



Office of the Premier  
of South Australia

B352824

Dr Matthew Butlin  
Chair and Chief Executive  
SA Productivity Commission  
GPO Box 2343  
ADELAIDE SA 5000  
Email: [sapc@sa.gov.au](mailto:sapc@sa.gov.au)

Dear Dr Butlin

Thank you for your recent letter recommending an inquiry into the Local Government costs base.

As discussed, please find attached a Notice of Inquiry into Local Government Costs and Efficiency which sets out the terms of reference for the inquiry.

I thank you and the Commission in advance of your efforts in relation to this inquiry.

Yours sincerely,

Hon Steven Marshall MP  
**PREMIER OF SOUTH AUSTRALIA**

13/5/2019

Attachment: Request for Inquiry with Terms of Reference

## **SOUTH AUSTRALIAN PRODUCTIVITY COMMISSION INQUIRY INTO LOCAL GOVERNMENT COSTS AND EFFICIENCY**

I, Steven Marshall, Premier, hereby request that the South Australian Productivity Commission (the Commission) undertake an inquiry into local government costs and efficiency.

### **Background**

The South Australian Government is concerned that the rising cost of living has put undue pressure on South Australian households and businesses. Every level of government has a duty to ensure service delivery is as efficient and effective as possible to contain costs to taxpayers and ratepayers and ease cost of living pressures.

South Australian councils collectively manage a budget of \$2 billion and maintain infrastructure and other physical assets worth almost \$23 billion. Effective local government can be the mainstay of a strong community. It is responsible for aspects of everyday life from roads and infrastructure, to well-maintained libraries and community services.

Consequently, sustaining good financial and performance management practices and seeking to continually enhance productivity and efficiency are critical factors for councils as they aim to continue to improve the services they provide to their local community.

Improved performance monitoring by councils, combined with meaningful data analysis and reporting, will improve public accountability as well as provide evidence and opportunities for councils and the South Australian Government to drive and support continuous improvement. Further, effective performance reporting by councils is essential for ensuring accountability to residents and ratepayers as to how public money is being spent and the quality of services delivered.

An SAPC public inquiry process would enable full engagement with local councils and other stakeholders, as well as providing to both local and state governments some independent and objective analysis and advice on the issue of local government costs.

### **Terms of Reference**

The Minister for Local Government has developed a 12-month plan for local government reform to improve council efficiency and effectiveness and restore confidence in council decision making. The reform elements address:

- Stronger council member capacity and better conduct
- Efficient and transparent local government representation
- Lowering costs and enhanced financial accountability in the local government sector
- Simpler regulation.

The South Australian Government is seeking independent advice on the third element regarding cost and financial accountability. This requires consideration of the key determinants of costs, or “cost drivers” of local council budgets; options to lower council costs; and how to ensure lower costs flow through to ratepayers.

Any interpretation of changes in local government costs, or comparisons between councils, would need to be able to take account of the impacts of factors likely to affect costs such as council size/scale, quality standard and mix of services provided, size of population and geographical area served and urban versus outer metro versus rural and remote locations.

## **Scope**

The Commission is asked to consider and report on the following matters regarding local government costs and efficiency:

1. Analysis of the information on local government costs and the key drivers of costs including:
  - Identify trends in local government activities and costs of local government operations
  - Identify the drivers of local government costs and assess their impacts.
2. Develop and analyse measures of local government efficiency and productivity.
3. Identify mechanisms and indicators that could be used by the local government sector to measure and improve performance over time.
4. Consider recent reforms in South Australia and other jurisdictions to policy, governance and management practices in the local government sector and their potential to improve council performance.
5. Provide advice on possible options to guide and assist councils to improve efficiency and create capacity to pass on cost reductions to rate payers.
6. Provide recommendations on actions the South Australian Government could take to lower local government costs and enhance local government financial accountability.

In its consideration of the above matters, the Commission is expected to have regard to the changing service expectations of communities and the long term financial sustainability of councils.

## **Inquiry Process**

The Commission will consult local government and other key stakeholders on the methodology to be used for its analysis.

The Commission is to publish a draft report and seek submissions before presenting a final report to the Government.

The Commission will second and/or engage staff with required analytical expertise and knowledge of the local government sector for the period of the inquiry.

The inquiry will involve state-wide consultation with Councils, community groups and relevant professionals in the public, private and professional bodies as part of the public engagement process.

**Key dates:**

Draft report	August 2019
Submissions on draft report	September 2019
Final report	22 November 2019



Hon Steven Marshall MP

**PREMIER OF SOUTH AUSTRALIA**

13/5/2019