



Tatiara
the good country

File 9/50/6

25 October 2019

South Australian Productivity Commission
GPO Box 2343,
ADELAIDE SA 5001

Dear Sir/Madam,

Re: Productivity Commission Inquiry into Local Government Costs and Efficiency

On behalf of Tatiara District Council, I am pleased to make a submission to the Productivity Commission's Draft Report.

Draft Recommendations to the South Australian Government

The report proposes to lower costs and enhance financial accountability by defining and establishing a sector wide performance monitoring framework that would enable comparisons between councils to assist decision makers and inform communities.

It is based on the premise that a) the current lack of sector wide KPIs leads to bad decisions, b) the setting of KPIs is synonymous with cost savings, and c) there is a current information gap that communities would like to see addressed.

In doing so, it mixes two disparate aims and is likely to achieve little for either.

Assisting decision makers:

The Commission has *"found limited evidence to date to demonstrate that the use of performance benchmarking by the local government sector in Australia has led to improvements in performance."* (Page 17 of the Draft Report.) The one successful example quoted in the report, three councils in Adelaide, differed in that the small group of very similar councils allowed for an in depths analysis of different business and operational practices.

Without the context of our very different environments, particular challenges at any given time, and policy priorities, any performance data collected is practically incomparable, rendering it of little value for the purposes of benchmarking.

Our Victorian neighbours and their Know Your Council website which provides a detailed set of performance data is a good example of this.

The Commission found the four largest service categories to be transport, recreation, other environment and waste management.

The Know Your Council website on the other hand provides data on animal management, aquatic facilities, food safety, governance, Home and Community Care, libraries, Maternal and Child Health, roads,

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~STAY FOREVER~

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statutory planning, waste collection, financial performance, sustainable capacity, and a governance and management checklist. Performance data provided includes such measures as number of health inspections of the aquatic facilities, or the number of Council planning decisions upheld by VCAT, or the somewhat obscure measure of population density per length of road.

The above information does not assist local government forward planning or decision making. Rural councils are well aware that they have responsibility for an enormous road network compared to their population, but whether a road is used by 10 or 1000 people, they still require it to get from A to B and there is little local government can do to materially change this measure.

If a range of KPIs is indeed developed and implemented going forward, care will need to be taken that they do in fact add value to local government planning and decision making.

To minimise the additional administrative burden and maximise any potential return from such KPIs, they should only consider the four largest service categories identified by the Commission.

Informing the community:

The second aim of the proposal is to provide information to the community.

The community's interest in local government information is often quoted. While I do not hold current statistics on the use of the Know Your Council website, usage data provided to Victorian councils in previous years appeared to indicate that the broader community is not accessing this information in large numbers.

Rather, the most community interest – and concern – appears to be expressed in regards to the amount of rates residents are paying. While some of the information collated through KPIs may assist us in telling our story, for example the range and breadth of services we provide, or the (limited) other revenue streams accessible to us, the KPIs need to match our community's needs and interests rather than be a "random" collection of performance data.

I would also caution that such "story telling" requires more information than would easily be captured in KPI setting.

Consider West Wimmera Shire Council, just across the border, and its neighbour Hindmarsh Shire Council, both small rural councils in the Wimmera region of Victoria, and the information on average residential rates provided by the Know Your Council website.

For West Wimmera Shire, the average residential rate per assessment was \$654, compared to \$1,154 for Hindmarsh Shire.

Without the knowledge that every year the former receives almost \$2m more in recurrent federal government funding through Grants Commission and Roads to Recovery Program than the latter, or that West Wimmera received \$1m in un-tied drought funding, which its neighbour didn't, a huge part of that rates story is missing and a



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Hindmarsh ratepayer cannot meaningfully compare their rates to their neighbours’.

The setting of KPIs in this context appears to be not very well suited to address community concerns about the rather complex matter of setting rates.

(Out of interest, rates only make up 34% of West Wimmera Shire’s revenue, compared to 47% for Hindmarsh, the remainder of revenue for both councils is almost entirely raised through state and federal grants. For South Australian councils the amount of revenue raised through their rates sits around 70%.)

Draft Advice to South Australian Councils

The draft report proposes in depth benchmarking between councils (as different from the broad KPIs in the previous recommendation to the state government).

Benchmarking is a way of discovering what is the best performance that can be achieved, whether within one organisation, a particular sector, or even different industries. Benchmarking information is used to identify gaps in an organisation’s processes in order to achieve a competitive advantage.

As a tool, it requires an in depth understanding of our own organisation and the one/s we are comparing ourselves to. It focusses on best practice, our continuous improvement, and information sharing. To achieve real outcomes, it needs to be undertaken not by broadly comparing ourselves to 67 others, but by examining a select few in detail.

The draft advice, point 1, appears to provide opportunity to undertake such in depth benchmarking through “matchmaking”.

Point 2 of the draft advice, is certainly front of mind in all systems upgrades, noting, however, that due to resource constraints these occur but rarely.

Point 3 of the draft advice proposes independent reviews for any new or material changes to council services, service reviews and program evaluations being included in external audits, and incorporating in asset management plans, long term financial plans and annual budgets advice on service level changes.

Point 3i, independent service reviews, will not only add a considerable administrative burden but also a significant financial one. “Fresh eyes” may be beneficial in reviewing services that have been provided in the same way for a long period of time but so is subject matter knowledge and local experience.

It is also unclear what the advice considers to be “new” and “material changes”. These are rather broad concepts that could “catch all.”

Point 3ii adds what I presume is a suggested qualitative review of service reviews and program evaluations as a part of councils’ external



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audits. Such a qualitative review would be quite outside the matters usually considered by our external financial and internal control audits, and would come at a significant additional cost.

Point 3iii appears to recommend that the same information be provided in triplicate: once in the asset management plans, second in the long term financial plan, and third in the annual budget. As the annual budget is to outline “the activities that the council intends to undertake to achieve those objects” (Sect 123 Local Government Act), it appears that this would be the logical place for such information. This would also fit in well with councils’ existing consultation processes when setting its budget.

Information Requests

The draft report seeks further information on a number of different matters:

Stronger external auditing processes

While extended external auditing appears to feature strongly in both the Productivity Commission’s draft report and the state government’s local government reform papers, there is no independent or external body, including the SA Auditor-General, that has adversely commented on the standard of local government external audits. There is no need for a stronger external auditing process.

Significant cost pressures over the next 5 years

Significant cost pressures over the coming years include the impact of climate change and more severe weather events on our district, waste/recycling challenges, implications of NHVR on our roads (including required upgrades to transport infrastructure to meet standards), utility and fuel costs, and state government regulatory changes (notably PDI Act implementation).

Enterprise bargaining agreements and workforce issues

While enterprise bargaining does come with some transaction costs, in particular from meetings of bargaining staff and management and administration of the process, sector wide arrangements may further increase direct and indirect costs for many local governments.

Sector wide or regional arrangements, it is suggested, will address an alleged lack of expertise/experience in smaller councils and fix difficult and protracted negotiations in highly unionised councils.

For us, as for many of our regional peers, our bargaining in the past has been characterised by good will and constructive negotiations. Removing the negotiations from the local level is likely to reduce our staff’s ownership of and engagement in the process, ultimately leading to more protracted, and expensive negotiations.

On the other hand, a useful tool in negotiating agreements would be an enterprise agreement and claims “lexicon”. The “lexicon” could contain brief summaries of the different entitlements, allowances, salary ranges, increments and claims across the sector. Rather than each council negotiating on its own, the “lexicon” could enable a sharing of information.



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Current enterprise agreements also see quite a variety of entitlements, allowances and salary ranges across the sector. It is hard to see how these could be aligned with the Unions' agreement without adopting the higher entitlements.

A quick review of the salary ranges for a member of the outdoor workforce, Level 5, Year 3, provides a range of \$54,000 to \$69,000/annum across 20 randomly chosen councils. It is clear that the current system creates significant differences between councils but this is not necessarily a bad thing. It may, in fact, be a conscious choice by some councils to be competitive when recruiting staff, in particular where a council's relative remoteness may require other incentives to attract staff. The current system does have no effect on employee mobility.

Recruitment of staff

Like many of our regional local government and business peers we have experienced difficulties in recruiting staff.

Skills shortages in accounting, engineering, building/planning, senior management, regulatory services, IT and trades (Diesel Mechanics) are well understood across the sector.

They are the result of graduates not seeing the regions as career and lifestyle options as well as insufficient numbers of students completing the required courses of study/training.

Increased access to training, development and study in the regions is an essential part of addressing this matter.

In closing, I appreciate the opportunity to provide comment on the Draft Report and during the recent roundtable discussions. I would be pleased to provide further information and can be contacted on mobile 0417 765 549, or by email to annechampness@tatiara.sa.gov.au.

Yours faithfully,

Anne Champness
Chief Executive Officer