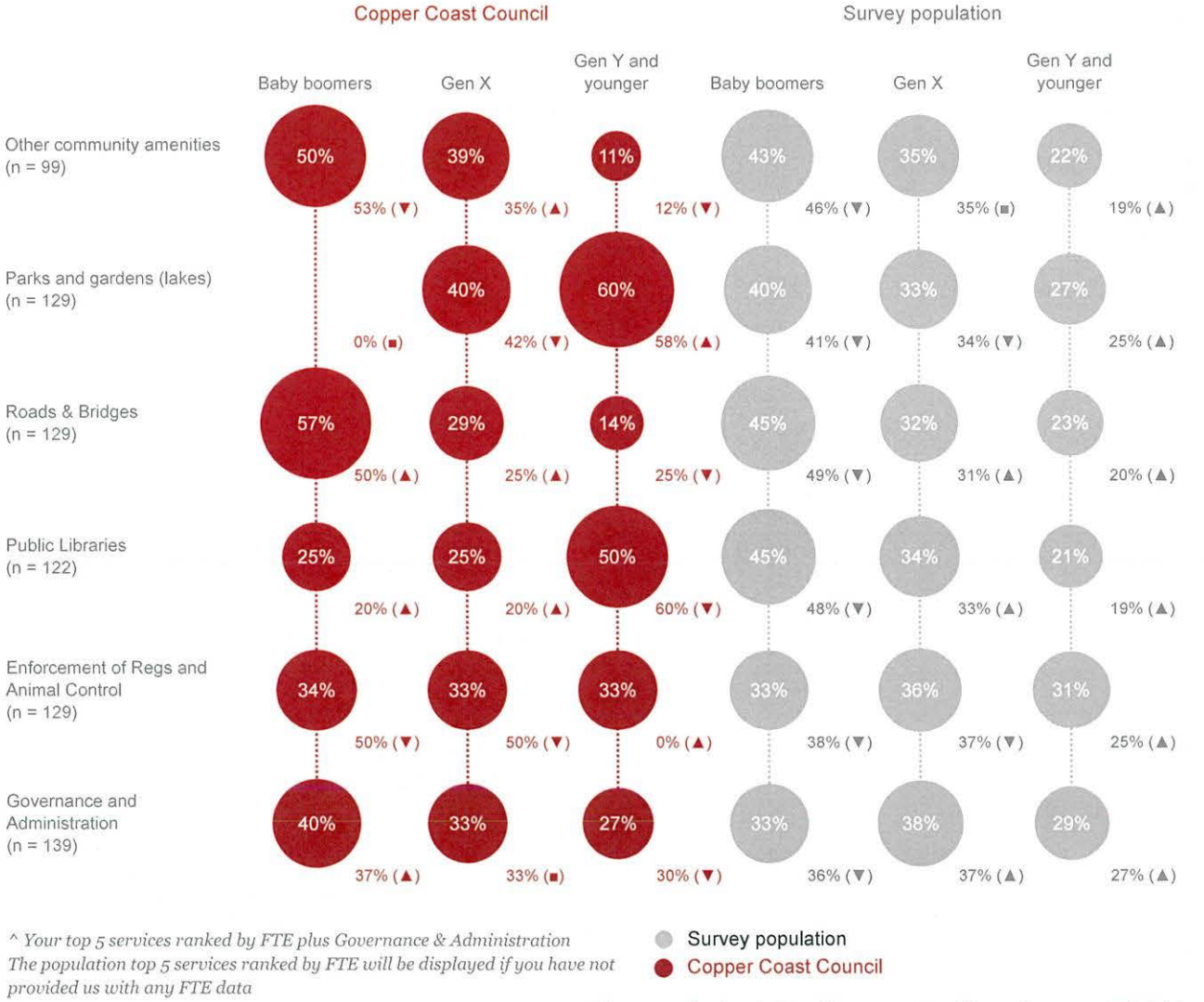
Councils need to be reviewing their generational profile across these key service areas. Are your key service areas dominated by baby boomers currently holding managerial positions or do you have a workforce where the 'other staff' category are dominated by baby boomers - how will your council attract new talent to these important service areas in the future? Councils need to minimise the risk of losing vital talent, local government expertise and leadership skills.

Some resourcing strategies to assist includes the introduction of flexible work options for those nearing retirement, job sharing, or sharing resources with nearby councils to supplement in-house resourcing.

At the other end of the spectrum, we observe the following service areas with a higher proportion of Gen Y employees being pools (57%), and 37% in both children services and town planning.

It is important for councils to analyse their own workforce generational mix and start planning now for the future and wellbeing of their employees, especially where the services may be labour intensive to perform. We encourage councils to engage with existing employees in this planning process, and to utilise their extensive knowledge of their service area, as they are likely to have good innovative ideas about how to ensure a smooth transition process.

Figure 4.9: Generational mix by service area^



^ Your top 5 services ranked by FTE plus Governance & Administration
The population top 5 services ranked by FTE will be displayed if you have not provided us with any FTE data

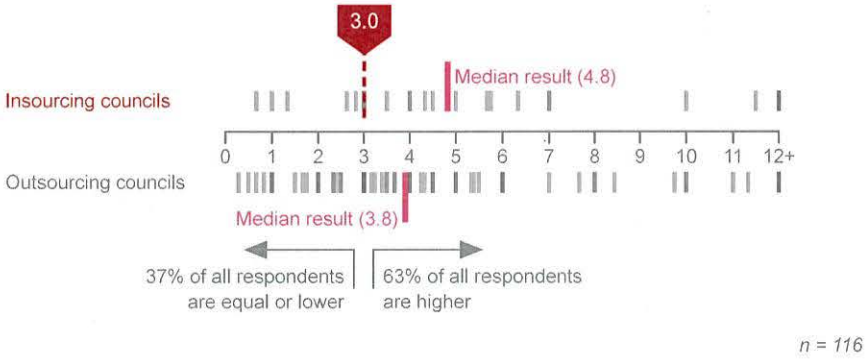
Survey population
Copper Coast Council

Solid waste management deep dive

Workforce analysis

Councils can use this section of the report to further analyse and compare key workforce metrics across solid waste management (SWM). We have classified councils as either 'outsourcing' or 'insourcing' SWM councils to assist with comparisons. If the council's SWM outsourced contract value was more than 25% of the total SWM cost then it has been classified as an 'outsourcing' council. All other councils are classified as 'insourcing'.

Figure 4.10: Span of control ('other staff' per supervisor and above) - Solid waste management



*Outsourcing councils are defined as the SWM outsourced contract value being more than 25% of the total SWM cost. All other councils are classified as insourcing. This wil be " - " if you have not provided us with any cost data for this service.

Figure 4.11: Staff turnover rate - Solid waste management

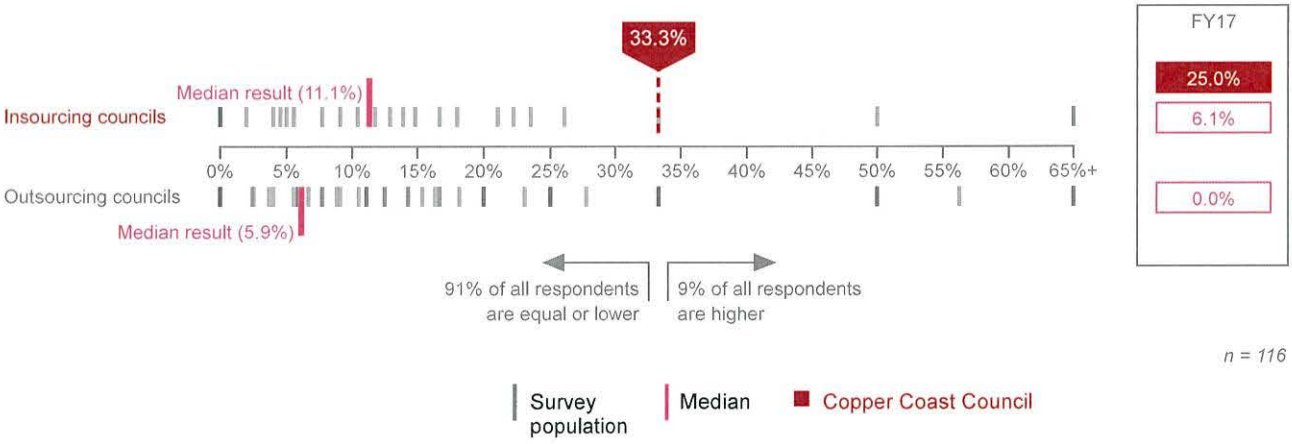
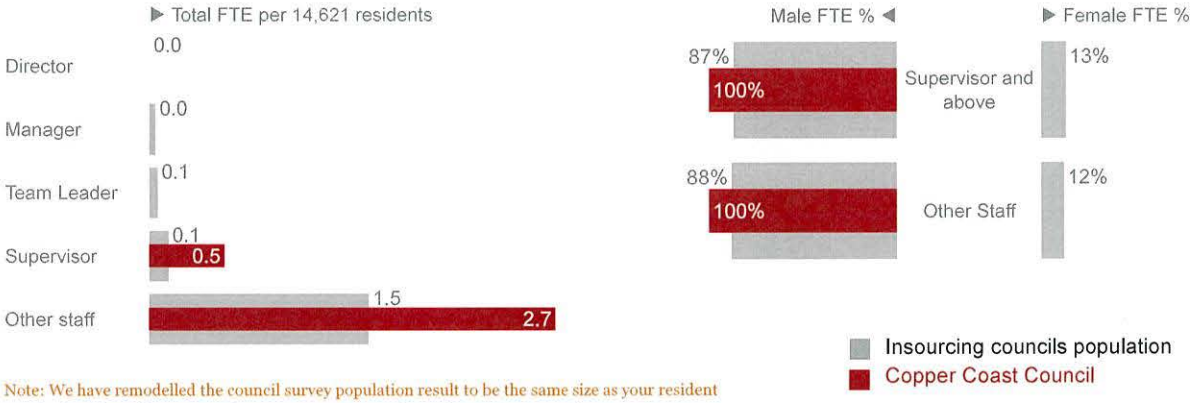


Figure 4.12: Staff level FTE breakdown and Gender split - Solid waste management



Note: We have remodelled the council survey population result to be the same size as your resident population, depending on whether you are an outsourcing or insourcing council.

Solid waste management deep dive

Waste allowance, volume collected and waste activity cost analysis

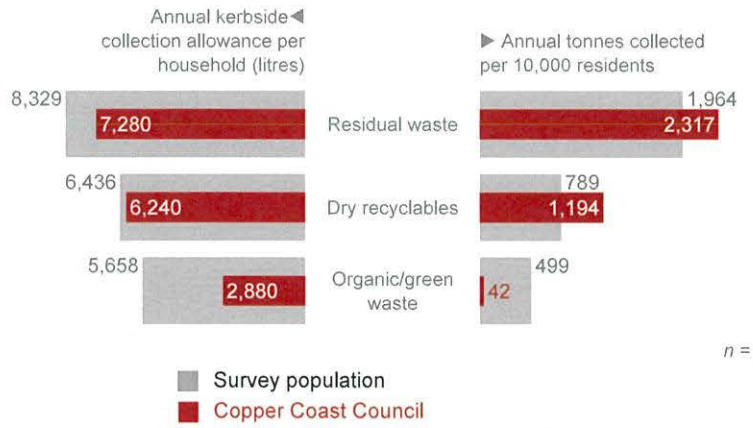
The cost of providing a council's solid waste service to citizens is a function of many factors. These may be environmental factors, such as the nature and density of dwellings serviced, that are unique to a council, or the nature and scope of the service that is provided. Government landfill waste levies also impact cost considerably and these vary widely by jurisdiction.

Councils can use this section of the report to further analyse and compare key cost metrics across solid waste management. We have highlighted the following factors so councils can better understand how they contribute to the cost of providing solid waste management services to the community; household waste allowance and collection patterns, volume of actual waste collected in FY18 as well as the breakdown of cost by waste activity.

NSW councils continue to have higher waste costs, especially in processing and disposal costs per tonne collected. This may be a result of councils opting for further processing of residual waste as well as the imposed government landfill levy.

We recommend councils to use the council comparative analysis tool (CCAT) to further explore the results.

Figure 4.13: Annual kerbside collection allowance and actual waste collected



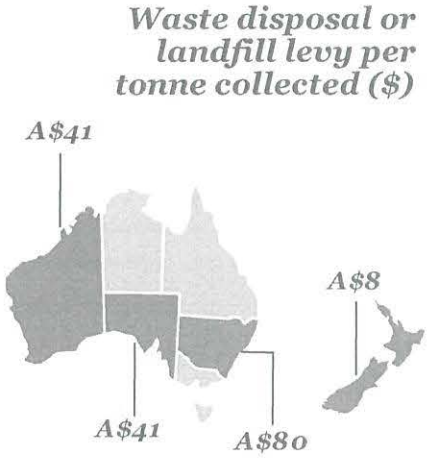
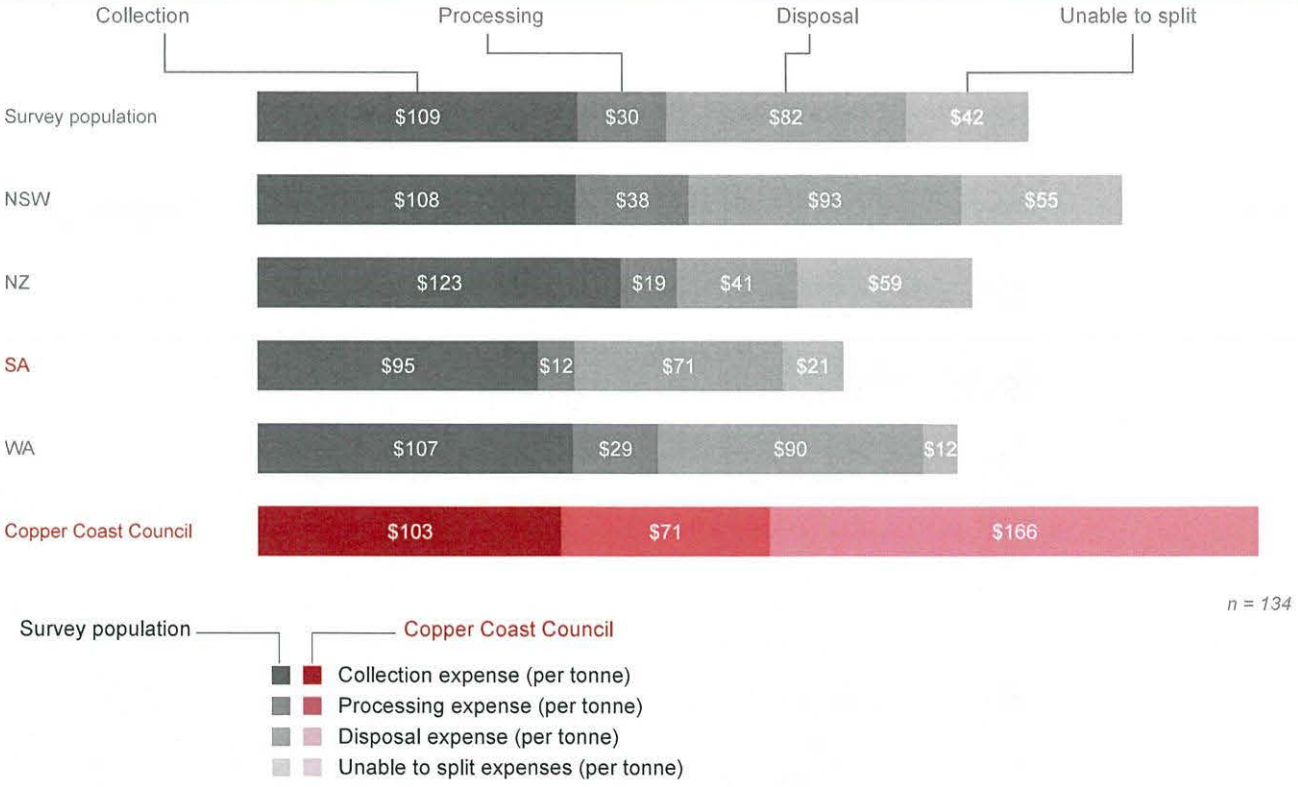


Figure 4.14: Waste annual operating costs (A$) per tonne collected



Solid waste management deep dive

Cost analysis (continued)

We have provided the annual median solid waste management cost per resident for your council, compared to the median by each jurisdiction. In addition, councils can also better understand the cost breakdown, taking into account outsourcing costs as well as insourcing costs per resident.

Figure 4.15: Solid waste management annual operating expense (A$) per resident

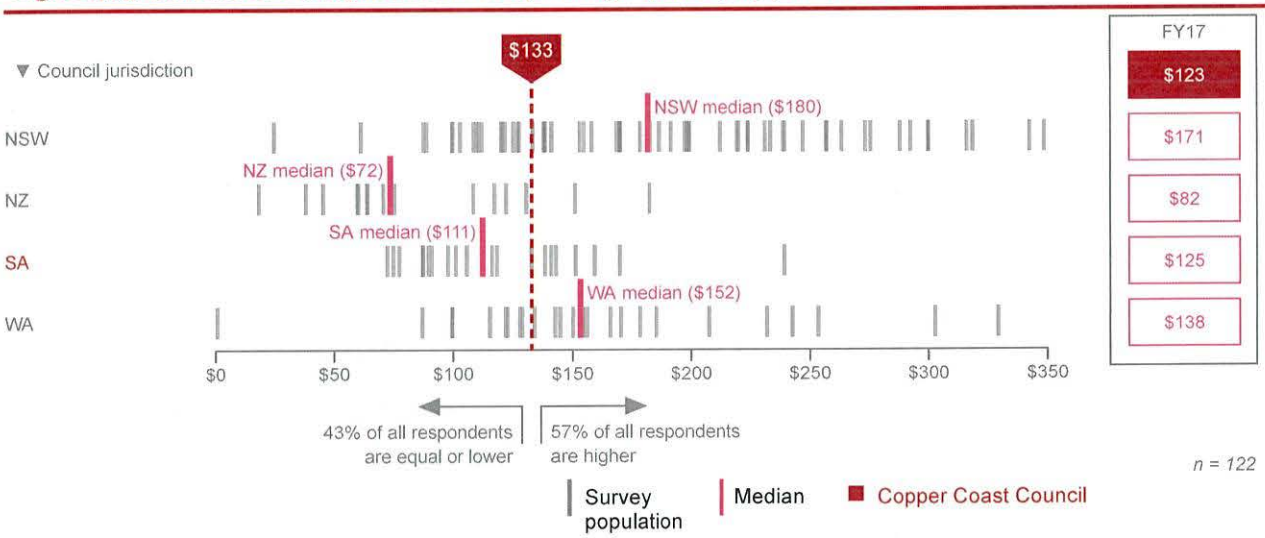
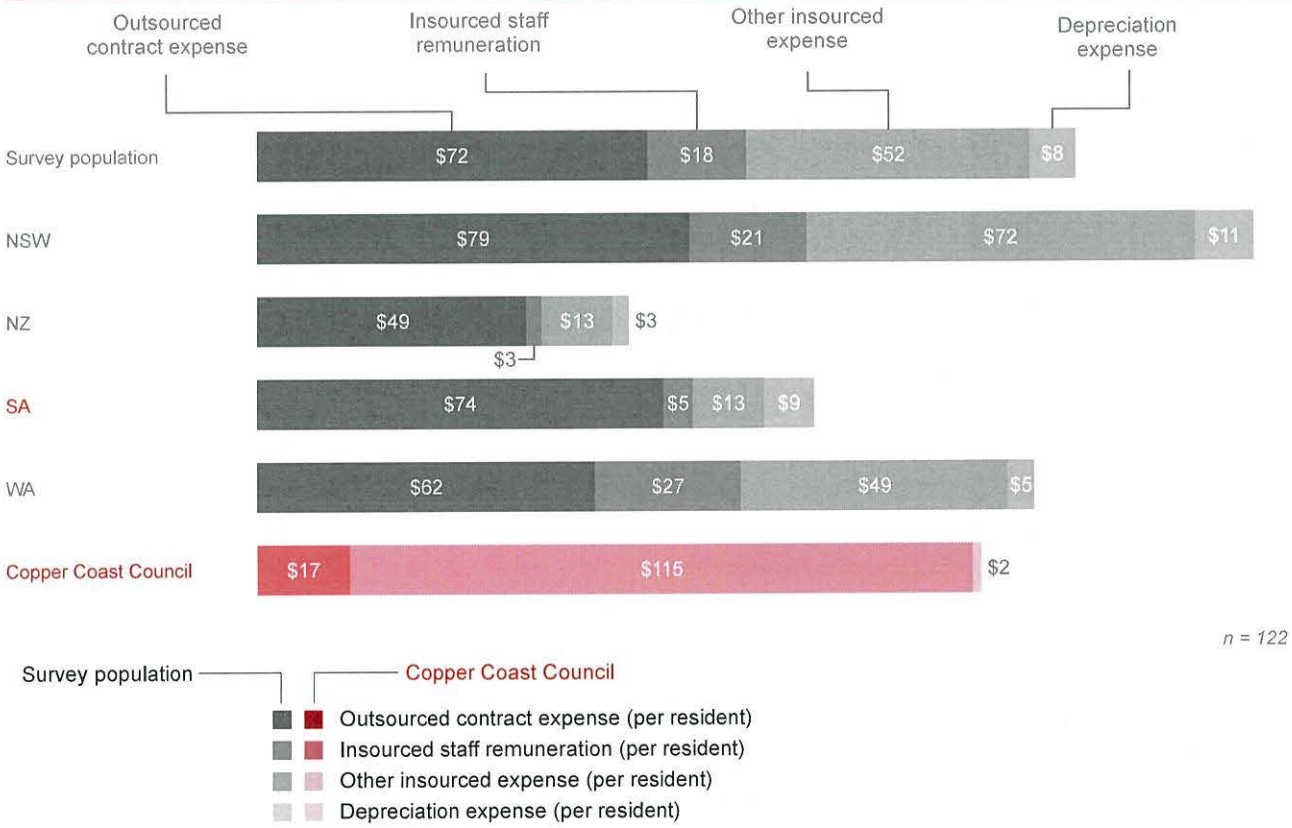


Figure 4.16: Breakdown of solid waste management annual operating expense (A$) per resident



Case study: Renewable Energy Sources
Renewable Power Purchase Agreement

Backgound

The Renewable Power Purchase Agreement (PPA) coordinated by the Southern Sydney Regional Organisation of Councils (SSROC) is an agreement signed by 18 NSW councils who will receive 35% of their council's retail electricity from a renewable generator supplier from 1 July 2019. This allows participating councils to purchase renewable electricity without exposure to the volatility of the National Electricity Market and is expected to provide significant cost savings, reduce greenhouse gas emissions and support investment into the renewable energy industry in NSW. The PPA will be effective until 31 December 2030, and after the initial 3 year term of the contract, councils have an option to revise their commitment percentage.

Campbelltown City Council, NSW

'Sustainability Strategy' Benefits

Our involvement in the PPA is the latest initiative in council efforts to reduce electricity consumption and cost and is perfectly aligned with our Sustainability Strategy that aspires to the vision of "working together to achieve smart practices for a positive legacy". The agreement will supply on average 2,781 MWh of renewable electricity for the first 3 years, equivalent to 20% of the council's entire electricity portfolio.

Key Considerations

This is an innovative project and the first of its kind to be achieved by NSW councils. In recognising its complexity, risk and challenges, the project was guided by a group of leading energy experts and governance officers. These experts meticulously reviewed, analysed, consulted and negotiated on all aspects of the project. As a result, challenges experienced were minimal and considered to be similar to those experienced in any other complex contract of this nature.

City of Canada Bay Council, NSW

Benefits

As a result of our involvement in the PPA, the predicted cost savings associated with our 20% commitment are projected to be $168,890 over the period of the contract. In tangent with other renewable energy projects the council aims to achieve a 27% reduction in greenhouse gas emissions in 2019 and have 42% of council electricity consumption derived from a renewable source.

We believe the broader community will benefit from the leadership demonstrated by SSROC and the participating councils establishing the PPA so other large organisations can opt for more alternative renewable energy solutions. Furthermore, the cost savings achieved directly from the PPA opens opportunity to having the funds invested into other community projects.

Key Considerations

The council's preparation when entering this new electricity contract was a time consuming process, which involved collating historical usage data for over 100 sites as well as projecting future energy usage and the impact on existing planned projects. One of the challenges faced was reviewing and providing feedback on the PPA, a contract which very few staff involved had the required background understanding and knowledge to assess.

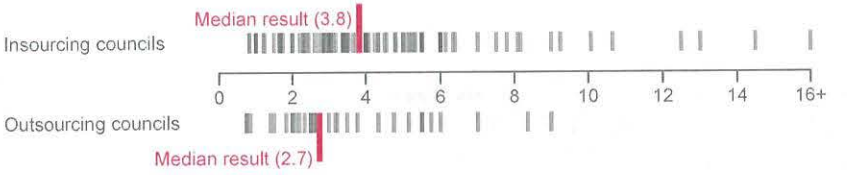
Roads and bridges deep dive

Workforce analysis

Councils can use this section of the report to further analyse and compare key workforce metrics across roads and bridges.

We have classified councils as either 'outsourcing' or 'insourcing' road/bridge councils to assist with comparisons. If the council's road/bridge outsourced contract value was more than 25% of the total road/bridge cost then it was classified as 'outsourcing'. All other councils are classified as 'insourcing'.

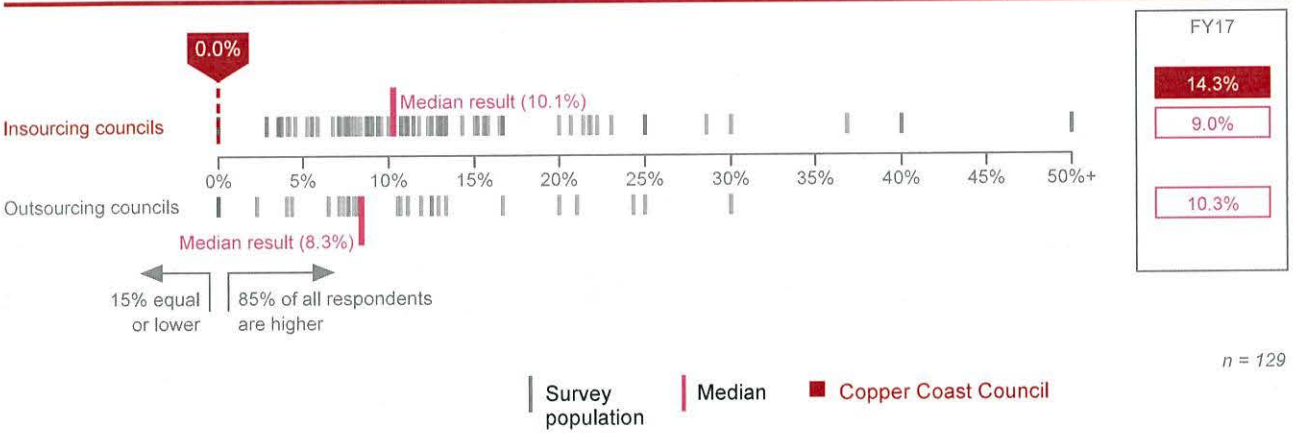
Figure 4.17: Span of control ('other staff' per supervisor and above) - Roads and bridges



n = 129

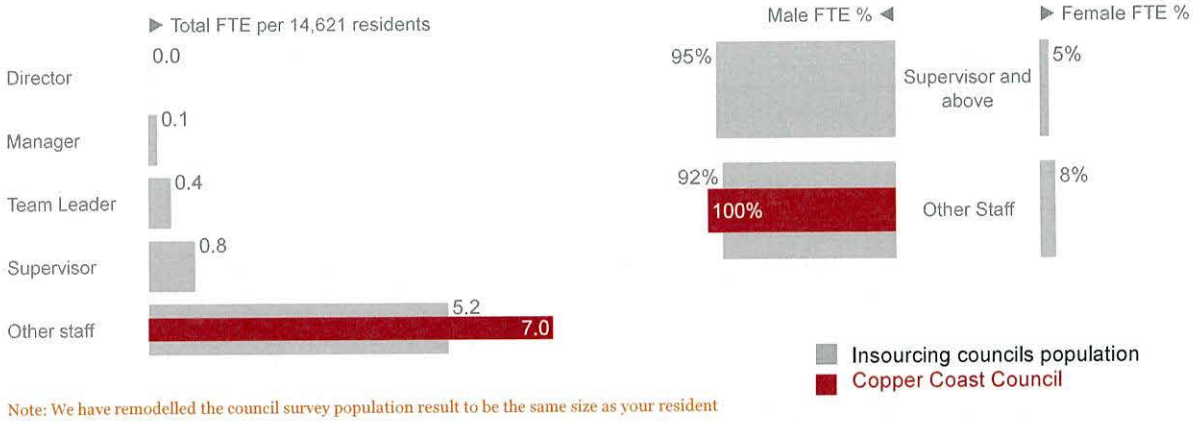
*Outsourcing councils are defined as the Road/Bridge outsourced contract value being more than 25% of the total Road/Bridge cost. All other councils are classified as insourcing. This wil be " - " if you have not provided us with any cost data for this service.

Figure 4.18: Staff turnover rate - Roads and bridges



n = 129

Figure 4.19: Staff level FTE breakdown and Gender split - Roads and bridges



Note: We have remodelled the council survey population result to be the same size as your resident population, depending on whether you are an outsourcing or insourcing council.

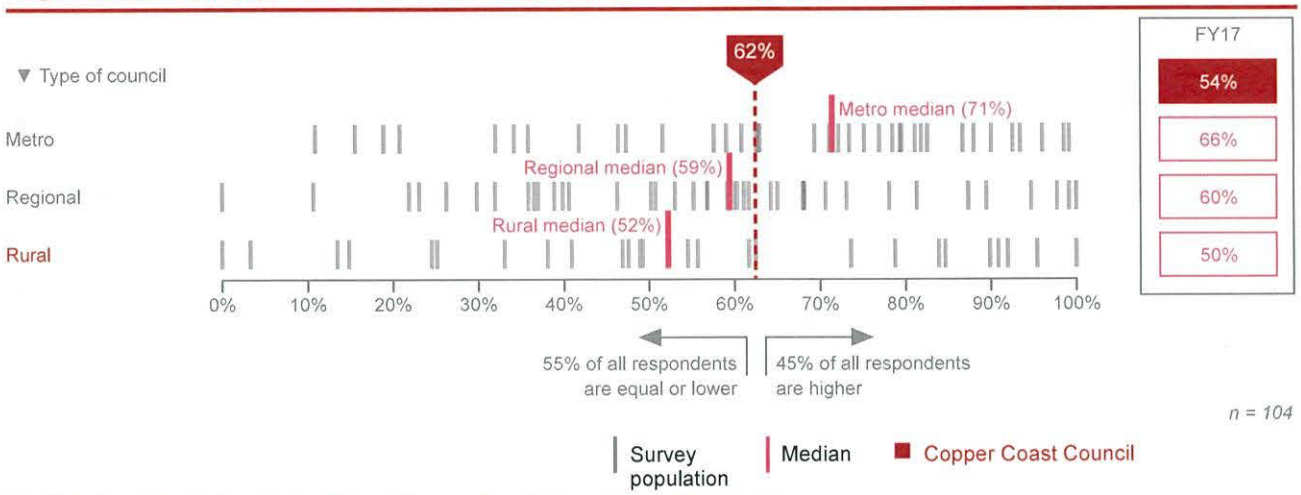
Roads and bridges deep dive

Condition ratings for the managed road network by Australian councils

We recognise that road networks of different types are serving different purposes and require different maintenance patterns. There are environmental, geographic, and traffic factors that drive unavoidable variation in the cost of maintaining the network. Maintaining and enhancing a council's road network is most often the largest investment of resources made by a council.

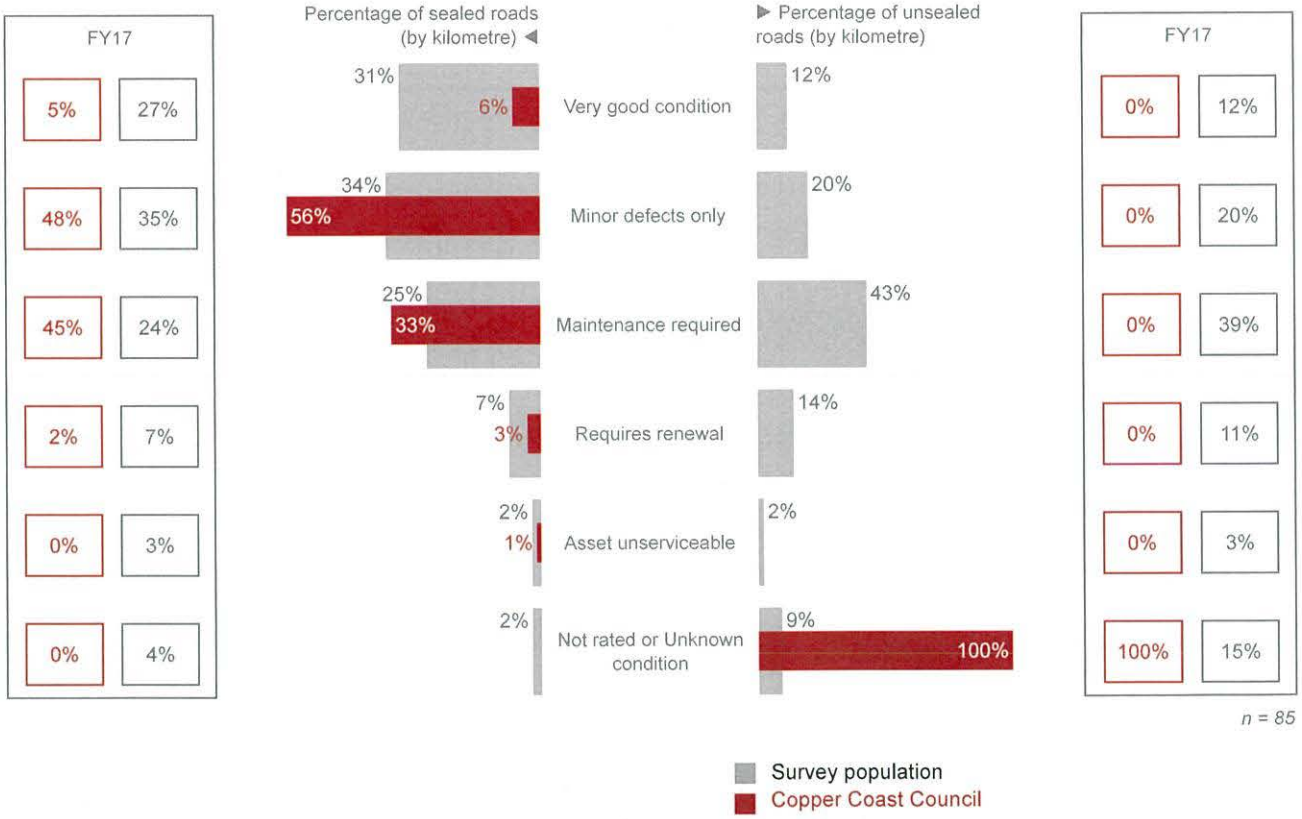
To better understand the current state of the managed road network by Australian councils as well as the extent of sealed versus unsealed roads, we asked councils to share the FY18 condition ratings for their road segments. There were five ratings to choose from, and we observe in metro councils a higher proportion of roads rated as either 'very good' or 'minor defects only' (median of 71%), compared to a median of 60% in regional and 52% in rural councils.

Figure 4.20: Percentage of total road km with 'good condition' ratings (Australian councils only)



Note: 'Good condition' is classified as Rating 1 (Very good) and Rating 2 (Minor defects only). We only used road kms where the condition rating of the road was known.

Figure 4.21: Condition ratings for sealed versus unsealed roads managed by Australian councils



Roads and bridges deep dive

Councils can use this section of the report to further analyse and compare cost per kilometre across roads and bridges. We continue to observe metro councils with a higher median cost per km due to the higher proportion of sealed roads that inevitably require additional maintenance due to traffic volumes.

In Figure 4.23 our findings highlight the relationship between cost and the extent of sealed roads in the council's road network. This relationship captures both the higher cost of the road construction method, as well as the cost of accommodating the higher traffic volumes that sealed roads generally carry. Councils below the curved line have a higher than expected cost per km, given the mix of sealed and unsealed roads in the network.

Figure 4.22: Roads and bridges annual operating expense (A$) per kilometre

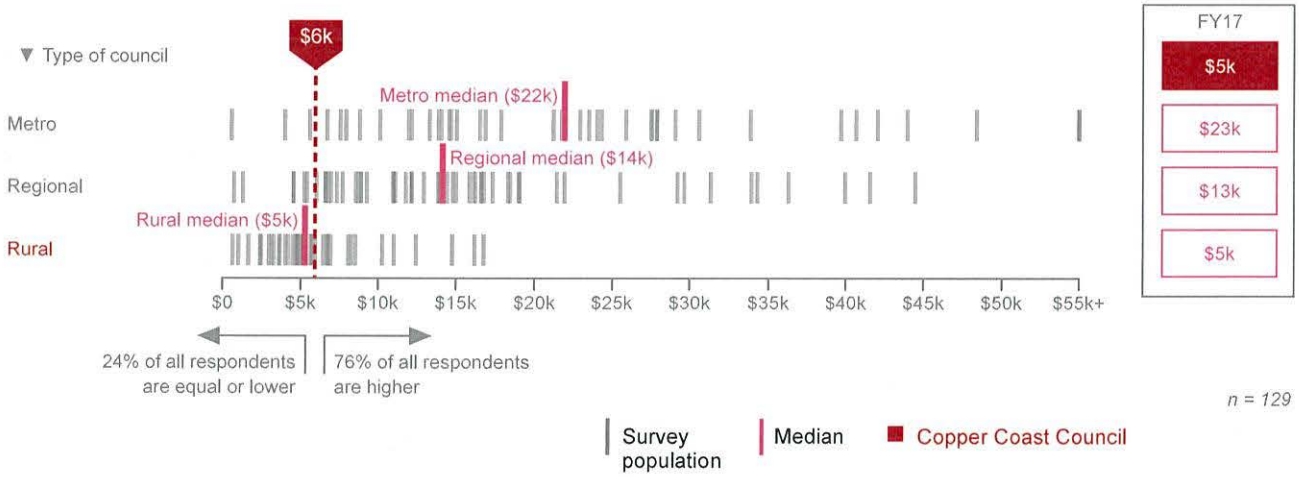
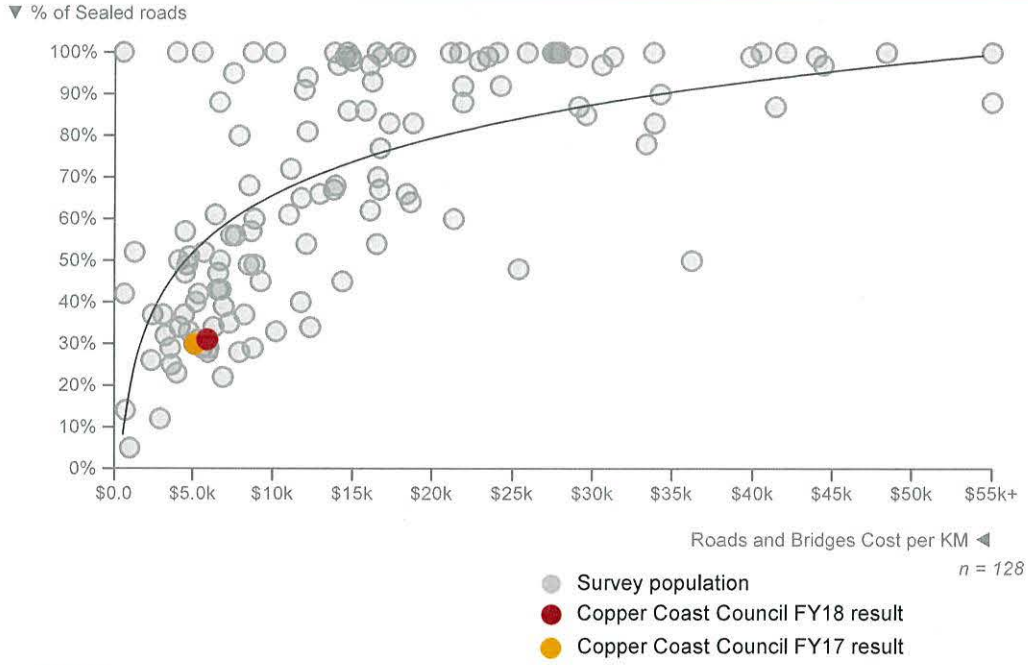


Figure 4.23: Relationship between percentage of sealed roads (by length) and road and bridges annual operating expense (A$) per kilometre



Parks, gardens and sporting grounds deep dive

Workforce analysis

In this section, we have merged the parks and garden data with the sporting grounds data to show results across this predominantly outdoor–based workforce.

This year we see a greater difference in the management layers by looking at the median span of control between the various types of council, with metro and regional councils span both increasing, as opposed to rural which decreased.

We see the median staff turnover rate has increased across all council types, with Rural councils still having the highest turnover rate, compared to regional and metro councils.

Figure 4.24: Span of control ('other staff' per supervisor and above) - Parks, gardens and sporting grounds

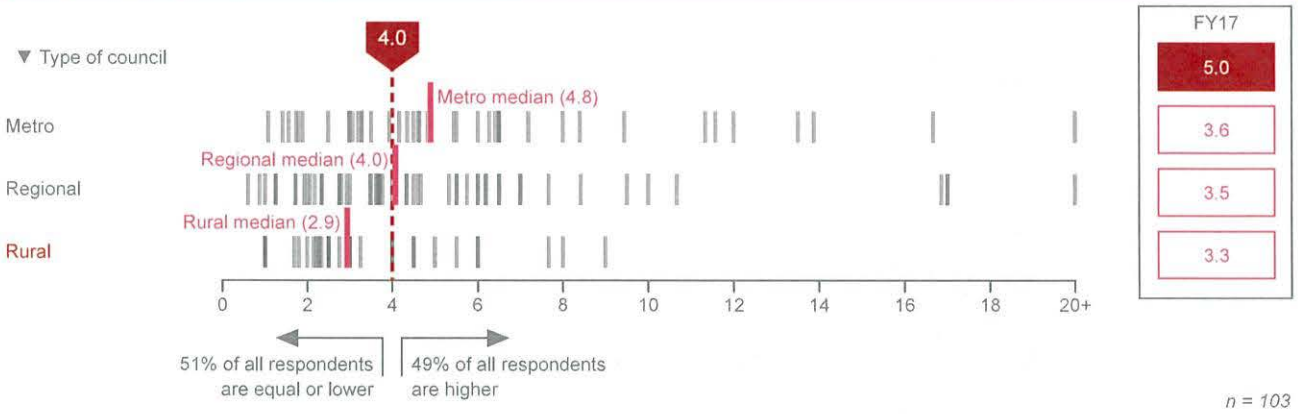


Figure 4.25: Staff turnover rate - Parks, gardens and sporting grounds

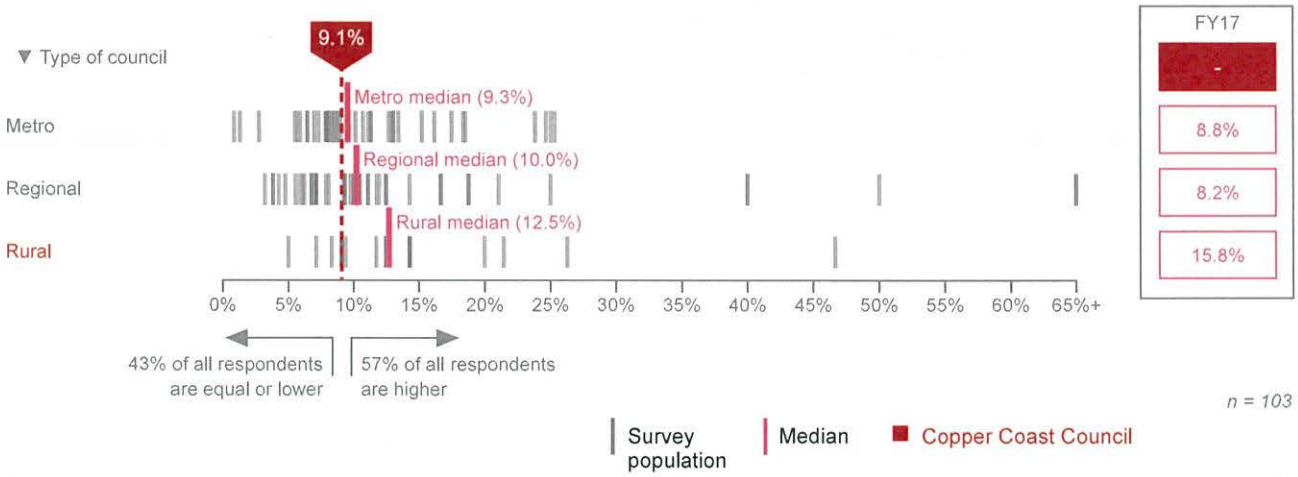
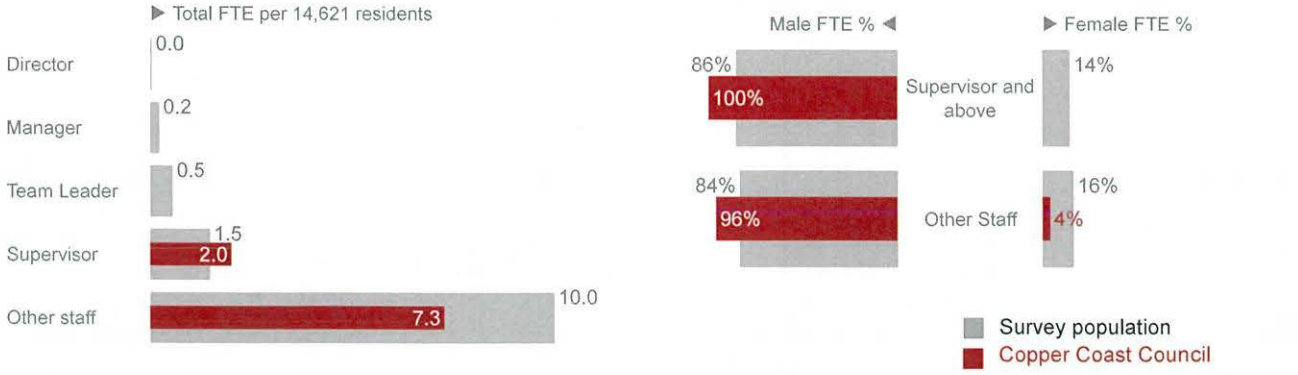


Figure 4.26: Staff level FTE breakdown and Gender split - Parks and sporting grounds



Note: We have remodelled the council survey population result to be the same size as your resident population.

Parks, gardens and sporting grounds deep dive

Categorisation and cost analysis of parks, gardens, and sporting grounds

Providing open green space and maintaining it to a high standard is an important function of local government as it is highly visible to residents and is an amenity enjoyed by a large cross-section of the community. Councils that operate in high density areas perhaps have an even greater obligation to provide spaces where citizens can relax, socialise and engage in activity.

Councils will make various decisions around the frequency of maintenance, quality of play equipment, extent of drainage in sporting fields among many, and all of these factors will impact the cost. The volume of active and passive space in a local government area are also important factors.

To better understand the current mix of open space, we asked councils to categorise each park and sporting field, shown in Figure 4.27. We have also shown the volume of open space per resident and cost per hectare by the various types of council.

Figure 4.27: Park and sporting grounds breakdown by category (hectares)

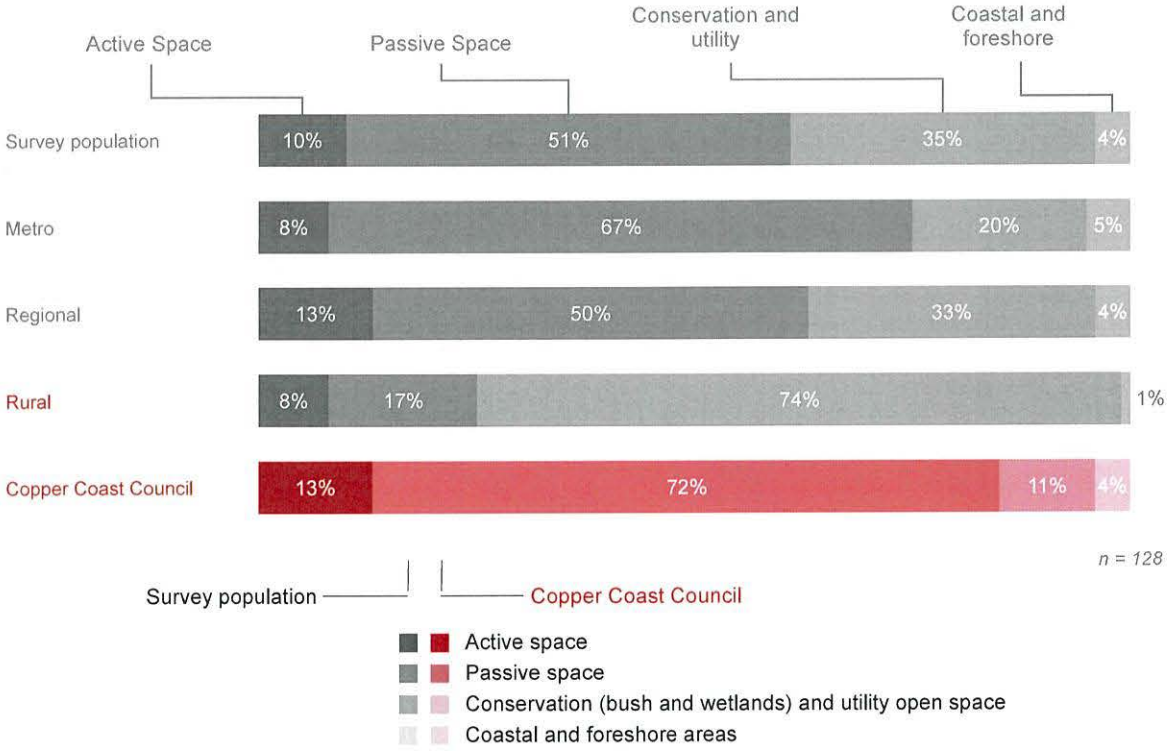
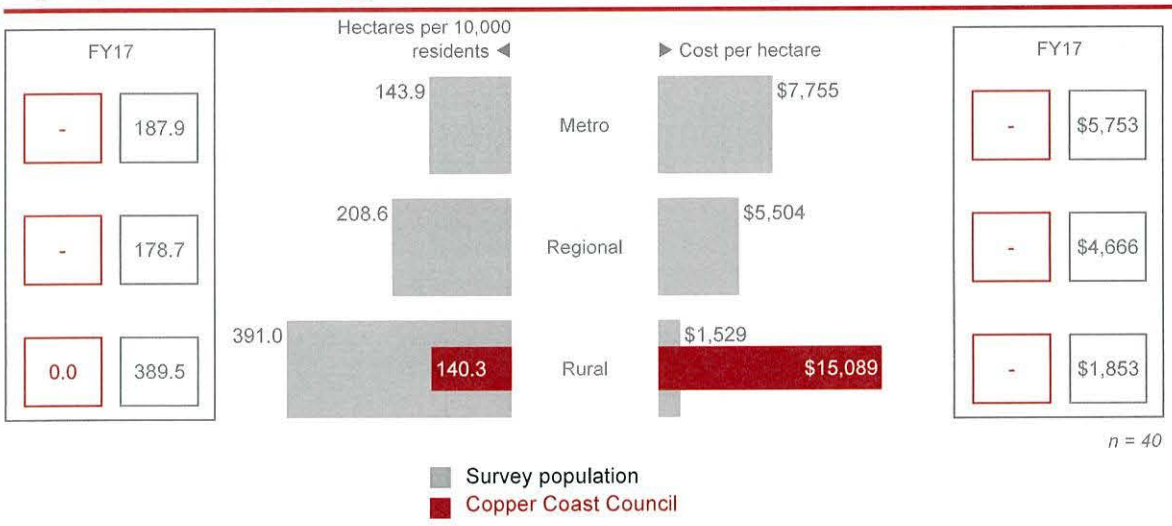


Figure 4.28: Park and sporting grounds area and cost breakdown (type of council)



Parks, gardens and sporting grounds deep dive

Cost analysis

Councils can use this section of the report to further analyse and compare key cost metrics across parks, gardens and sporting grounds.

We have provided the median expense per resident for your council, compared to the median in your jurisdiction and by type of council.

Councils can also better understand the cost breakdown, taking into account outsourcing costs as well as insourced costs.

Figure 4.29: Parks, gardens and sporting grounds annual operating expense (A$) per resident

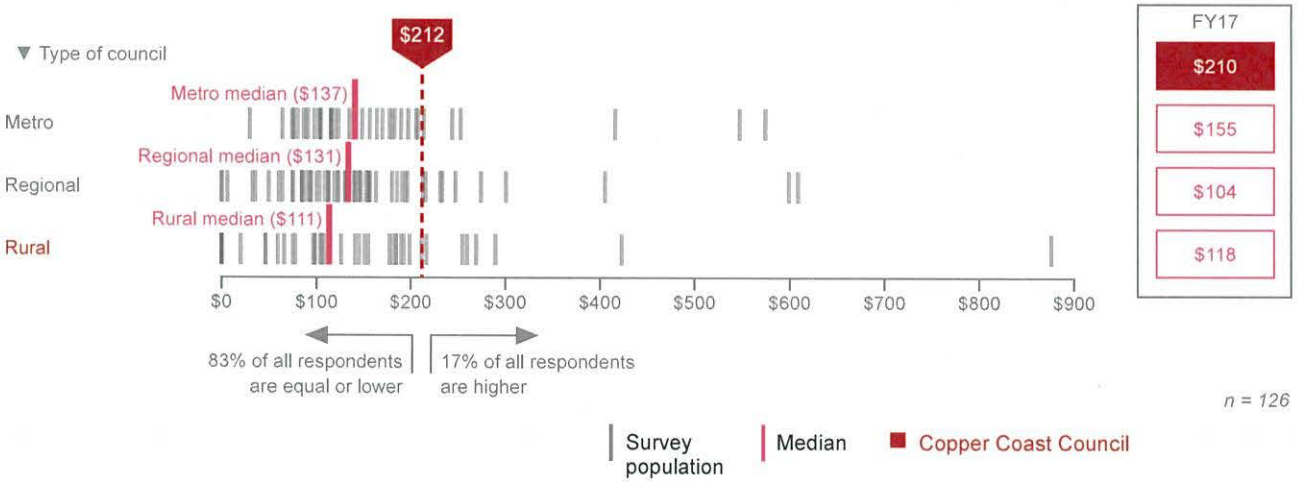
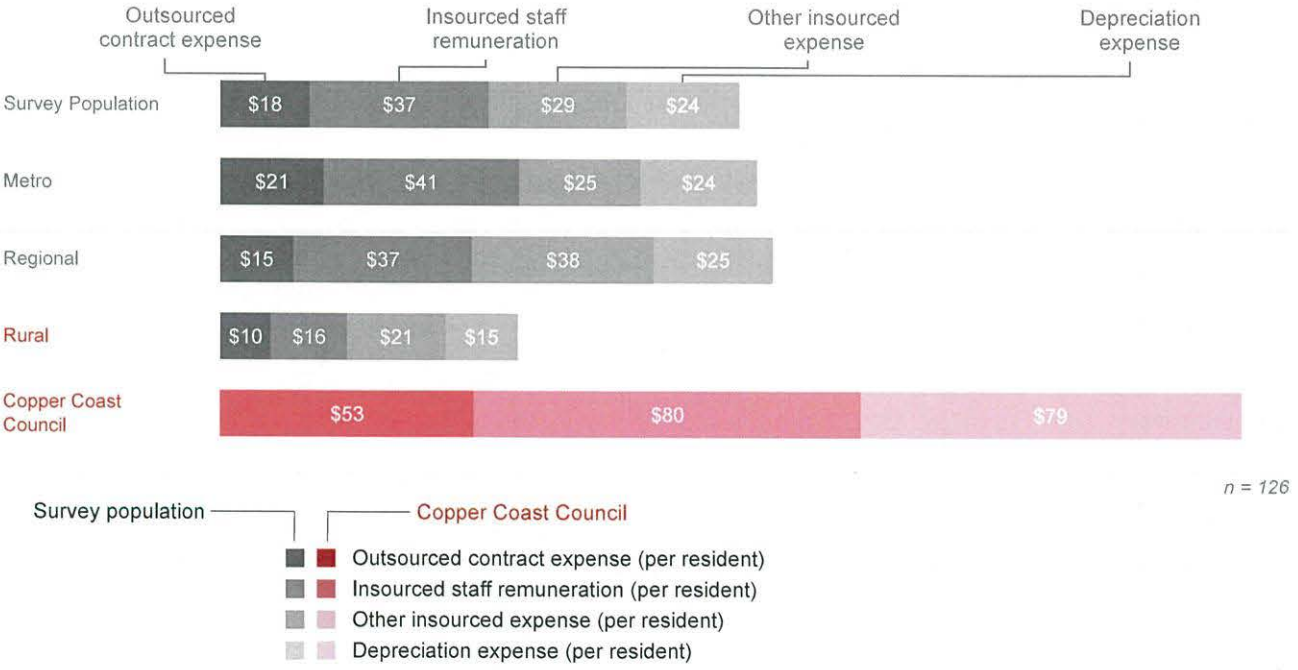


Figure 4.30: Breakdown of parks, gardens and sporting grounds annual operating expense (A$) per resident



Breakdown of participating councils by service area

The table below shows the number of councils that provided cost and FTE data for each individual service area.

Service Area	Councils providing cost data	Councils providing FTE data
	n count	*n* count
Aerodromes	38	32
Aged Persons and Disabled	77	66
Agriculture	12	10
Beach Control	22	13
Camping Area and Caravan Parks	39	25
Children's Services	50	47
Cultural and Community Service Centres	112	108
Drainage and Stormwater Management	90	79
Emergency services, fire levy and protection	82	54
Enforcement of Regs and Animal Control	128	129
Footpaths	74	62
Fuel and Energy	4	3
Governance and Administration	135	139
Health	68	64
Mining, Manufacturing and Construction	57	60
Other community amenities	99	99
Other community services and education	97	99
Other economic affairs	111	108
Other environment	108	103
Other public order and safety	55	55
Other transport infrastructure	89	90
Parks and gardens (lakes)	126	129
Public libraries	121	122
Road and bridges	129	129
Sewerage services	69	65
Solid waste management	122	116
Sporting grounds and venues	105	94
Street cleaning	76	67
Street lighting	53	24
Swimming pools	90	78
Town Planning	126	127
Water supplies	61	59

Risk Management

93% *of councils have an approved risk management policy in place*

42% *of councils formally report risks at least quarterly*

56% *of councils outsource or co-deliver their internal audit function*

Risk Management Trend Summary

Copper Coast Council

● SA Survey population ● Copper Coast Council	FY17	FY18	Change from FY17 to FY18
1. Risk management policy in place	Yes 100% (Yes)	Yes 100% (Yes)	
2. Frequency in reporting risks to council	As required 29% (As required)	As required 26% (As required)	
3. Use of key risk indicators to analyse and report risks	Yes 82% (Yes)	Yes 61% (Yes)	
4. Audit and Risk Committee in place	Yes 100% (Yes)	Yes 100% (Yes)	
5. Independent external members of the Audit Risk Committee	40% 40%	40% 40%	■ 0% ■ 0%
6. Delivery of internal audit	Co-delivered 29% (Co-delivered)	Internally 26% (Internally)	

Managing risk

Risk management policy

A proactive risk management policy will help distinguish the maturity and effectiveness of a council's approach to risk management, as documented processes and procedures assist in the relaying of information about resource dependencies, automation and effective communication amongst departments. It will ease remediation of process-related risks and highlight potential overlooked vulnerabilities. We do acknowledge that a governance model will be more effective when policies and procedures are embedded within the operating model of the council and part of the DNA.

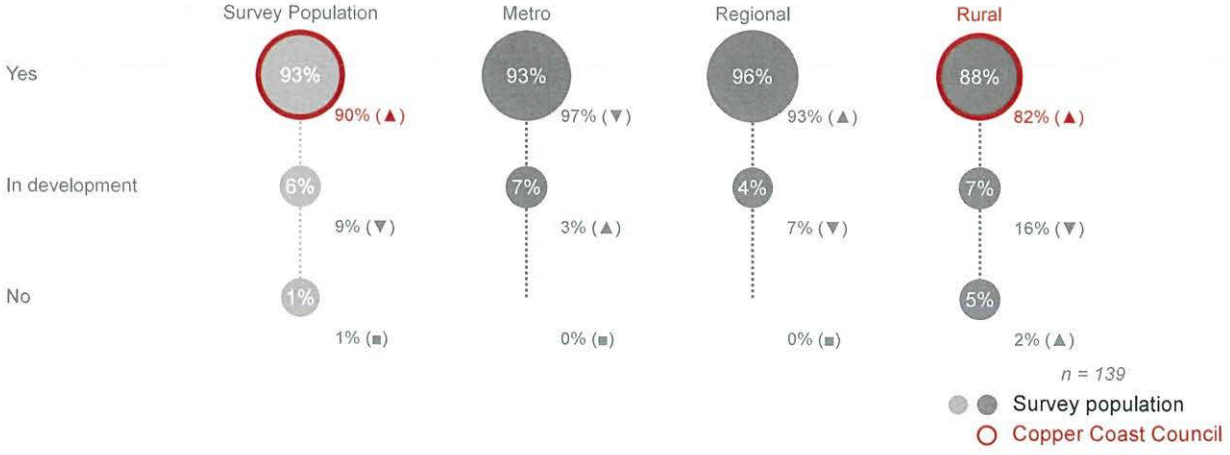
Previous years results have shown a continuing increase in councils having an approved risk management policy in place, to the point where it has now become the norm, with 93% of councils having a policy in place.

The most significant contributors to this upward trend is a result of 100% of NZ councils having an approved risk management policy, up from 89% in the prior year. Moreover, 100% of SA councils have maintained their status on having an approved risk management policy in place. Across both NSW and WA councils, we observe an opportunity for a small portion of councils to apply more rigour in their approach to risk management, with ~10% of councils operating without an approved risk management policy in place.

A risk management policy should clarify the council's objectives for, and commitment to, risk management. It is an effective way to promote and communicate an integrated, holistic approach to enterprise risk management across the council.

Figure 5.1: Does your council have an approved risk management policy? (council jurisdiction)

Figure 5.2: Does your council have an approved risk management policy? (type of council)



Managing risk

Risk management policy (continued)

Shared attitudes and beliefs around the management of risk within an organisation helps contribute to a positive and open risk management culture. It promotes effective compliance, continuous improvement to existing precautionary procedures, and through knowledge sharing, prevents repeated erroneous behaviours.

Our findings show that the frequency of risk reporting in councils has decreased, with 42% of councils reporting risks at least quarterly (down from 47% in the prior year). Moreover, there has been a significant shift this year, with 32% of councils opting to partake in risk reporting only 'as required' (up from 26% in the prior year). NSW councils are the predominant driver of this change in regularity to risk reporting, moving to a more ad-hoc or activity-based risk reporting approach; 45% of NSW councils (up from 32% in the prior year) now report risks 'as required'.

We acknowledge that a formal risk reporting process requires consideration of all council stakeholders and the appropriate reporting frequency is dependent on the nature and impact of the content. Some key challenges in risk management is ensuring the completeness of reported risks and that staff understand the importance of reporting breaches. Once a breach or area of heightened risk is identified, this information needs to be effectively communicated across the council so proactive and corrective actions can be implemented in a timely manner.

Figure 5.3: How often does management formally report risks to council?

Managing risk

Key risk indicators

Key risk indicators are qualitative or quantitative measures related to monitoring a specific risk or activity and helps management assess the likelihood and consequences of a risk occurring. There are 2 types:

Lagging - retrospectively monitors data to help identify changes in risk trends, ensuring risk exposure is minimised through preventative action.

Leading - predictively determines the likelihood of a risk event, ensuring risk does not materialise through pre-emptive action.

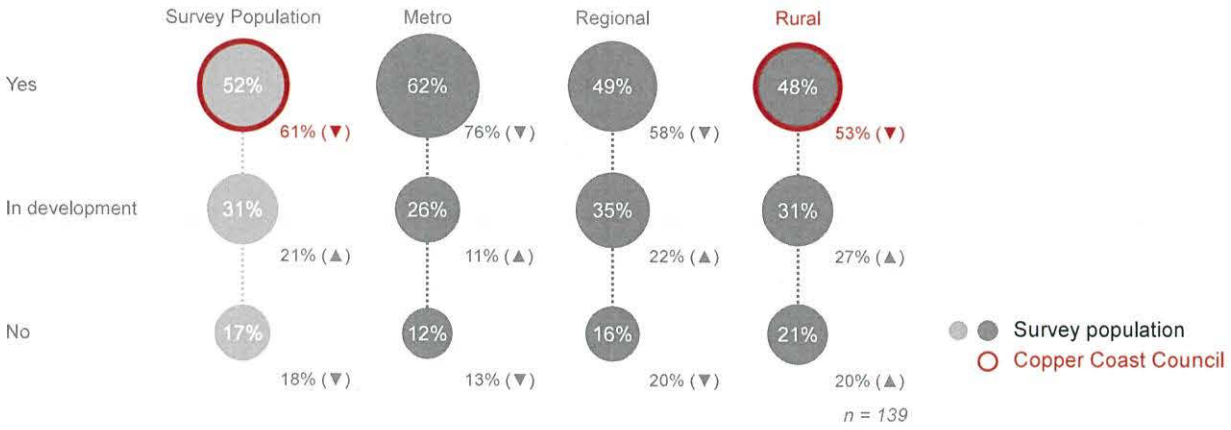
This year we observe a decrease in the use of key risk indicators, with just over half (52%) of the councils using key risk indicators to analyse and report risks (down from 61% in the prior year). This decrease has been offset with an increase in councils with key risk indicators in development (31%, up from 21%). This suggests there may be a fluctuation in the application of the right risk indicators year on year, and this may be area where constant assessment, application and refinement takes place until a core set of risk indicators are defined and relied upon.

Our findings show that metro councils are more likely to rely on metrics to manage key risks as a predictive measure, with 62% doing so, compared to ~49% of regional and rural councils.

Interestingly, the proportion of councils with key risk indicators 'in development' (30% of all councils), remains constant with the results from two years ago.

We encourage councils, who are yet to formalise their key risk indicators, to define the desired risk appetite that the council is prepared to tolerate, and finalise the design of the risk metrics that will ultimately help critically monitor and forecast unfavourable events to minimise chances of disruption.

Figure 5.4: Does your council use key risk indicators to analyse and report risks?



Corporate governance

Audit and Risk Committee

The Audit and Risk Committee is a sub-committee that provides independent oversight and governance of a council's risk management, control and compliance framework and its internal and external accountability responsibilities. This Committee is expected to adhere to good corporate governance principles and its operation should assist drive stronger governance governance behaviours and is a critical component of a robust monitoring framework over management's performance and reporting.

Consistent with the prior year, all SA and WA councils continue to report strong corporate governance oversight with an established Audit and Risk Committee in place. It is promising to see, a shift upwards to 90% of NSW councils with an Audit and Risk Committee (up from 85% in the prior year), which is in line with the 2020 mandatory requirement for all NSW councils to have an Audit and Risk Committee.

The composition of an effective Audit Committee should include at least three members, majority of whom should be independent and equipped with the appropriate technical expertise. Members are deemed independent when they are external to the council itself and in turn, this is positively related to effective oversight of the integrity of the financial reporting process.

Across all regions, the median percentage of Audit and Risk Committee members who are independent or external to the council has increased marginally to 41%, up from 40% in the previous year. Meanwhile, less than half of the surveyed WA councils had some form of independent or external representation on the Audit and Risk Committee, explaining the median result of 0%.

We strongly encourage councils to evaluate the adequacy of their Audit and Risk Committee function against its objectives, and assess whether the composition has sufficient independent representation. The overall performance and competency of the Audit and Risk Committee should be reviewed annually, with further review on an as required basis, to ensure the scope of responsibilities are carried out reliably and effectively.

The Audit and Risk Committee is an essential and integral component of an organisation's corporate governance toolkit. Its responsibilities will generally cover, but are not limited to, the review and oversight of the following areas: internal control framework, compliance and ethical matters, risk management activities, financial statements, internal audit and external audit. The Audit and Risk Committee can also oversee and hold management accountable for its performance in managing these important areas.

Figure 5.5: Does your council have an Audit and Risk committee (or equivalent)?

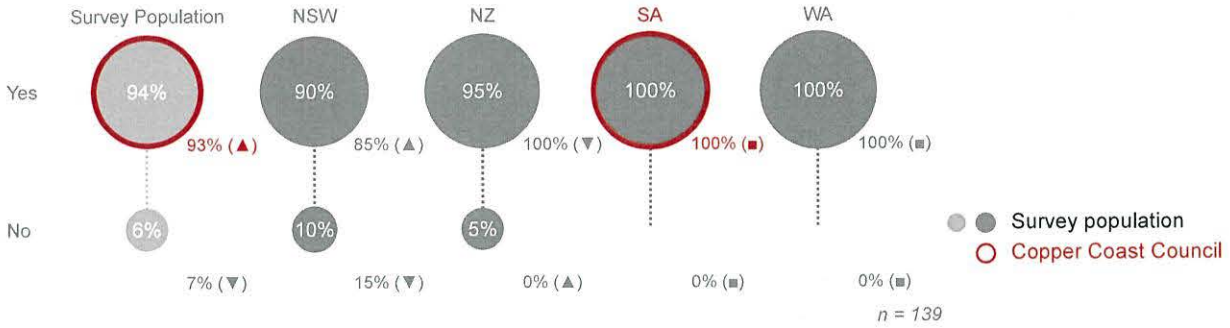
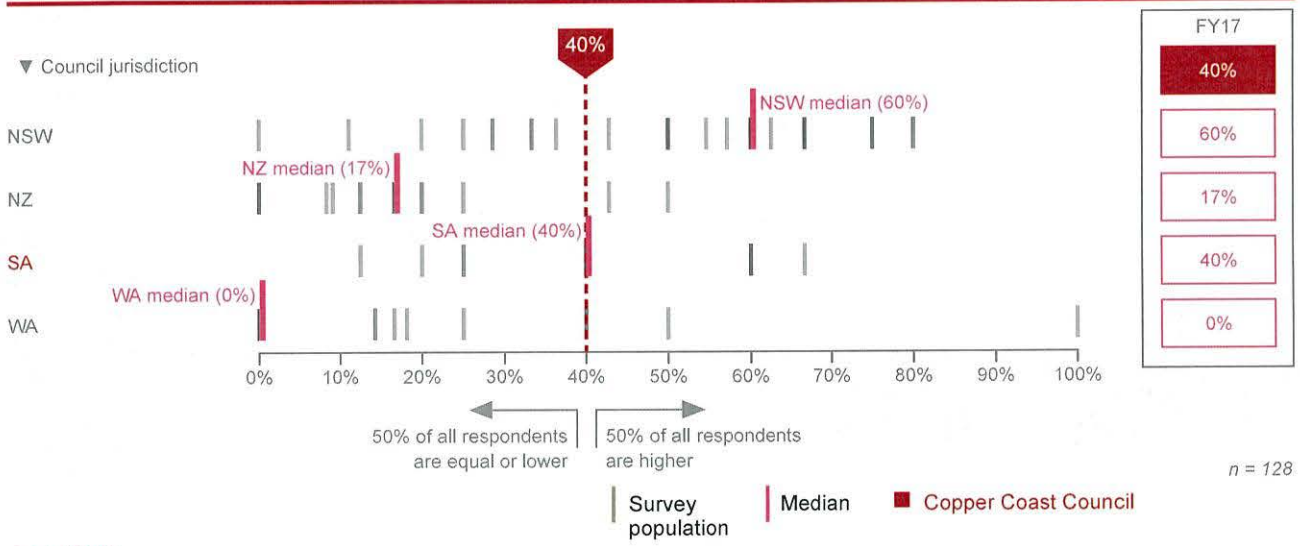


Figure 5.6: Percentage of independent or external members of the Audit and Risk Committee



Delivery of internal audit

Internal audit delivery and effort

The pace and scale of technology innovation demand means that Internal Audit needs to consider if their teams are skilled for the likely digital transformation. In the 2018 State of the Internal Audit Profession Study, where more than 2500 board members and senior executives participated, nearly 80% of Chief Audit Executives (CAEs) say Internal Audit most needs to expand or improve its technology skills to meet its future needs. Internal Audit needs risk professionals who are technology curious and have mind-sets and abilities to routinely retool based on emerging technologies and changing enterprise risks.[30]

When delivering internal audit many councils find that a resourcing model that includes external expertise provides them with the range of skills, value for money, and independence. Our findings indicate that 31% of councils (up from 29% in the prior year) opt for an outsourced approach in delivering internal audit, and is growing to be a more attractive option for councils. A quarter of councils co-deliver their internal audit function, a slight shift downwards from 29% in the prior year.

The co-delivery method for internal audit is preferred by metro councils (33%), closely followed by 31% opting for an outsourced approach (up from 21% in the prior year), and another 31% running their own internal audit function. In comparison, outsourcing the internal audit is the favoured option by more than a third of regional councils (34%), with a further 24% co-delivering the internal audit, and a smaller 15% running their own internal audit function.

There continues to be just over a quarter of councils (26%) electing to undertake no internal audit activity during the year, and this is dominated by 45% of rural councils followed by 27% of regional councils, and a very minor 5% of metro councils.

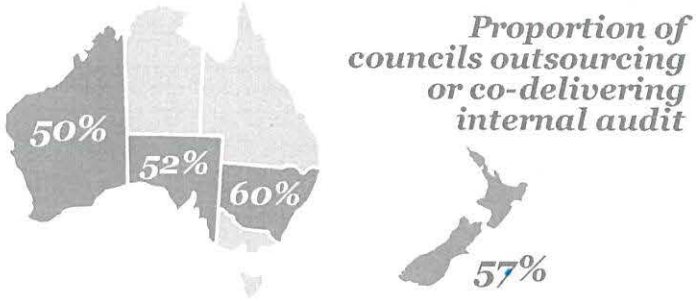
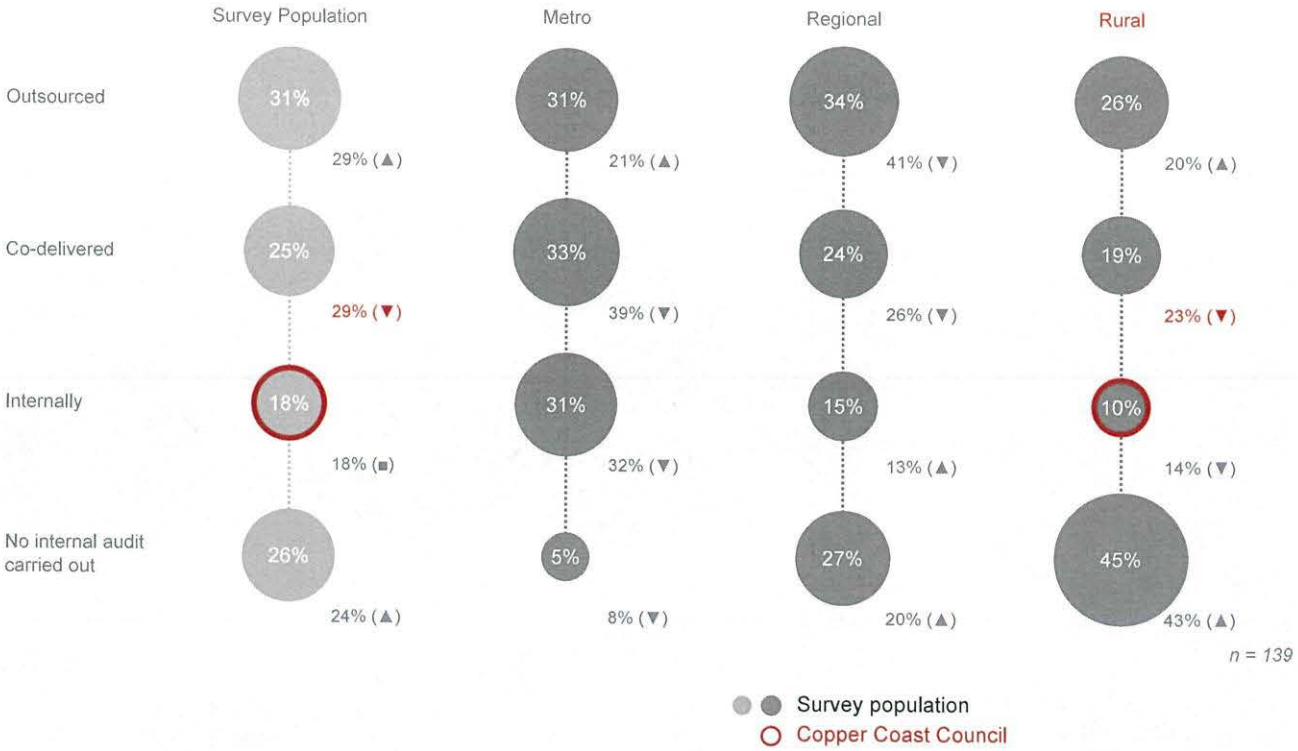


Figure 5.7: How is internal audit delivered?



30 PwC, 2018, State of the Internal Audit Profession Study, 'Moving at the speed of innovation. The foundational tools and talents of technology-enabled Internal Audit'

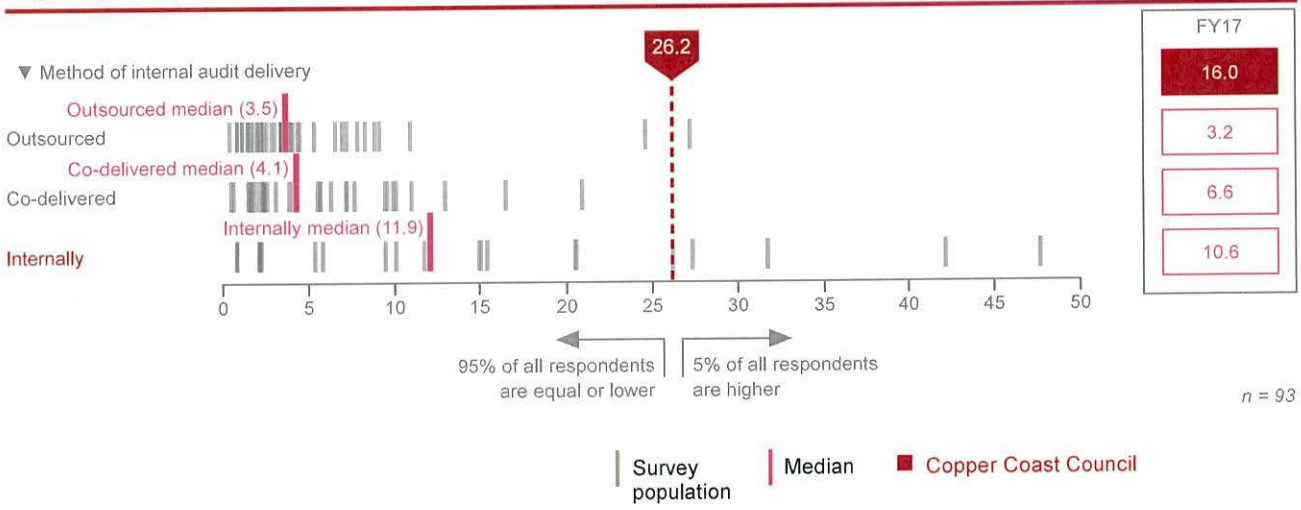
Delivery of internal audit

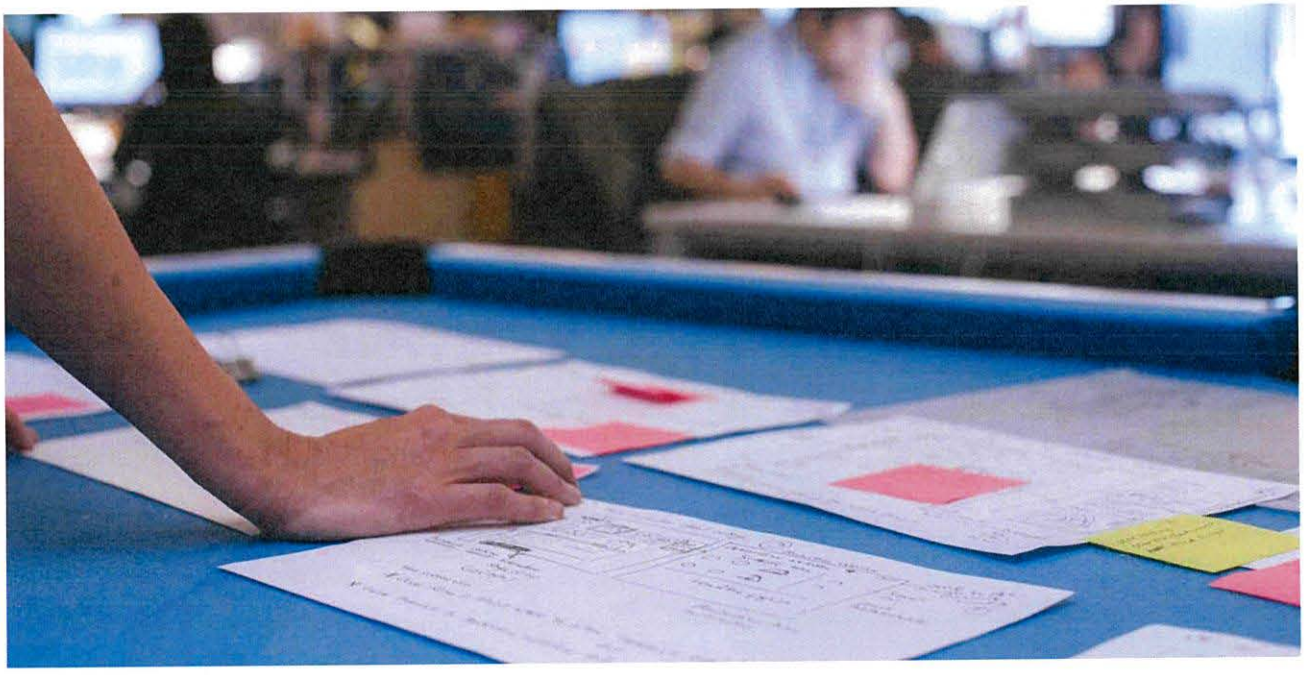
Internal audit delivery and effort (continued)

Consistent with last year, we see a marked difference in the volume of days of internal audit work completed for internally delivered audits against outsourced audits. Internally delivered audit functions operate at a median scale of 11.9 days per A$10 million in council revenue, compared to 3.5 days for internal audit functions that outsourced internal audits. A sourcing model that utilises external expertise may have more specialised internal auditors providing better solutions or a more robust reference guide to benchmark the adequacy of processes, in comparison to internally delivered audits. Despite the advantages outsourcing or co-delivering internal audits may have, it is important to consider the appropriateness of implementation and ensure involved parties have clarity over their roles to be most effective.

While the different delivery methods affect a council's resources, both from a cost and time perspective, the effectiveness of the internal audit should be a key consideration in determining which delivery method option is most suitable.

Figure 5.8: Days of internal audit effort per A$10 million in council revenue





Delivery of internal audit

Internal audit effectiveness

Regardless of industry, department size, or budget, internal audit can and must advance in building its technology and talent foundation. Technology is central to an internal audit function with the required speed, capacity, and capability to advise on technology-related risks, to pivot as the organization's innovations demand, and to audit technology-based operations. A deliberate strategy that lays out internal audit's goals and the integrated technology and talent steps to achieve them will keep the function moving forward into a technology-driven future.[31]

In our survey, councils are asked to measure how well their internal audit function performs against eight key areas. Interestingly, this year we see 51% of councils rating their internal audit functions favourably in 'Leveraging technology effectively when executing audit services', up from 45% in the prior year. It is encouraging to see internal audit teams reacting to the growing pace of technological advancement, and we encourage a continued focus in this area especially where mundane and repeatable tasks can be automated so that internal auditors can be redirected to the more challenging and rewarding projects within the internal audit function.

Another key area where performance by internal audit has improved, is 'Delivering services with a service-oriented team', with 62% of councils rating this area performing well (up from 53% in the prior year).

A primary role of the Audit and Risk Committee is to promote better oversight and monitoring of an organisation's financial reporting obligations. It remains evident, that councils with an Audit and Risk Committee perform better in more areas of internal audit than those where no committee exists. As Figure 5.10 shows, 63% of councils with an audit committee report that internal audit performs well (in six to eight areas of the internal audit).

Figure 5.9: Does your internal audit function perform well* in the following areas?

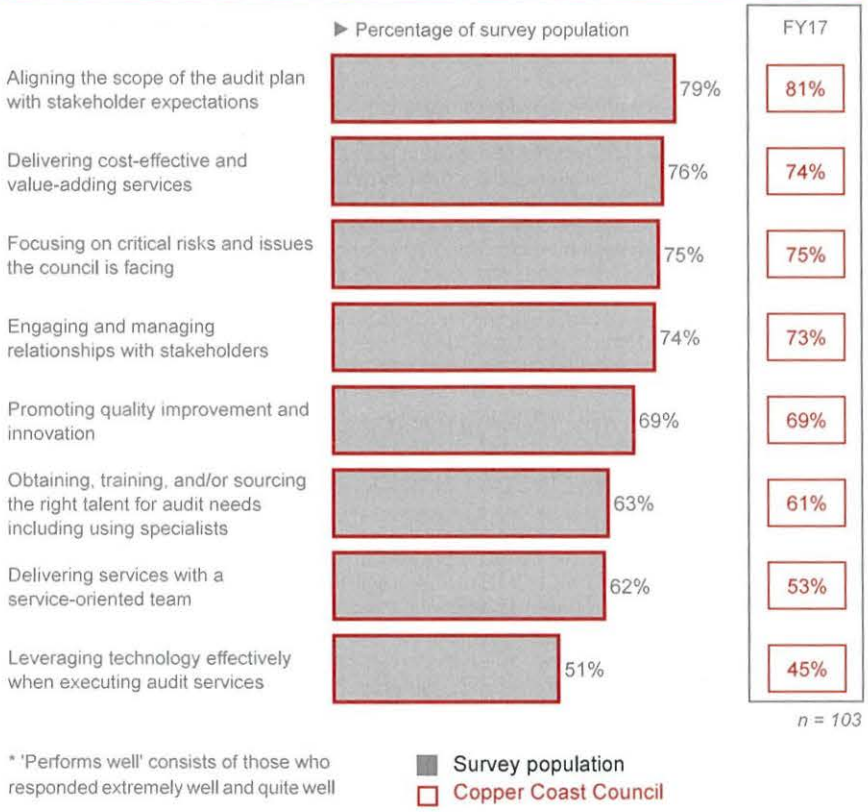


Figure 5.10: Correlation between having an Audit and Risk Committee and internal audit performance

31 PwC, 2018, State of the Internal Audit Profession Study, 'Moving at the speed of innovation. The foundational tools and talents of technology-enabled Internal Audit'

Corporate Leadership Trend Summary

Copper Coast Council

SA Survey population Copper Coast Council	FY17	FY18	Change from FY17 to FY18
1. Median council meeting duration (minutes)	146 91	143 126	▲35 ▼3
2. Median council resolutions passed	24 20	23 19	▼1 ▼1
3. Frequency in review of the community engagement strategy			
4. Publishing corporate performance results to the community	Yes 82% (Yes)	Yes 87% (Yes)	
5. Community satisfaction survey conducted in the past 2 years	No 71% (No)	No 52% (No)	
6. Improved community satisfaction levels			

Analysing council meetings and resolutions

Council meeting duration and number of resolutions

In the framework below, we have converted our survey data into a matrix to show possible reasons for a variation, from meeting to meeting, in council meeting duration and number of resolutions. This analysis allows councils to explore the relationship between meeting length and the number of resolutions passed at their last six council meetings in the 2017–18 financial year.

This year, we see around 31% of council meetings in the 'short and sharp' quadrant and 25% in the 'clearance of straightforward matters' quadrant. This is possibly explained by an increased use of delegation of these matters to council staff, or potentially through increasingly including some of these items in each meeting, rather than making it the purpose of an entire meeting.

On the basis that there are two levels of government in NZ, compared to the three levels that exist in Australia, perhaps it is not surprising that 43% of NZ council meetings sit in 'complex issues' quadrant. However, this was not always the case; in FY16, just 33% of NZ council meetings were in the 'complex issues' quadrant. It is difficult to discern from the data alone, whether these councils are working through more complex issues, or finding it more difficult to reach a decision over issues of comparable complexity. One possible explanation is that in FY16, councillors were in their third year of office and perhaps more experienced with the operation of council decision making. There is a marked difference in the conduct of council meetings between NZ and the Australian jurisdictions.

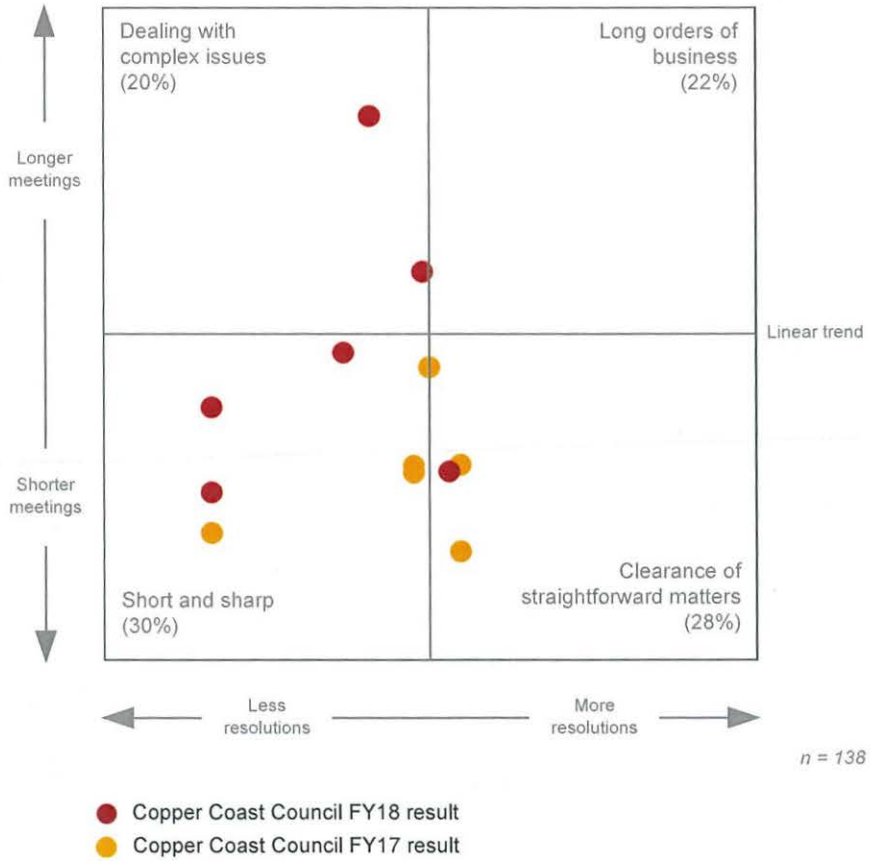
In Australia, we observe more SA council meetings in the 'complex issues' quadrant (26%), compared to just 12% of NSW and 20% of WA council meetings. Interestingly, NSW meetings (after 12% in 'complex issues') are spread evenly across the remaining three quadrants, yet more of the WA meetings are in 'short and sharp' (44%), followed by 25% in 'clearance of straightforward matters'.

When reviewing your profile in the chart below, consider that there may be a sound basis – such as the nature of business to be discussed – for whichever quadrant your meetings fell into. In fact, it might enhance a council's productivity if a range of the identified meeting types exists across the year. Each council should assess its results against the complexity and associated risk profile of the issues discussed in council meetings.

Key considerations

- Are you up to date with best practice when it comes to governance in your council meetings?
- Did the complexity of issues match the time taken to resolve them?
- Is your council meeting agenda well structured, clearly delineating sections for specific council purposes eg. information only versus strategic decisions?
- Are you conducting extra relevant meetings to support and inform your councillors so that the more formal council meetings are more productive eg. strategy or key operational issues?
- Do your councillors have access to technology that supports them to be more effective in their role as councillor eg. online meeting and papers access?
- Do you delineate your agenda into the different areas such as – strategic decisions, information only and housekeeping, so it is easy to manage and focus councillors?

Figure 6.2: Relationship between council meeting duration and resolutions passed in the second half of FY18



Maintaining high levels of staff engagement

Staff engagement

Monitoring and understanding staff engagement levels are crucial inputs to maintaining a high performing, productive organisation. High levels of staff engagement can help decrease staff absenteeism, avoid regretted staff turnover and increase efficiency in delivery and outcomes of council services.

While we observe slightly more councils reporting a boost in staff engagement levels (27%), compared to stability in staff engagement (25%), in prior years, there has been a much larger gap in favour of improved staff engagement levels. This is possibly to be expected, after a number of years of high levels of improvement in staff engagement, additional gains become increasingly more difficult to achieve.

Measuring staff engagement levels is an essential way for any organisation to gauge employees' commitment at a point in time and then use the results to drive change. We notice this year that a larger proportion of NZ councils are not measuring staff engagement levels; 57% of NZ councils, yet in past years this has tended to always hover around a third of councils, with the highest percentage being 40% in FY16. This may suggest that a portion of NZ councils only measure staff engagement every two years.

This year, more WA councils are measuring staff engagement (71%, up from 58% in the prior year). However, compared to other jurisdictions, WA councils had the highest proportion of councils reporting a decline in engagement levels (18%). Meanwhile, there were only 7% of NSW councils reporting a decline, compared to an even spread across improved and stable staff engagement (28% of councils in both categories). In SA councils, it is encouraging to see a smaller 35% (compared to 58% in the prior year) opting out of measuring staff engagement.

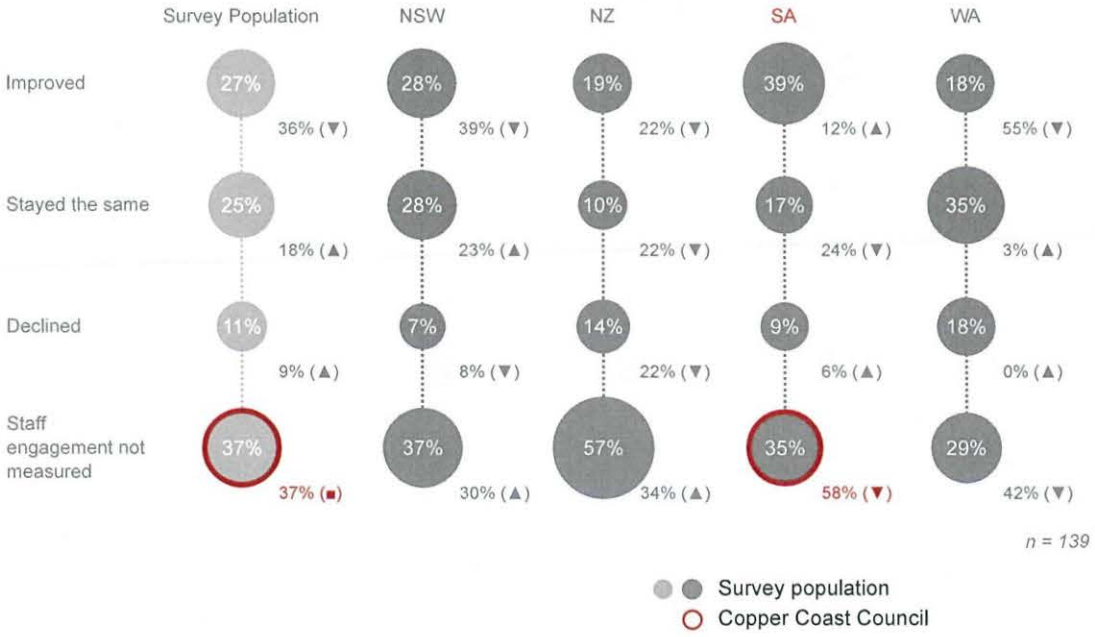
According to PwC's Fast Take on Talent Innovation[32], enabling a strong sense of purpose in staff, providing a diverse and flexible workplace and a recognition system, where both large and small successes are celebrated, will assist in engaging staff. Other contributing factors could include a highly personal management style, with managers taking the time to get to know their teams in order to further develop their skills and careers, and understand the best ways (and frequency) to communicate goals, progress and performance with staff.

Key considerations

- How would you describe your culture? Is it motivating, inclusive and are diverse opinions valued?
- Do you understand which clusters of employees are less engaged and taken action to address this?
- Do you make staff recognition a priority and encourage all levels of staff to share success stories?

Employee engagement is defined as one's commitment to and passion for his or her work and role within an organisation. Not to be confused with employee satisfaction—or general happiness—engagement is the extent to which employees are motivated to contribute to overall business success. It's a proven willingness to go the extra mile to achieve the organisation's business goals.[33]

Figure 6.5: Did your staff engagement levels improve during the year ending 30 June 2018?



32 PwC, 2015, "Fast Take on Talent Innovation: Employee engagement"
33 Ibid

Consulting with the community

Review of the community engagement strategy

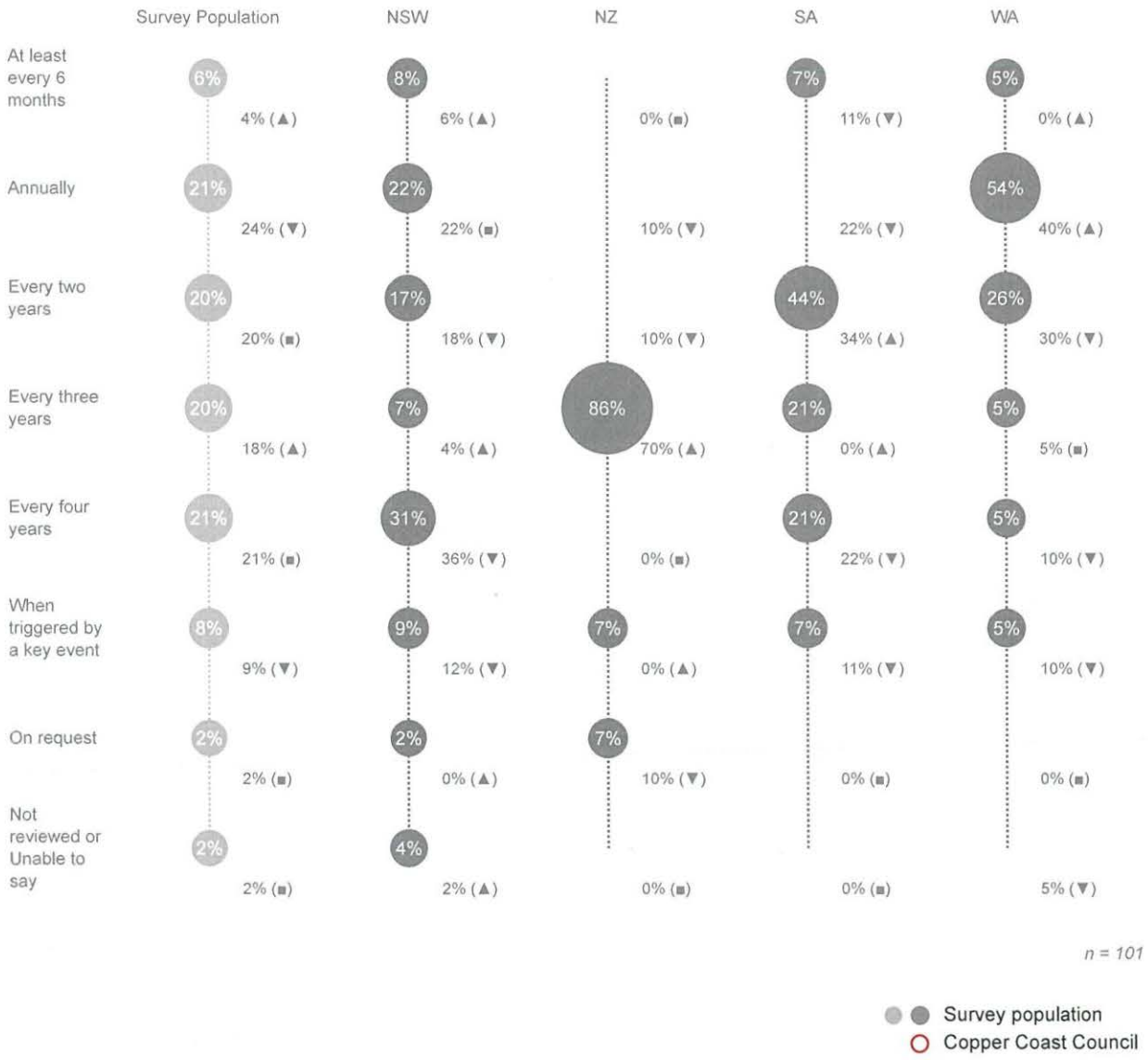
A community engagement strategy can only be effective if it appropriately represents the community and its changing needs - as such, councils should frequently review the strategy, updating where required so it continues to meet these evolving requirements.

It is clear that the frequency of review of the community strategy is quite different across the various jurisdictions, reflecting the various legislative requirements.

We see NSW councils (31%) being more likely to review their community strategy every 4 years, compared to 86% of NZ councils reviewing every 3 years (in line with the triennial long term planning (LTP) process). Within SA councils, they are more likely to review every 2 years (44%), while WA councils tend to review the strategy more frequently, with 54% reviewing annually.

While it's encouraging to see 8% of NSW councils reviewing the community engagement strategy every 6 months, it is important to understand if the community is likely to evolve at such a quick pace to warrant this high frequency of review, and if there is time to implement new ideas before reviewing again. At the other end of the scale, 4% of NSW councils do not review the strategy at all - the only jurisdiction to have any councils fall into this category.

Figure 6.7: How frequently do you review your community engagement strategy?



Consulting with the community

Sharing corporate results

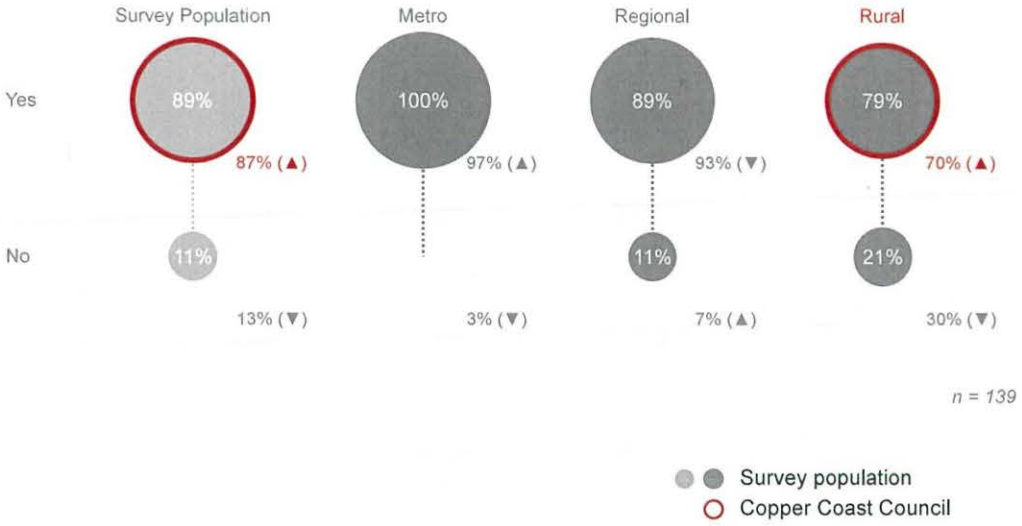
Through the sharing of council's corporate performance results, the community can understand how their rates and annual charges are being allocated, and feel reassured that, through this reporting, councils can be held to account if there are any anomalies or less than favourable results.

We continue to see an upward trend in councils publishing the corporate performance results to the community, with 89% of councils publishing this important information (up from 87% in FY17 and 85% in FY16).

This has been driven by Australian councils, especially WA (93%) and NSW (91%) and to a lesser extent SA councils. Analysing by type of council, we see that there has been a large focus across rural councils, with 79%, compared to 70% a year ago, now publishing their corporate performance results to the community.

Figure 6.9: In FY18, did your council publish corporate performance results to the community? (council jurisdiction)

Figure 6.10: In FY18, did your council publish corporate performance results to the community? (type of council)



Case study: Building a 'Business Life'

Alexandrina Council, SA

Background

In June 2018, Alexandrina Council, on the Fleurieu Peninsula in South Australia, announced that the region's economy had reached the significant milestone of $1 billion Gross Regional Product per annum. It is an impressive achievement given the current population of 26,775 and is a testament to our hard working businesses and industries.

To further assist the growth and progress of business in the Alexandrina area, an Economic Development Strategy (2016 - 2022) has been established by our council. The strategy puts measures in place to assist the growth of the Alexandrina economy, attract business to the area and demonstrate the lifestyle benefits of living and working in the Alexandrina area.

The 'Alexandrina Business Life' initiative

Our 'Alexandrina Business Life' branding will be used to focus and promote the key strategies and messages to both the Alexandrina business community along with new businesses and people we are hoping to attract to the region. The initiative is designed to build networks with local businesses and associations through regular emails, economic development forums and business forums. We also conduct an Economic Development Advisory Panel (EDAP) consisting of the Mayor, three elected members and six community members from local business owners with a broad range of business backgrounds, to encourage the interaction of local businesses and the Council.

Business forums are hosted in different townships across the Alexandrina Council area, exposing the attendees to the whole region and assist them in expanding their networks. Various topics are discussed such as sustainability or tourism with different guest speakers, including local political identities. Each forum concludes with a feedback session, to allow the council to understand the needs of the community and identify any assistance we could provide to meet those needs.

What topics are covered in the forums?

Guest speakers at the business forums held so far, which have been local identities, have shared their experiences and achievements within the region, such as:

- 'Faces and Food of the Fleurieu' by Rojina McDonald who has published a cookbook with stories and recipes from local restaurants, cafes and food producers)
- Growing of a local family dairy business to a state wide success story (Rebekha McCaul from the Alexandrina Cheese Company)
- Being awarded The James Halliday 2018 Wine Companion Winemaker of the year (Paul Hotker, Senior Winemaker from Bleasdale Vineyards at Langhorne Creek).

We also hosted an economic development forum for those currently involved in, or known to have an active interest in Hindmarsh Island, particularly as it relates to tourism, the environment, expanding business enterprises and land development. Almost 80 people gathered to hear from a range of subject matter experts on planning and zoning matters, nature-based activities, cultural tourism, plans for Coorong Quays and our role in facilitating economic development.

Community reaction to the initiative

Community feedback has been very positive and they value being listened to by the council. This is particularly evident in the interactive workshop held at the end of each business forum. We also receive positive feedback on the chance for attendees to share with others in the region and have visibility on what other businesses are doing.

The number of attendees at the business forums have increased over the past year, and returning guests indicate that they find benefits in both the topics and the networking.

Main challenges and key learning points

One of the challenges we face is the independent nature of the smaller size businesses within Alexandrina, who we want to increase their awareness that we encourage economic development in the region, and are here to help them grow and succeed. There are also the logistical challenges of resourcing events and resourcing solutions for the issues raised and the initiatives we want to drive to support growth.

Ideas for future activities to support the overall program include:

- Considering expansion of an economic development function within the council
- Increasing presence in local media for wider exposure of the message
- Further developing our Economic Development Advisory Panel as ambassadors and intermediaries to local businesses.

Asset Management Trend Summary

Copper Coast Council

SA Survey population Copper Coast Council	FY17	FY18
1. Dedicated asset management systems in road networks, bridges, footpaths and cycleways	Yes 88% (Yes)	Yes 91% (Yes)
2. Does your council have an asset management maturity rating model that it applies to its assets?	No 29% (No)	No 26% (No)
3. Frequency in reporting management of assets to council	Not reported 12% (Not reported)	Not reported 9% (Not reported)
4. Strategic asset management plan linked to long term financial plan	In development 24% (In development)	Yes 96% (Yes)
5. Primary responsibility for service assets	GM/CEO office 24% (GM/CEO office)	GM/CEO office 22% (GM/CEO office)
6. Primary responsibility for corporate assets	GM/CEO office 24% (GM/CEO office)	GM/CEO office 22% (GM/CEO office)

Asset ratings

Condition ratings

Our findings show that 94% of councils use condition ratings for some or all of their asset classes, down from 99% a year ago.

When analysing the specific asset categories, taking into account councils that have obligations to manage the various asset categories, we find the percentage of councils formally rating all assets in a particular category has generally improved over the past year.

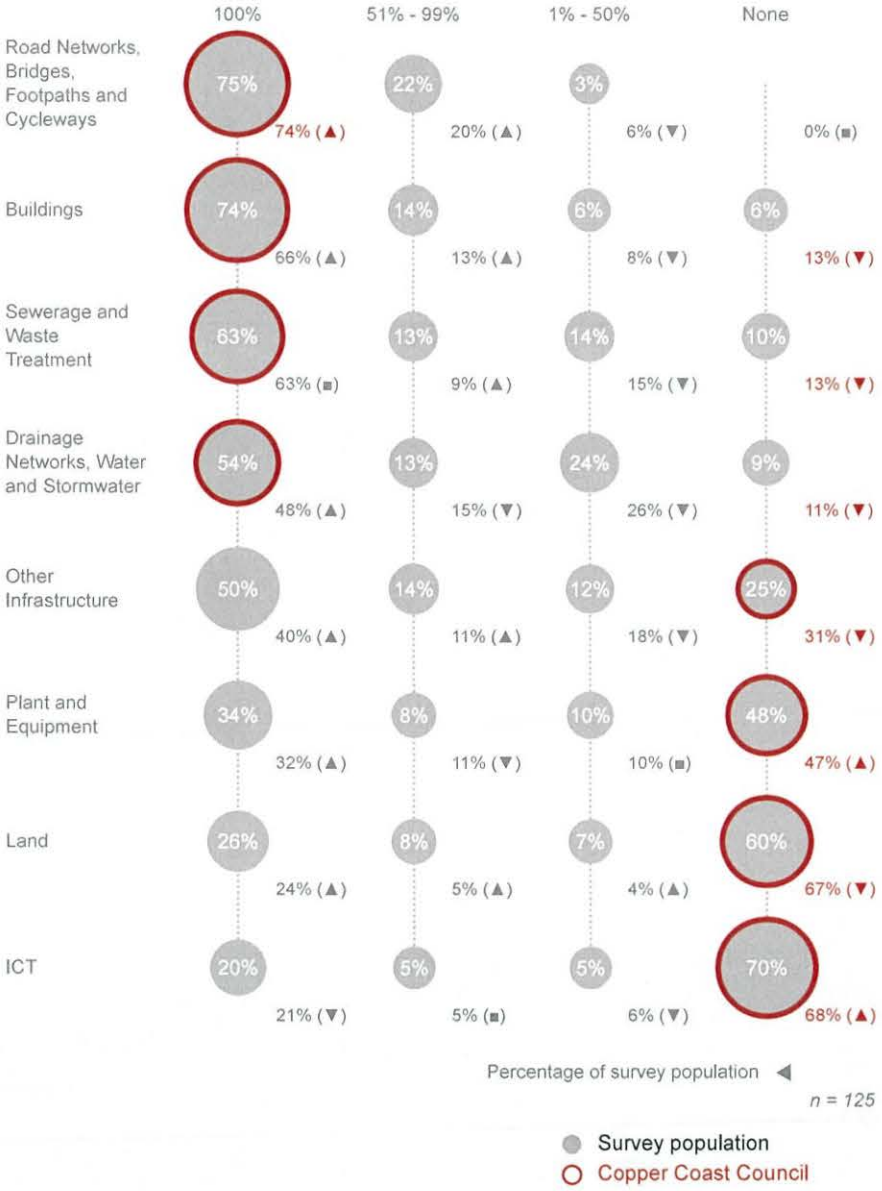
Looking into the top categories where all assets have formal condition ratings, we see 75% of councils now using formal condition ratings for all of their Road networks (up from 74% in the prior year), and a noticeable upward shift in Buildings, with 74% of councils formally rating all of these assets (up from 66%in the prior year).

Geographically, we note an increase in NZ councils having formal condition ratings for 50% or more of their Road networks, bridges, footpaths and cycleways, with 94% of councils, up from 86% in the prior year. This brings them in line with the other jurisdictions, where we observe 100% of SA councils, 97% of NSW, and 96% of WA councils with more than half of this asset class being formally rated.

The upward trend in the use of condition ratings for Buildings is being driven by NZ and NSW councils. There are now 58% of NZ councils using condition ratings on more than half of their Buildings (up from 46% in the prior year), and 95% of NSW councils (up from 84% in the prior year).

When assessing the impact of council size across Road networks and Buildings, it is evident that small councils are more likely to rate a higher percentage of their assets in these two categories, compared to large and medium councils. This is also particularly evident across Drainage networks, with 81% of small councils using condition ratings on all assets in this category, compared to just 35% of large councils, and 54% of medium-sized councils.

Figure 7.2: Percentage of assets with formal condition ratings in place



Strategic asset management

Reporting to council

A strategic asset management plan should be clearly communicated and easily accessible. It should meet any mandatory requirements as well as present the priority areas of investment by a council over a period of time. It allows residents and the community to understand the future direction of spend on both asset renewal as well as growth.

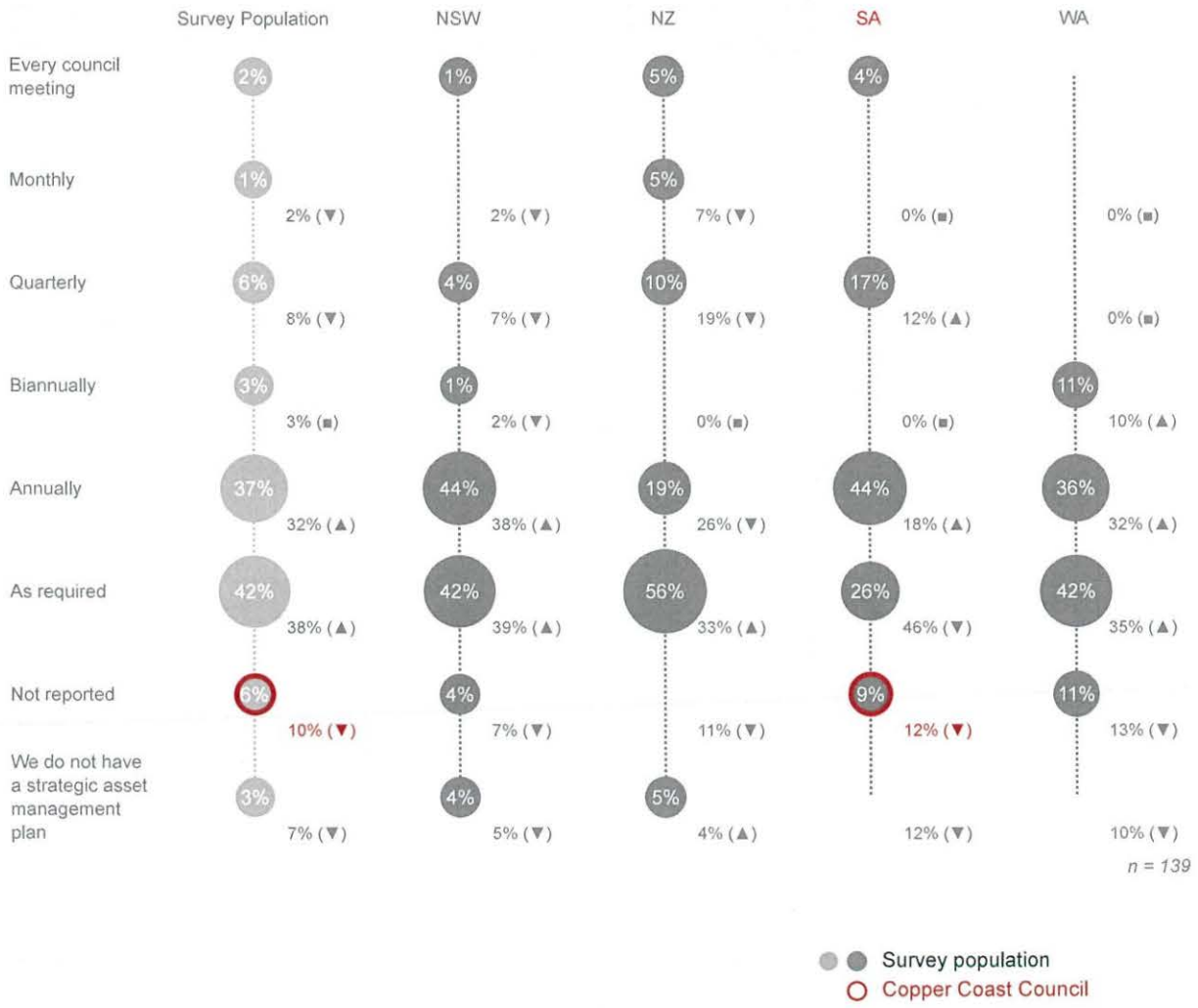
Linking the management of council assets to the strategic plan creates rigour and accountability within the senior executive team, and this should be complemented with frequent reporting on progress to council.

Our findings show that most councils either report to council on the management of assets in accordance with the strategic asset management once a year or 'as required'. A slightly higher proportion of councils are reporting to council in a reactive nature, and this is especially evident in NZ councils, with 56% reporting 'as required', up from 33% in the prior year.

SA councils are now applying more rigour in their approach to reporting on the state of their assets to council, with 21% reporting at least quarterly (up from 12% in the prior year), and a further 44% reporting annually, up from 18% in the prior year.

We encourage councils to set a minimum frequency to ensure councillors are given adequate time and opportunity to analyse, assess and discuss the progress of asset renewal as well as asset investments, at least annually.

Figure 7.4: How frequently is the management of your assets formally reported to council in accordance with your strategic AM plan?



Financial asset planning

Self-sustaining asset renewal

We have assessed the extent to which a council's long term financial plan aims to generate sufficient operational revenue to maintain its assets. The term self-sustaining relates to the extent that each council can fund its own activities, without the assistance of outside grants.

Examining by type of council, we notice a slight shift away in the proportion of rural councils (51%, down from 60% in the prior year) having an approved long term financial plan that delivers self-sustaining council asset renewal, across both the inclusion or exclusion of roads.

In turn, we now see metro councils more likely to be self-sustaining (including roads), with 71% reporting this position, compared to 57% of regional and 51% of rural councils. A year ago, the result between metro and especially rural councils was closer, possibly indicating the maintenance required for large-scale regional infrastructure such as, but not limited to, roads and bridges is impacting the extent to which rural councils can be self-sustainable.

It is important to note that a quarter of both NSW and WA councils report their inability to deliver self-sustaining council asset renewal. We acknowledge this is a difficult position for any council to sustain and encourage those councils in this category to assess their long term financial circumstance, and the impact this will have on inter-generational equity. While councils may be achieving balanced budgets with current citizens funding current spending, there may be assets that the current council inherited that are being depleted, so there actually is a problem being left for the future. Making this long term consideration can be an early step to considering whether there is a case for a special rate increase, or for other more fundamental changes in how assets are managed and funded in consideration of the service level standards councils wish to achieve.

Figure 7.6: Does your approved long term financial plan deliver self-sustaining council asset renewal? (type of council)

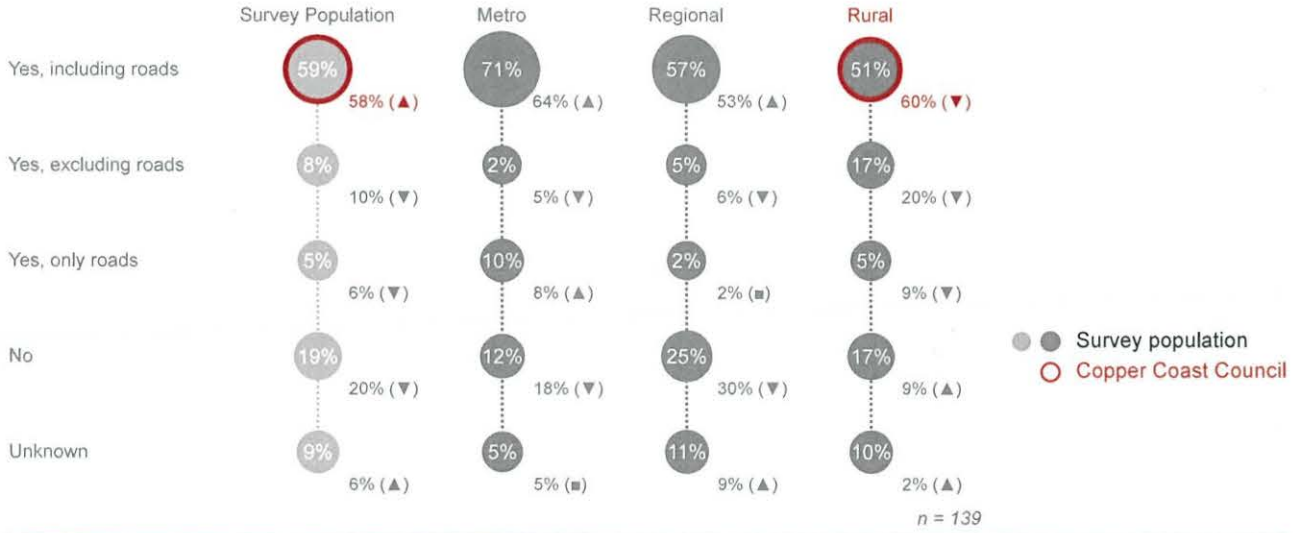


Figure 7.7: Does your approved long term financial plan deliver self-sustaining council asset renewal? (council jurisdiction)

Asset management responsibility

Day to day responsibility for corporate and services assets

As part of our analysis, we also looked at the function(s) that play a role in the day to day management of both service and corporate assets. In this case, councils could select more than one function for both categories of assets.

With larger infrastructure assets, our overall results show there been minimal change from the prior year, with a slight increase in reliance on specialist asset managers for the day to day management, 80% of councils (up from 76% in the prior year) as well as business unit managers (68% of councils, up from 65%).

In comparison, there is a more even spread between the different functions for the day to day responsibility for corporate assets. This indicates there is no defined approach by councils as to where the responsibility lies for corporate assets. This difference, between the management of corporate versus service assets, reflects the varying scales of councils and corporate functions, the lower overall value of corporate assets and even the absence of regulatory requirements.

Geographically, it is interesting to note that WA councils tend to place far more reliance on business unit managers in the day to day responsibility in managing service assets (79% of WA councils), rather than specialist asset managers (68%). Likewise, WA councils also place the largest reliance on business unit managers, when it comes to managing corporate assets (82%), especially when compared to NSW councils, with just 54% of business unit managers carrying the same responsibility.

Figure 7.10: Which function(s) maintain day to day responsibility and accountability for managing corporate and services assets?

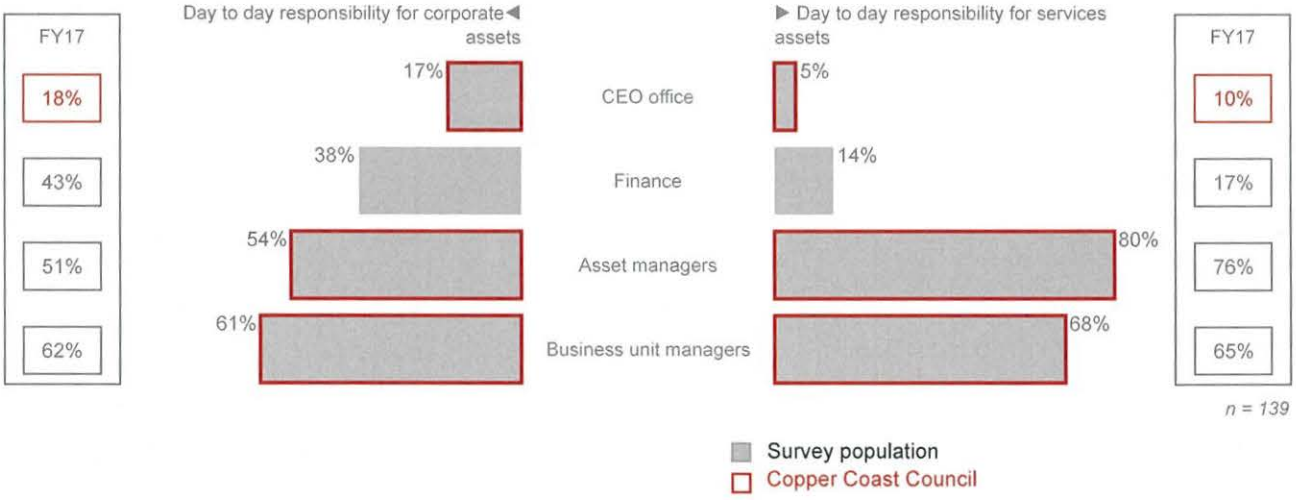
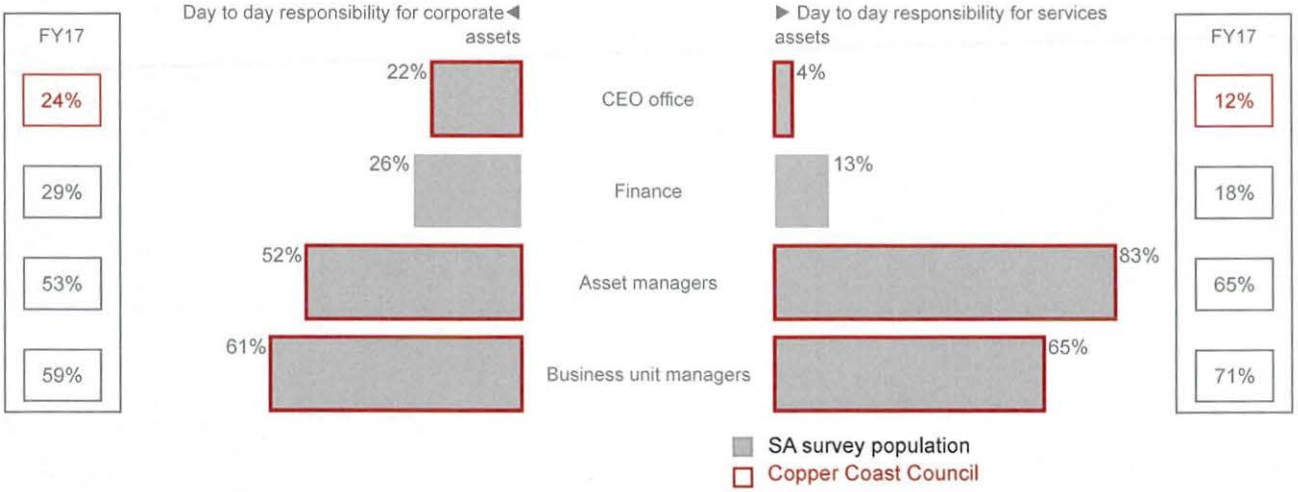


Figure 7.11: Which function(s) maintain day to day responsibility and accountability for managing corporate and services assets? (SA councils only)



List of participating councils by jurisdiction

The table below shows the list of particpating councils in the FY18 LG Performance Excellence Survey Program:

New South Wales

1. Albury City Council
2. Armidale Regional Council
3. Ballina Shire Council
4. Bathurst Regional Council
5. Bayside Council
6. Bega Valley Shire Council
7. Bellingen Shire Council
8. Bland Shire Council
9. Blayney Shire Council
10. Broken Hill Council
11. Burwood Council *
12. Byron Shire Council
13. Cabonne Shire Council
14. Campbelltown City Council
15. Cessnock City Council
16. City of Canada Bay Council
17. City of Newcastle
18. Clarence Valley Council
19. Coffs Harbour City Council
20. Coolamon Shire Council
21. Cumberland Council
22. Dubbo Regional Council
23. Eurobodalla Shire Council *
24. Forbes Shire Council
25. Georges River Council
26. Goulburn Mulwaree Council
27. Greater Hume Shire Council
28. Griffith City Council
29. Gwydir Shire Council
30. Hilltops Council *
31. Hornsby Shire Council
32. Hunters Hill Council
33. Kempsey Shire Council
34. Kiama Municipal Council
35. Kyogle Council
36. Lachlan Shire Council
37. Lane Cove Council
38. Leeton Shire Council
39. Lismore City Council
40. Lithgow City Council
41. Liverpool City Council
42. Maitland City Council
43. MidCoast Council
44. Murrumbidgee Council *
45. Muswellbrook Shire Council
46. Narrabri Shire Council
47. Narrandera Shire Council
48. Narromine Shire Council
49. Northern Beaches Council
50. Oberon Council

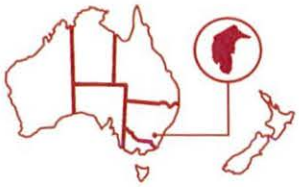
* not included in survey population

Western Australia

1. City of Albany *
2. City of Armadale
3. City of Bayswater
4. City of Bunbury
5. City of Canning
6. City of Cockburn
7. City of Gosnells
8. City of Joondalup
9. City of Kalgoorlie-Boulder
10. City of Melville
11. City of Perth
12. City of Rockingham
13. City of South Perth
14. City of Subiaco *
15. City of Swan
16. City of Wanneroo
17. Shire of Augusta-Margaret River
18. Shire of Broome
19. Shire of Capel
20. Shire of Cuballing
21. Shire of Dardanup
22. Shire of Esperance *
23. Shire of Harvey
24. Shire of Irwin
25. Shire of Kalamunda
26. Shire of Katanning *
27. Shire of Merredin
28. Shire of Mundaring
29. Shire of Northam
30. Shire of Serpentine Jarrahdale
31. Town of Cambridge *
32. Town of Mosman Park
33. Town of Victoria Park

Queensland^

1. Whitsunday Regional Council



Australian Capital Territory^

1. Australian Capital Territory

^ included in overall NSW calculations
* not included in survey population

Contacts

Contacts

The LG Performance Excellence Program FY18 is produced in conjunction with Local Government Professionals Australia, NSW and the results are analysed by PwC.

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Definitions

Headcount

Headcount includes permanent and fixed term contract employees based on your submitted HR extract. Casual employees are excluded. We calculate headcount at two points in the financial year, 1 July for opening headcount and 30 June for closing headcount

Full time equivalents (FTE)

FTE includes permanent, fixed term contract employees and casuals based on your submitted HR extract.We calculate FTE at two points in the financial year, 1 July for opening FTE and 30 June for closing FTE.

Calculating headcount or FTE at 1 July 2017

Headcount or FTE employees with the following criteria are included:

- Start date on or before 1 July 2017
- An FTE status greater than zero at 1 July 2017 (FTEs of zero or blank are NOT included)

Headcount or FTE employees with the following are excluded:

- A termination date before 1 July 2017

Calculating headcount of FTE at 30 June 2018

Headcount of FTE employees with the following criteria are included:

- Start date on or before 30 June 2018
- An FTE status greater than zero at 30 June 2018 (FTEs of zero or blank are NOT included)

Headcount or FTE employees with the following are excluded:

- A termination date before 30 June 2018

Calculating Service area FTE

The calculation for FTE by service area is made up of two components:

1. The sum of all closing FTE at 30 June for permanent and fixed term contract staff where no casual hours were worked during the year

2. If casual hours were worked during the year, we ignore the closing FTE value for those staff and instead sum those casual hours worked in a particular service area throughout the financial year and convert into an FTE value by using a 38 hour week. This reflects the seasonal nature of some service areas eg. pools, beach control.