

# South Australian Productivity Commission – Inquiry into Local Government Costs and Efficiency – District Council of Streaky Bay Submission

## Information Request 2.1 Funding

### ***How does the untied nature of FAG funding affect council decision to provide non-mandatory services?***

Financial Assistance Grants allow Councils to deliver mandatory services to communities at a level and consistency communities expect. The funding also allows Council to plan for the future to maintain assets and manage them effectively. The District Council of Streaky Bay does not believe the funding they are assigned through FAGs is utilised for the delivery of non-mandatory services as Council's main focus is only on the things it is required to do for its Community.

The only recent non-mandatory provision Council has entered into has been support of the medical centre. This is a position many rural and remote Council's are finding themselves pressed into as part of their remit is to ensure the health and wellbeing of the community at a strategic level. Where the State has been unable, and at times unwilling to assist, Councils have been forced to step in. The District Council of Streaky Bay has managed this support through its normal revenue raising abilities and not through the use or transfer of any FAGs funding.

### ***How does other Australian Government program or project funding to Councils, of a more ad hoc nature, affect council expenditure?***

Where funding and grant opportunities arise Councils assess the alignment of those grants against their strategic plans and capacity to deliver. Most ad hoc funding is requisite on Councils to provide own source funding tied to the same project so it is imperative Councils have shovel ready projects on hand to ensure they are deliverable. It is not believed this increases expenditure of Councils in general, rather ensures projects are prepared according to strategic priorities and funding sought when it is available. This also means many of the 'nice to haves' are not committed to until funding can be sourced to deliver that particular project.

## Information Request 2.2: Competitive Neutrality Policy

### ***How, if at all, do the requirements of competitive neutrality policy affect councils' decision making on whether, and how, to provide non-mandatory services to their community.***

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

Competitive Neutrality Policy does affect the decision making of Councils as to whether or how they provide mandatory services to their communities.

District Council of Streaky Bay has had to purchase the medical centre, which is not core Council business, in order to keep a GP service in Streaky Bay district. It was quickly realised Local Council was not a mechanism suitable for running such a practice as we as a government organisation were not able to offer appropriate incentives, nor actively compete in the market to ensure provision of these services continued for our community. The GP practice was therefore handed to a Board who would be more able to manage the practice, including being able to apply for charity status.

At times the rules of competitive neutrality, in this was make running of an enterprise impossible for Councils and therefore they stay out of the delivery of these services as much as is possible. It is true however that communities in rural and remote areas look to Councils for financial support regularly and opportunities to generate own source income should be more easily possible.

This Council is able to own and run a caravan park through the implementation of a Management Agreement with a private provider. Issues are then faced however in the area of dynamic pricing, which Councils cannot generally allow. This is a common enterprise practice in this industry but because pricing for the accommodation at the park must be managed by Council, this is currently not possible.

It is true therefore that where Councils try to compete on an equal footing at least, they are hampered by the rules of competitive neutrality on many occasions. It is felt that where appropriate agreements are in place with private enterprise partners, these rules should be relaxed to allow Councils to focus on mandatory services and not worry about whether their business partnership is being constrained by the burden of regulation.

### Information Request 2.3: Financial Management

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

Accountability and transparency reforms have certainly led to Councils being more considerate of where and how they spend the money they are allocated. In general the reforms of 2007 have been well received and adopted by Councils and community members are more easily able to compare the reports of one Council against another.

The strict timelines, requirements and regulatory burden placed on Councils to produce the range of documents required of them however has increase the cost and time pressures on Councils to meet these governance requirements. As a result complaints concerning the number of staff required to deliver Council business are relevant and regular so further regulation should be considered as the number of staff employed at other levels of government is not so easily seen and therefore not as severely impacted by increasing regulatory requirements.

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

Standard financial packages/ programs would assist in reducing data input requirements and ensure standard reporting outputs. These types of programs however are a long way off.

Financial accounting more closely aligned to private sector accounting will also assist in community and Elected Member understanding of government processes and therefore help with the decision making processes required of the Council Chamber.

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

The short answer is no, there is not a need for stronger external auditing. Councils in general are highly compliant with all of the legislative responsibilities placed in them including producing long term asset and financial management plans.

The difference may be in presentation of these plans or in the skills sets available in different areas. Having a uniform data input platform would assist Council's greatly in ensuring their reports are comparable with other Councils and the information required across Councils is consistent for auditing purposes.

#### Information Request 2.4: Workforce Planning

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

Yes. Councils in rural and remote areas in particular have real issues in attracting suitably qualified people and retaining them. Those with qualifications expect a level of remuneration often out of reach of small rural and remote communities and so they are often left with significant skills gaps.

Local employed by Council who are allowed and encouraged to grow in roles however do have a tendency to be long term employees. It is therefore imperative Local Councils work together to ensure they are able to supply career progression to individuals in their areas to ensure they stay and contribute to the communities in which they grew up.

CEO attraction and retention is of primary concern to most rural and remote councils as regular turn over of that leadership role has led to instability in the workforce and an often disengaged and unhappy workforce as a result. Support for Councils in this area is critically important to ensure stability, without keeping CEOs for so long that they become unaccountable for the things they do and deliver.

***Are the issues unique to individual councils?***

These issues are not unique to councils in rural and remote areas. They are experienced across the board in all areas, particularly CEOs and senior staff. DC Streaky Bay are not aware of this being as large an issue for urban and peri-urban councils.

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

Absolutely there is value in creating career opportunities across the sector. The ability to grow and develop skill sets in house is invaluable and the only way small and rural councils will be able to achieve this in practicality is in partnership with others in their region and with their larger brothers and sisters in urban and peri-urban areas. This may be an area of opportunity for the LGA to explore as they move toward workforce assistance programs with Councils.

#### Information Request 2.5: Resource Sharing

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

The use of resource sharing has the potential to reduce costs of Councils and provide considerable efficiencies.

Councils often do not have access to all of the skill sets required to deliver services to their communities. As such they either are required to pay high employment costs to attract suitably qualified individuals, or they can access the assistance of already suitably qualified individuals from other councils. This allows them to access those skill sets as needed and pay only for what they need, rather than an FTE.

Further it allows for career progression between councils and reciprocal arrangements to grow to assist each other (I will give this person's service if you allow me to access another person's time in an area I have not got suitably qualified people in).

Resource sharing further allows for workforce planning where officers may take leave and access other councils to assist in their absence (i.e. running payroll from another council when their payroll officer is sick or on leave).

The use of equipment across councils also means no one council is responsible for the purchase of that equipment and costs can be shared across the organisations.

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

In our experience, resource sharing works most effectively where the CEO's are able to build positive relationships with each other as this builds trust. Where CEOs are unwilling to participate it is difficult if not impossible to access their assistance or input into solving such matters.

***Councils are asked to provide further examples of resource sharing.***

Resource sharing is possible on so many levels, service delivery (sharing skills) to equipment (co-purchasing plant and machinery) to enterprise creation (such as the development of Joint Planning Boards and Regional Assessment Panels).

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

Generally impediments surround CEO willingness, associated costs (travel, accommodation etc) or fear of the process. Where it works best is where there is trust between the relevant CEOs and the system is neither too formal nor too complicated. The more legal the terms and conditions the less likely many are willing to participate.

***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?***

The primary inhibitor to councils establishing subsidiaries etc surround the issues with competitive neutrality. Where councils would like to run a subsidiary as a business they are prevented to a large extent by those rules. Subsidiaries would however allow Councils to deliver quality services at managed rates to their communities and ensure through that subsidiary that the pricing is competitive.

In this instance Councils in this area may look to set up their Joint Planning Board in a subsidiary capacity as this will allow for shared operation of the JPB to deliver services across the region.

**Information Request 3.1: Materials, Contracts and Other Costs**

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

The main drivers for the costs of materials are freight to the area and distance. Materials cost more in rural and remote areas because they must be freighted in and often the distance is substantial. Add to that the fact regional roads are not equipped for such heavy freight as triples and quads and the number of freight exchanges increases. The local costs of products are therefore higher than in urban areas and this adds to our contract costs.

Some other drivers include 'local pricing' which is a reality that we are limited in selection of providers or products and are sometimes forced to pay exorbitant prices in order to delivery required projects, products and services.

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

The requirement to 'buy local' often means the pricing is less cost effective than if we were able to purchase outside of the local area. Increasing our ability to source, even from neighbouring councils, products and services available in this district, would increase competition but may also have a detrimental affect on the local economy. This is a balance councils must consider when purchasing so one answer is not necessarily true in all situations.

Procurement practices also often require three quotes. If there is only one supplier for that service in an area, then that is impossible and we are forced to not follow procurement practices in those instances.

### Information Request 3.2: Population Density

***How does increasing population density and urban infill impact on council costs.***

Increasing population is currently not an issue for this council, increasing tourism however is. In that area then, along the lines of increasing population density, is the requirement for councils to provide increased infrastructure and services.

Infrastructure is required such as parks, gardens, amenities and roads. Services such as rubbish collection, maintenance of increasing infrastructure and maintaining amenity are also required.

The increased costs to council are not in this case necessarily met by an increase in rateable properties so source funding is required to address the issues being noted and raised. This must all be achieved without increasing staff numbers or impacting budget allocations for mandatory service provision.

### Information Request 3.3: Sector-wide Service Standards

***How do councils currently define and measure standards of delivery?***

Standards of delivery traditionally have not been defined or measured other than through community feedback. This Council has recently joined LG Performance Excellence programme in an effort to commence measuring council's performance against other councils using the same measurement parameters and administered through Price Waterhouse Coopers.

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

Measures could be based on the pwc methodology as that is already being used by a significant number of councils both state and nation-wide. Other metrics are also available across states and could be assessed for relevant to South Australia if the pwc methodology was not the preferred option.

### Information Request 3.4: Cost Shifting

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

FAGs grants and Roads to Recovery are the only external funding readily available to council to achieve delivery of its mandatory services.

Fees which may be levied include rates, CWMS fees and rubbish collection. Pressures to reduce rate increases have meant this is a limited source of revenue for Council now and into the future. CWMS fees are managed and returned to the maintenance and management of the CWMS system. Rubbish collection fees go to paying the contractor for their services.

Council does have a caravan park however revenue from that source has been redirected to the repayments of the loan taken out to upgrade the facility.

The NRM levy is collected by Council on behalf of the NRM.

The waste levy is collected by Council on behalf of the EPA.

#### ***To what extent are councils able to fully recover costs for the mandatory services listed above?***

The NRM pays council a small fee to collect the levy. The fee returned to council does not cover the administration costs to collect the fee nor cover the debt burden as councils must remit the levy to NRM even if the rate payer has not paid their rates.

The waste levy was recently increased by 40% to councils. Our waste levy is calculated on population as council has not had access to a weighbridge to weigh waste going to landfill. We are currently investigating alternatives to address this issue. The population method only takes into account the population number, not the demographic and so we believe is unreasonably high. Council do not receive anything for the collection of this fee.

#### ***How are service scope and standards determined for mandatory services?***

Roads are constructed and maintained according to accepted categories.

Other services scope and standard requirements have evolved over time. Where legislated requirements are set out Council meet those. Where they are not it is believed council may be currently over servicing and a review of services levels is underway.

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

### Information Request 3.5: Compliance Costs

#### ***Councils are asked to provide further examples of compliance costs and quantify how they have impacted councils' costs.***

FOI Fees and Charges are set by State Government. This is a small fee and does not cover the time and administration requirements to fulfil and FOI request.

The Public Interest Disclosure Act has imposed significant administrative burden on councils with no ability to remit a fee for the service at this stage.

### Information Request 3.6: Cost Pressures

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

- Rising electricity costs
- Rising freight costs
- Increased infrastructure development costs
- Increased fuel costs
- Increased wages costs
- Increased water costs
- Increase waste management costs

All adversely affect councils budget bottom line and reduce the level and types of services council is or will be able to offer. Combined with a downward pressure on rates, and a zero population growth, the pressures of managing budget are expected to increase significantly in the next 5 years.

### Information Request 4.1: Performance Reporting

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

It will be imperative that a common set of parameters are understood so that all councils are reporting within the framework set. Where there is miscommunication, calculations and data provided will not be the same or of the same value making reporting ineffective. Researching what has worked, what hasn't and why should be an integral part of the development of any performance reporting framework.

It would also be useful if performance measurement could be integrated with the data already collected round annual business planning and financial reporting cycles so that the administrative burden does not increase for employees.

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

Sherlock seems to be a highly regarded option for measurement as does the LG Performance Excellence Framework. It might be appropriate to consider which of these offers the best measurement options in each relevant area and adopt a best of breed approach to performance measurement in the future.

### Information Request 4.2: Partial Productivity Estimates

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

Current partial productivity measures were collected only for statistical purposes. It analysis of that data is to take place then an understanding of what data is required, how it is to be recorded and then how it is to be analysed and against what criteria need to be understood to ensure quality data is provided.

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

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



Currently it would be more beneficial to address current performance reporting difficulties before other measurements and data collection are requested.

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

Anecdotally council services have expanded over time. We no longer deliver only rates, rubbish and roads, with councils now delivering parks, gardens, community services, CWMS, economic development, planning, environmental management, regulatory services and more. The scope of councils' service provision therefore needs to be fully mapped before comparisons across the sector are possible or relevant.

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

SALGGC data is collected for purely statistical purposes and is currently used by councils to compare things like employee costs and road costs with like councils rather than produce a meaningful report comparing service delivery quality or quantity.

#### Information Request 4.3: Service Specific Efficiency

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

Councils will need to understand the parameters within which the data is collected, what data needs to be collected, why and how it will be assessed to ensure data collected is accurate and useful. Methods of collection will also need to be addressed as reliance on paper-based systems where digital connectivity is limited remains a problem for many councils. Understanding the administrative burden any performance management process places on councils will therefore need to be understood to ensure quality data is made available and within realistic timeframes.

#### Information Request 4.4: Efficiency Changes Through Time

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

It is difficult to quantify the scope or quality of any councils' services at this time as there has been no historical measurements in place. Evidence to date is anecdotal at best and sometimes a gut feel. Measuring performance in the future will become necessary but the quality of the measurement must be there to ensure it is not just there for the sake of measurement.

#### Information Request 4.5: Factors that Influence Estimated Council Efficiency

***What other factors can explain the estimated efficiency differences between councils over time?***

- Distance to the supply chain
- Distance within a council boundary (between sites / work zones etc)
- Connectivity (telecommunications and internet) disparity
- Access to required skill sets

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

The effects on productivity will be similar to the effects on productivity with the same issues impacting not only what is done but how it is done.

***What other possible data sources can improve this analysis?***



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

#### Information Request 5.1: Employee Costs

***Are there any benefits from streamlining current industrial relations arrangements by moving to a sector-wide enterprise bargaining?***

Yes. Many councils do not have access to staff with sufficient IR / ER skills to properly manage and engage in an enterprise bargaining process. This appears to have led to significant pay disparity and conditions between internal and external staff. Bargaining at the local council level further leads to unfair and sometime uninformed comparisons between agreements where local conditions are not factored into the agreements reached in each district. A state-wide agreement would set minimum standards and could still allow for local exceptions to be included in the agreement. This would lead to a far more transparent and accessible system for all council employees.

#### Information Request 5.2: Quality and Quantity of Data

***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?***

Again, ensuring understanding of what data needs to be collected, why and how will assist in ensuring correct data is inputted to allow analysis.

Ensuring councils have access to adequate technology and internet / telecommunications will also allow for efficient data collection at point of delivery rather than by paper-based recording and then data entering at a later date.

#### Information Request 5.3: Strengthening Councils' Accountability and Transparency

***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 to the processes of local government decision making.***

Whilst all would options presented would assist in strengthening the accountability and transparency of local councils, it is felt councils are already the most accountable and transparent level of government. We are seen and subjected to audit on everything and everyone. Councils are willing to comply but at what cost to the community? There is very real concern that this area in particular potentially places more regulatory burden on Council and steers us away from working and delivering in our community.

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

Councils are already audited to infinity. High operating expenditure may be the result of many things beyond council control (poor currency exchanged, increased fees, increased regulatory burden). If Council's Annual Business Plans and financial reports are not able to explain high operating expenditure already then further audits and governance burdens will not help.

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

Answer as above.