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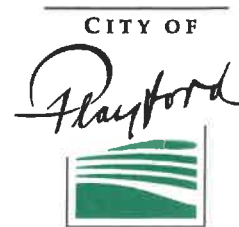
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16th October 2019

Mr Jeff Tate
Commissioner
South Australian Productivity Commission
GPO Box 2343
ADELAIDE SA 5001

Dear Mr Tate,

**South Australian Productivity Commission Draft Report –
City of Playford Response to Inquiry into Local Government Costs and Efficiency**

Thank you for the opportunity to provide feedback on the draft report. The comments outlined in this submission have been endorsed by Council at their Services Committee Meeting held on 15th October 2019.

Council is committed to the achievement of cost efficiencies through the delivery of continued improvement to service delivery.

While Council is supportive of the Commissions review of its inquiry into local government costs and efficiencies, it is important to note that City of Playford are not reliant on industry wide initiatives to achieve cost efficiencies.

The City of Playford has successfully managed a continuous improvement approach which has assisted with the achievement of over \$13M of on-going savings over the last 7 years.

Council supports the fact that the recommendations which the Commissioner has put forward are for the action of both State Government and Local Government. Council agrees that while each individual Council is responsible for their own actions with regards to the continued achievement of improvement efficiencies, to achieve this on an industry sector basis, this will need equal support and effort from all levels of government.

Council firmly supports the needs for councils to improve efficiency and to deliver value for money services to its community.

Recommendation 1: In-depth Benchmarking between Councils

- Council understands the benefits that benchmarking can provide. A point of comparison can assist with improvements to ensure costs are managed for like for like services Council's provide.
- Benchmarking on face value can provide points of comparison, however it is worth noting the limitations of benchmarking. Firstly, it requires consistent and timely data collation. The variety of council data and data systems makes collation complex. In addition, the points of comparison must be true comparisons. Making comparisons across councils are difficult due to variability of service provision from each council. The concept of 'matchmaking' councils on face value seems to address this comparative variability, however this will not be evident until the correct level of detailed analysis has been undertaken.
- Council recommends that benchmarking should be undertaken, however in order to truly overcome the difficulties and inconsistencies of across council comparisons it should be considered to conduct benchmarking councils against themselves. That is, a fair point of comparison and measurement of improvement is a Council's ability to note their performance against themselves on a year on year comparison. This will ensure that council is able to maintain or improve its service delivery and also deliver its services more efficiently compared to years prior.
- City of Playford uses its service standard system in this manner where it is proven to the community, that service delivery is maintained each year and measures are implemented to track and monitor improvements in each core service delivery area.
- Council supports a level of sector-wide analysis. However, it should be noted that the administrative burden of data collation, analysis and action should not fall onto each Council as this will only further increase the cost of compliance pressure to our community.

Recommendation 2: System upgrade prioritisation of information systems

- Council supports any system improvements that can be made to information systems of Councils, both individually and sector-wide based systems.
- Council agrees that as information technology improvements are made that a key consideration in the implementation is given to the collection, analysis and presentation of information for the betterment of Council efficiencies and transparency of reporting to its community.

Recommendation 3: Enhance transparency and accountability of operations

- Council generally supports enhanced transparency of reporting to our community.
- Councils annual business planning is already structured to describe the cost of provision of current services to agreed standards and describes rate increases in terms of provision of additional services and/or changes to current service standards.
- Each service is reported on a quarterly basis to our community.
- Council has conducted a variety of service reviews over its history, not unlike other councils, and the process has proven to be lengthy, costly and often results in service cuts that are not sustainable.
- Under Councils efficiency and effectiveness and continuous improvement programs, the collation of over \$13M of on-going savings were independently audited. As such Council supports the Commissions recommendation to continue to analyse alternatives to our service provision with the intention of providing value for money to our community and being open and transparent in the process.

In addition to the feedback on the above recommendations, Council has also formulated a response to the information requests included in the draft report. This response is attached for your perusal.

In conclusion, the high level recommendations that have been put forward in the draft report suggests that there is a potential for Councils to operate more cost effectively for the benefit of our community. Council strongly supports this and is open to consider any sector-wide initiatives that will continue to support its own initiatives that support greater efficiencies for councils to be able to provide value for money services and improved accountability to our community. It is important that such sector-wide initiatives are mindful of additional administrative burdens which may affect the achievement of true efficiencies.

Council thanks you for the opportunity provide feedback on the recommendations in the draft report and looks forward to working together to enable effective and efficient operation of Councils for the betterment of South Australian communities.

Yours sincerely,



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Enc. Response to Information Requests SAPC Draft report

South Australia Productivity Commission Inquiry into Local Government Costs & Efficiency Information Requests

Chapter 2 | Information request 2.1: Funding

Question: How does the untied nature of FAG funding affect council decisions to provide non-mandatory services?

Answer: The untied nature of FAG funding impacts council decision making for two main reasons. Firstly, the lack of clarity of calculation of the funding allocation makes reliance on the funding difficult. As a growing Council, the funding based on transport networks are not adequate to align with the pressures of new developments and renewing older suburbs. Secondly, the irregularity of payment of the FAG creates further complexity in reporting to the community on service delivery. This only creates further pressure on the Councils ability to keep communications simple and clear with its community.

Question: How does other Australian Government program or project funding to councils, of a more ad hoc nature, affect council expenditure?

Answer: Funding programs from other Australian Government projects are often unreliable and inconsistent – this then reflects on the services provided by Council. For example, OPAL and HACC funding allows specific service provision and are always subject to loss of funding which forces Council to remove services from its community without consultation or where there is community pressure/expectation to maintain services that Council then relies on ratepayers to fund the service via increased rates.

The changes in transport funding programs such as supplementary local road funding makes it difficult to keep up with the transport infrastructure works required for a growing council.

Overall the adhoc, inconsistent availability of funding via other programs and projects creates more pressure for Councils to rely on rate revenues to fund services and upgrades for its community.

Chapter 2 | Information request 2.2: Competitive neutrality policy

Question: How, if at all, do the requirements of competitive neutrality policy affect councils' decision making on whether, and how, to provide services to their communities?

This may include direct provision of services or contracting the services from private sector providers.

Answer: Councils are under increasing pressure to drive efficiencies through their operations. Many Councils have looked at innovative means to achieve this which, at times, has involved competing with the private sector to manage costs. A good example of this has been in waste management where private sector monopolies have impacted Council's control on spend for some time. Some Councils have seen opportunities to control these costs more via insourcing, or collective Council arrangements, to manage cost impacts from the volatility of global waste and recycling markets.

While the future of the My Aged Care reforms are still unknown, but with a general shift in service from block funding, to individual assessment-based funding - this increases the need for Councils to consider 'competing' for customers in a more commercial environment. The need to consider competitive neutrality may result in Councils opting out of this service area, leaving gaps in

the service suite, particularly for niche level or specialised services.

Chapter 2 | Information request 2.3: Financial management

Question: How have the financial management program reforms affected councils' ability and incentives to manage costs?

Answer: The program has created a greater focus on the long term financial impacts of decision making and the key areas of that impact financial sustainability such as operating results, asset sustainability and debt levels. This has enabled councils to be more forward focussed and enable more effective cost management and reduction.

Question: What changes to the type or quality of financial management information would assist councils to improve their decision making and contribute to better performance?

Answer: Continued improvement in reporting and methodologies would assist to improve the financial management of Councils. The LTFP has had significant R&D from SALFMG and tried to create consistency in reporting and use. The same approach should be taken for AMP's. Further improvements in the methodologies and definitions in asset management area would have positive impact on the financial management of Councils and greatly improve not only their financial performance but also their asset performance.

Question: Is there a need for a stronger external auditing process to increase councils' compliance with their legislated responsibility to produce long-term asset and financial management plans and lift the quality of these plans? If so, what form should it take?

Answer: Current external audit services may not possess the applicable skill sets to adequately provide oversight of these plans. The SALG Financial Management Group provides a valuable role in building its self-regulation and setting a professional standard for LTFP, etc. This is consistent with other professions/industries where industry itself produce a set of standards and expectations for the industry and each council needs to be assessed against that standard. Again there could be some further improvements to this area as the standards of these plans improve. However, consideration would need to be given to regional councils with fewer resources to produce these plans.

Chapter 2 | Information request 2.4: Workforce planning

Question: Have councils experienced any issues with attracting and retaining workers or securing workers with specific skills?

Answer: There have been times throughout the years that Playford have experienced a shortage in certain skill sets including Planners, Building officers/surveyors and Engineers.

Most recently Playford have seen shortage in the civil construction space specifically around roads and stormwater. Overall, there appears to be a slight increase in interest within local government as an industry and also for certain positions due to the increased wage levels and working conditions, especially at the administration and call centre level. In addition, a northern location does present some challenges in attracting highly skilled staff in roles that traditionally exist closer to the CBD/metropolitan areas.

Question: Are these issues unique to individual councils?

Answer: There are usually trends of skills shortage across the industry which impacts all councils. Council have experienced certain skill shortage specific to Playford

Council Services including the water reticulation project as it is specialised skill set.

Question: Is there value in a sector-wide or region-wide approach to workforce planning and the development of specific skills to support councils?

Answer: Local Government would benefit from increased promotion and re-branding of the industry. This should include targeting a younger demographic and sharing the benefits of a career within the Local Government industry.

Playford has its own unique requirements for workforce planning but overall branding would help support the growing need of specialised skill sets.

Chapter 2 | Information request 2.5: Resource sharing

Question: What is the potential for additional use of resource sharing to deliver efficiencies and other benefits to participating councils?

Answer: Council agrees resource sharing could bring following benefits;

- Cost Savings
- Economies of Scale
- Better community outcomes
- Efficiency & quality Improvements
- Increased Responsiveness to the community
- Improved access to skills and expertise
- Increase capability and capacity

Potential opportunities for resource sharing are as follows:

- Legal services
Most legal services are outsourced and some legal matters are common across councils. Pooling knowledge and legal advice across councils could deliver cost savings within the industry and also has the potential to increase the quality of the advice as capability increases within the service provider. Not all legal services could be shared as the service is issue centric.
- Industrial relations advisory
For the same reasons as above.
- Taxation advisory
For the same reasons as above.
- Recruitment service provision
This would have a bit more complexity than the service providers above but could deliver some cost savings when recruiting roles which are like for like across councils.
- Cross Council secondments
For those difficult to recruit positions or to give development opportunity to staff. A cross council secondment process could retain people in the industry, delivering cost savings (recruitment and training) and increasing capability.
- Pooled bulk purchasing
This could potentially deliver significant economies of scale savings if purchasing for some items was undertaken for groups of Councils. In particular, this could deliver untapped savings for Rural Councils. This approach may require some external commercial buyer capability to advise Councils but the savings should out way the cost.

Shared Service function. Playford is not convinced on the ability for Council's to deliver savings by developing a shared service function for HR, Finance, IT, etc.

Major shared service function only works if you have consistent, well established, documented processes/business rules across an organisation. Local Councils all operate differently, have different requirements and have different processes. If you don't have that consistency of approach it can often in the long run, cost you more, operating through a shared service function. There are many live and documented examples of this. It often seems easy to say that a centralised internal function within an organisation can be outsourced to a shared service centre but this ignores the complexity of the organisation itself and the localised stakeholder requirements. For example, City of Playford has a high ratio of ratepayers who are under financial stress, therefore there is a much greater focus on assisting ratepayers with debt collection. There are very few other Councils who have this. Under a shared service arrangement, the approach would be the same for everyone, you lose the ability to flex to the community requirements. This is because the shared service operating model relies on the principle of consistent approach and business rules, otherwise you cannot deliver the cost savings. If you get your shared service function wrong, then it can often significantly damage your reputation. There are many examples of organisations who have off-shored their call centre only to pull it back on shore due to customer backlash.

Finally, much of the services provided by centralised internal functions are localised so there are only parts of those functions that can be transferred to a shared service facility. Most Councils are geographically decentralised physically, so how do you get support to fix your laptop if your IT service is centrally located. Shared service functions are most times delivered in a central location to get the costs efficiencies. Where would you locate this function and still deliver the real time localised service?

Question: In councils' experiences of resource sharing, what works and what does not? Why?

Councils are asked to provide further examples of resource sharing.

Answer: Sharing knowledge in forum's like FMG.
Sharing advice, legal, taxation, IR.
Sharing people and capability.

Question: Are there any impediments to the greater uptake of various forms of collaboration or resource sharing?

Answer: Collaboration and sharing take time and resources, creating capacity can be restrictive.

Question: What challenges, if any, do councils face in making use of the provisions contained in sections 42 and 43 and Schedule 2 of the Local Government Act 1999 to deliver effective and efficient services to their communities?

Answer: Playford is one of the constituent councils in Northern Adelaide Waste Management Authority (NAWMA). This proves the concept that a section 42 based entity can create greater service outcomes and cost efficiencies. Likewise Gawler River Flood Management Authority (GRFMA) was created to provide better outcomes across council areas. Further areas of co-resourcing could be for other natural resource management such as water recycling or other regulated services such as immunisation.

Chapter 3 | Information request 3.1: Materials, contracts and other costs

Question: What are the main drivers of materials, contracts and other costs for rural small and medium councils?

Answer: Main drivers for these costs are materials for asset maintenance such as road products. Other key areas are variable costs for consultants and other costs of services not related to employee costs. Majority of these costs are subject to CPI increases or increases out of control of Council.

Question: In what ways do current council procurement practices affect expenditure on materials, contracts and other costs?

Answer: Effective contract procurement has assisted greatly with ensuring value for money in purchasing other materials. For example, procurement of materials through one major supplier where rates have been negotiated as well as volume rebates. This has ensured that rates are fixed and measurable and allowed projects to be planned and delivered on budget.

Chapter 3 | Information request 3.2: Population density

Question: How does increasing population density and urban infill impact on council service costs?

Answer: Increase in density and urban infill have minimal impact on council service costs in comparison to greenfields development and growth. These types of growth present on existing infrastructure and work with existing systems. By comparison greenfields developments in true growth areas have nothing to work with and Councils have the responsibility of playing all roles from developer for installing infrastructure themselves, to also inheriting donated assets from developers as well as liaising with other levels of government to leverage other works and funding to be able to reduce the burden on ratepayers.

Whilst not directly an issue of urban infill and increased density, a significant impost on growth Councils is the need to fund up-front many of the new services such as stormwater management, roads, footpaths, open space, social infrastructure, etc. to support the new communities. This requires significant borrowings by Council which the entire community pay for prior to the new rates collected slowly paying back this investment over generations. This is at odds with other States where upfront contributions by developers in this infrastructure is significant in reducing the burden on the broader, existing rate base.

Chapter 3 | Information request 3.3: Sector wide service standards

Question: How do councils currently define and measure standards of service delivery?

Answer: The establishment of service standards is an iterative process, which includes defining service outcomes and how they are measured. Arrive on agreed and aspirational targets.

Once established, they are continuously monitored and updated.

Service standards are derived/updated using annual Resident Satisfaction Surveys. Service Standards go through a review process every 3 years as a BAU internal process, or as required by organisational alignment, etc.

Costing – primary and secondary

The success and longevity of Service Standards is dependent on staff, Elected Members and the community being actively involved in the process and thus takes ownership of the system itself.

Services are defined based on how they are experienced by the community. A Service Standard is an agreed output from the service that the community can relate to. Defining a Service or changing the level of Service is the responsibility of the Chamber. It is to be holistic and can be described in terms of community

outcome (it is not a task).

Operational activities support the delivery of a service. Defining activities or changing the level of activities is the responsibility of the service owner. The various activities are there to meet the needs of the standard.

The use of an evidence based system is needed to understand how effectively the service is being met and how the service outcomes translate in to community satisfaction. Therefore quantifiable outcomes with appropriate measures that are able to reflect this is required for each service. The measures are to be used for monitoring (will we hit our target outcomes?) and evaluation (did we hit our target outcomes?)

Question: What measures could be developed on a sector wide basis to measure quality standards for either mandated or non-mandated services?

Answer: Sector-wide measures would not be considerate of characteristics of each council and their circumstances. There may be some regulatory services which would qualify such as immunisations, planning and building, rates collection, etc. (i.e. those services with little or no variability based on demography, geography or community value).

Chapter 3 | Information request 3.4: Cost shifting

Question: To what extent do councils receive external funding or an ability to charge fees for delivery of mandatory services?

Answer: Minimal if at all. Litter and Nuisance, State Planning portal, Waste Levy – all mandatory with no funding and therefore pressure on ratepayers.

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

Answer: With some items such as debt recovery costs, fee for service immunisations and some community programs we are able to fully recover costs. However, in most instances we are restricted in how much cost recovery we can achieve given community expectations for councils to subsidise.

Question: How are service scope and standards determined for mandatory services?

Answer: Majority driven by the regulation/legislation relevant to the mandatory service, as a result service standard kept to the minimum requirement.

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

Answer: Cost shifting over the last 5 years for Playford has forced an additional \$1.6m in costs to our community which have delivered little or no benefit to them.

Chapter 3 | Information request 3.5: Compliance costs

Question: Councils are asked to provide further examples of compliance costs and quantify how they have impacted on councils' costs.

Answer: Compliance forms a significant amount of the workload in corporate areas such as finance, governance, risk/WHs. Generally, as compliance requirements become more complex the resourcing and skills required increase. It is therefore important to recognise how certain compliance obligations add value and advocate to minimise those that don't add value.

Examples of other compliance related issues which have provided little value or hindered effective operations:

Taxable payment reports and Single Touch payroll required system configuration

at our own cost as service providers were not engaged at industry level.

Chapter 3 | Information request 3.6: Cost pressures

Question: What are the most significant cost pressures (and their impact on costs) which councils expect to face over the next 5 years?

Answer: Expected ongoing increases in State Waste Levy. Anticipated associated costs with changes to Planning Design Code.

The costs associated with managing growth, in particular the financing of significant trunk infrastructure for Stormwater and upgrade of road networks.

Chapter 4 | Information request 4.1: Performance reporting

Question: How can these lessons from state-wide performance reporting frameworks in other jurisdictions be applied to South Australia?

Answer: Playford already uses "Know Your Council" Victorian benchmarking system as another way to benchmark ourselves and monitor our own performance. Council also participates in the LG Professionals benchmarking which provides opportunities for comparison across Australia. Resident Satisfaction Survey information can also often be benchmarked.

Question: Which indicators used in other jurisdictions would be appropriate for South Australian councils?

Answer: Any indicators on the true impact of growth on service provision.

Chapter 4 | Information request 4.2: Partial productivity estimates

Question: What do these partial productivity estimates tell us about local government efficiency?

Answer: These provide little value due to the inherent issues in these estimates and create over-arching guestimates on efficiencies that hold little meaning.

Question: What other partial productivity estimates can be used with currently available data?

Answer: If they are to be used, best to be used for heavily regulated service provision in order to ensure they are kept objective.

Question: What additional data would councils be able to report on for minimal additional cost which would improve our understanding of council efficiency?

Answer: There is a breadth of data collected which would all be reported if there is value in doing so.

Question: Is there any other evidence of an expansion in the scope of council services, or improvement in quality over this time period?

Answer: Service expansion has been a choice of council and our community. In recent years Council has approved only a few 'aspirational service standards' whereby there was a conscious decision to increase the service level.

Question: Is the current reporting to the SALGGC an appropriate process for any additional reporting by councils? Is there value in making any changes to this reporting?

Answer: Current reporting via the Grants commission is out dated by the time it is received. Would be good to have more real time data and there would have to be clear guidance as to how to answer each question. This will help with the variability of data between councils.

Benchmarking between councils is difficult as the hard numbers do not take into account the variabilities and different service offerings. Would be good to bring

in some qualitative measures crossed checked against the numbers. Gives some relativity.

Chapter 4 | Information request 4.3: Service-specific efficiency

Question: Acknowledging the gaps in data currently available, how can data quality be improved in order to measure service-specific efficiency across councils?

Answer: This is again an issue in resourcing both from a people and technology perspective in regards to capacity and capability.

Chapter 4 | Information request 4.4: Efficiency changes through time

Question: How can the change in volume, scope or quality of services be quantified or otherwise incorporated into an evaluation of local government efficiency?

Answer: Self-benchmarking is the most appropriate measure of self-improvement for each council.

Chapter 4 | Information request 4.5: Factors that influence estimated council efficiency

Question: What other factors can explain the estimated efficiency differences between councils or over time?

Answer: The changing demographics, economics and other attributes of Councils' over time are a key factor in the councils' efficiency over time. The more stable these are the greater the ability to achieve efficiencies and return to the community. With changes in these areas, those councils are forced to be more efficient in order to sustain the demand of changing community, arguably their efficiencies have to be greater.

Question: What factors can explain the estimated productivity differences between councils over time?

Answer: As per above.

Question: What other possible data sources can improve this analysis?

Answer: Unsure as to the value of global efficiency measures and the value that it returns in true value terms to the community.

Question: What further information could be considered to analyse and interpret estimated partial and global efficiency scores?

Answer: Unsure as to the value of global efficiency measures and the value that it returns in true value terms to the community.

Chapter 5 | Information request 5.1: Employee costs

Question: Are there any benefits from streamlining the current industrial relations arrangements by moving to sector-wide enterprise bargaining?

Answer: There would be no benefit in sector wide agreements, unless it was initiated from the onset and development of Local Government.

The unique value add of each Council requires the ability for flexibility within the Enterprise Bargaining agreement process including the impact that this has on culture within each individual organisation.

Chapter 5 | Information request 5.2: Quality and quantity of data

Question: How can councils be assisted to work collectively to improve the quantity and quality of the available data on inputs, outputs and outcomes for services?

Answer: Working collectively in this area ironically requires additional resources in terms

of capacity and capability.

Chapter 5 | Information request 5.3: Strengthening councils' accountability and transparency

Question: How can the South Australian Government strengthen the accountability and transparency of councils? Possible instruments include:

- funding;
- legislation and monitoring of implementation through audits of the processes of local government decision making; and
- an agreement with councils and regular dialogue to reinforce the expectation that councils will conduct audits of the processes of local government decision making.

Answer: Improved governance of decision making would be an improvement. Previous investigations into Councils proved that external audit wasn't adequate to highlight areas of lack of process around decision making. As such further improvement on the principles of good governance would prove more beneficial. A requirement for a mandatory internal audit function could be one possibility so as to ensure the process, controls, monitoring and reporting function of councils are maintained.

Question: Should councils be required to undertake an independent external audit of their expenditure and efficiency in the event of that they record relatively high operating expenditure growth in a given period?

Answer: The current external audit picks up major variability in spends. Independent external audit cannot be a default solution to validate operations - a strong internal audit function with industry/sector support would provide greater assurance.

Question: Would growth in operating expenditure over any three-year period (normalised for population growth) which exceeds the rise in the Local Government Price Index for that period be an appropriate trigger for such an audit?

Answer: No. Such a trigger is a blunt measurement for an audit. Growth in expenditure should be categorised and reported on to ensure understanding of cost growth (i.e. splitting cost increases into 'growth, cost pressure, inflation, new services, etc. would allow the community and all other councils to truly compare drivers for cost increases).