

OFFICE OF THE MAYOR



Contact: Karen Redman

Ref: KR:ts
CC19/524

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Dr Matthew Butlin
Presiding Commissioner
South Australian Productivity Commission
GPO Box 2343
Adelaide SA 5001

Submission via sapc@sa.gov.au

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Dear Dr Butlin

Re: Town of Gawler submission on Draft Report - Inquiry into Local Government Costs and Efficiency

Please find enclosed Town of Gawler's submission in response to the 19 requests for information and the draft recommendations outlined in the South Australian Productivity Commission's Draft Report on the Inquiry into Local Government Costs and Efficiency.

Thank you for the opportunity to make this submission. Town of Gawler remains willing to participate in any further discussions regarding this matter.

Kind regards

A handwritten signature in black ink, appearing to read "K Redman", with a long horizontal flourish extending to the right.

Karen Redman
Mayor

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South Australian Productivity Commission – Inquiry into Local Government Costs and Efficiency – Draft Report

Town of Gawler Submission

Draft Recommendations to the South Australian Government

Item	Local Government Association comments – September 2019	Town of Gawler position
To lower local government costs and enhance local government financial accountability, the Commission proposes that the South Australian Government:		
<p>1. Lift the capacity of local councils to identify and address opportunities to reduce their cost base and improve their operations by: In conjunction with local government, defining and establishing a sector wide performance monitoring framework that would enable comparisons between councils and over time to assist decision making by council leaders and to inform communities, including by:</p> <ul style="list-style-type: none"> i Establishing common key performance indicators (KPIs) for inputs, outputs, service standards and financial indicators; ii Optimising existing information held by the South Australian Government, especially that gathered by the South Australian Local Government Grants Commission; iii Filling the gaps in the current information; iv Publishing information in a contextualised form designed to assist individual councils. 	<p>This draft recommendation broadly aligns with the LGA's Local Government Reform Agenda advocacy for a sector-wide benchmarking program.</p>	<p>Existing financial indicators required by legislation (i.e. Operating Ratio, Net Financial Liabilities Ratio, and Asset Renewal Funding Ratio) are relevant and appropriate.</p> <p>As noted in the Draft Report (page 89), most Councils have not developed service standards, which invariably inform the nature, quality and level of a service provided (in this regard, the Town of Gawler has a Service Range Policy and has incrementally developed a number of Service Level Policies underpinning it).</p> <p>Whilst the Draft Report acknowledges the existing limitations of the SA Local Government Grants Commission data, it is nonetheless considered appropriate to further develop such existing data.</p> <p>Any common KPIs to be established for inputs/outputs and service standards, importantly need to take into consideration the various differences that can exist between Councils, as outlined on page 124 of the Draft Report (e.g. multiple towns/service delivery centres, climatic factors, soil types, topographic differences, coastal vs inland setting, tourism, and quality of services).</p> <p>It should be noted that the sector already has in place a performance based approach to benchmarking as facilitated by the Local Government Professionals Group. The Town of Gawler is one of 119 Councils across Australia and New Zealand (24 in South Australia) that is participating in the Performance Excellence Program. We, as with the other councils involved, are currently preparing data for our second year in this benchmarking exercise. It is a model formulated by prominent private sector consulting firm Price Cooper Waterhouse and compiles data not just participating SA councils but from all other Councils throughout Australia and New Zealand.</p>
<p>2. Facilitating benchmarking by clusters of councils through an appropriate mix of incentives for councils to participate and expectations that they will report information publicly in a format consistent with the framework.</p>	<p>This draft recommendation broadly aligns with the LGA's Local Government Reform Agenda advocacy for a sector-wide benchmarking program.</p>	<p>Benchmarking with like-for-like councils can be a useful tool for measuring performance, identify areas of improvement and assist in creating efficiencies and effectiveness outcomes.</p> <p>However, differences between Councils would need to be considered before any meaningful and tangible benchmarking outcomes could be determined.</p>
<p>3. Further lower council costs by addressing aspects of the relationship between the South Australian Government and local government by:</p> <p><u>In the short term</u></p>	<p>This draft recommendation broadly aligns with the LGA's advocacy for Local Government to be considered as a partner in Government and that we should be provided with an early seat at table when there are proposed changes which will impact on councils.</p>	<p>Concur with LGA comments.</p>

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<p>i Identifying and addressing inefficiency and red tape from the South Australian Government mandated services and other legislated requirements on:</p> <p>a) councils</p> <p>b) communities.</p> <p>ii Adopting a strong South Australian Government review process for any measures affecting local government;</p> <p>iii Clarifying local government responsibilities, including service standards, for mandated services.</p>	<p>The LGA is advocating for the following changes to the governance arrangements between state and local government</p> <ul style="list-style-type: none"> • Update the State/Local Government Relations Agreement to strengthen engagement with local government on changes to legislation, policies and programs that are likely to have a direct financial impact on councils. • Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements. 	
<p><u>In the medium term</u></p> <p>iv Clarifying the respective responsibilities of the South Australian and local governments to remove unnecessary overlaps, or duplication and reduce uncertainty between governments.</p>	<p>The LGA is advocating for the following changes to the governance arrangements between state and local government:</p> <ul style="list-style-type: none"> • Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements • Cease mandating through state laws that local government must perform functions for the state government. 	<p>Concur with LGA comments.</p>
<p><u>In the long term</u></p> <p>v Clarifying relevant aspects of s6, s7 and s8 of the Local Government Act 1999 to reflect an appropriate division between the levels of government and to make clearer the range of options available to councils in the performance of legislated functions.</p>	<p>The LGA is advocating for the following changes to the governance arrangements between state and local government:</p> <ul style="list-style-type: none"> • Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements • Cease mandating through state laws that local government must perform functions for the state government. 	<p>Concur with LGA comments.</p>

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Draft advice to South Australian Councils

Item	Local Government Association comments – September 2019	Town of Gawler position
To guide and assist councils to improve efficiency and to create capacity to pass on cost reductions to rate payers, the Commission suggests that local government:		
<p>1. As a body, facilitate in depth benchmarking between councils by:</p> <ul style="list-style-type: none"> i Establishing a Community of Practice sponsored by the Local Government Association, to share among other elements: <ul style="list-style-type: none"> a) Methods, tools and approaches; b) Skilling of council staff; c) Panel of competent providers; and d) Lessons learned and examples of success. ii Assisting in “matchmaking” South Australian councils that seek deep benchmarking opportunities (noting value of groups of councils at different levels) with other councils, including interstate comparisons; iii Collectively undertaking a regular sector-wide analysis of efficiency measures. 	<p>The local government sector is working consistently to achieve greater efficiency, transparency and accountability.</p> <p>The LGA currently assists members via LGA Education and Training which provides access to relevant training programs and the LGA Members Site which provides a wide range of guidelines, model policies, tools and best practice examples to assist members.</p> <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	<p>To a degree, the LGA is already undertaking these activities.</p> <p>In order to effectively benchmark, it is important to clearly define services etc, so there is a measurement of like-for-like services.</p> <p>It should be noted that the sector already has in place a performance based approach to benchmarking as facilitated by the Local Government Professionals Group. The Town of Gawler is one of 119 Councils across Australia and New Zealand (24 in South Australia) that is participating in the Performance Excellence Program. We, as with the other councils involved, are currently preparing data for our second year in this benchmarking exercise. It is a model formulated by prominent private sector consulting firm Price Cooper Waterhouse and compiles data not just participating SA councils but from all other Councils throughout Australia and New Zealand.</p>
<p>2. Prioritise, in any systems upgrades, focus on improving collection, retrieval, analysis and presentation of information for planning, decision making, monitoring and managing performance.</p>	<p>This advice is broadly consistent with the LGA's Local Government Reform agenda.</p> <p>The LGA's sensible plan for local government reform identified that to build trust, communities require certainty that councils are delivering the right services at the right cost.</p> <p>A best practice program of services reviews with strong community engagement will assist in building community confidence and demonstrating efficiencies.</p> <p>In addition, the proposal for councils to adopt a revenue policy describing what mix of revenue options it proposes to adopt for each of its services and why it has made such choices would increase transparency and accountability.</p> <p>While the legislative framework should set our clear expectations regarding continuous improvement and service efficiency, it should not limit the sector to one prescribed approach.</p>	<p>Council has a Service Range policy in place, and has incrementally developed a number of Service Level Policies underpinning it. Such policies inform the nature, quality and level of a service provided.</p> <p>The Town of Gawler is increasingly seeking to establish a performance measurement approach to decision making and process improvement. Such initiatives include, but not limited to, the formulation of a Community Scorecard and subsequent Corporate Scorecard. Both Scorecards will in time provide 'real time' data to the community on the ongoing measurement and performance of the organisation. Concurrently with this focus is for the Town of Gawler to better measure performance by applying a clearer Business Analytics focus to measurement and performance improvement.</p> <p>Council also has a Funding (revenue) Policy in place, which outlines Council's approach to the funding of services.</p>
<p>3. Enhance the transparency and accountability of their operations by councils:</p> <ul style="list-style-type: none"> i When considering new, or material changes to, council services, undertaking an independent review that includes consideration and analysis of alternatives to councils providing the service directly, community consultation; and publishing a report; ii Including in their external audits an examination of service reviews and program evaluations; and 	<p>Any proposed framework should identify opportunities for further improvement, without duplicating existing measures or creating greater uncertainty.</p> <p>For example, the LGA's Financial Sustainability program and the work done by the SALGFMG and the LG External Auditor's committee in increasing standards and ensuring councils use consistent definitions and interpretation of the Australian Accounting Standards have already contributed towards greater</p>	<p>Concur with LGA comments.</p> <p>It would be appropriate for Councils to utilise their Audit Committees (which includes independent members) when undertaking service reviews.</p> <p>There would be merit in the LGA establishing a standard methodology for service reviews, to ensure consistency in the</p>

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iii	Incorporating in their published long-term asset and financial plans and draft annual budgets advice on whether changes to the scope or level of services are planned and their implications for council expenditure.	transparency and accountability in local government in South Australia. Clarification was sought from the Productivity Commission in the workshop held on 4 September regarding their intent around the draft advice to conduct 'an independent review' (3.i.). They advised that they consider that the decision to conduct an independent review should reflect the materiality of the proposed change and be scalable in line with the extent of the materiality.	sector and the level of rigour required to facilitate sector wide enhancements.
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Information Requests

Item	Local Government Association comments – September 2019	Town of Gawler position
Chapter 2 – Structure, development and reform		
2.1: Funding		
How does the untied nature of FAG funding affect council decisions to provide non-mandatory services?	<p>Financial Assistance Grants (FAGs), which are un-tied in the hands of local Councils, are intended to improve Local Government's capacity to provide communities with an equitable level of services and to increase the effectiveness and efficiency of Local Government.</p> <p>The LGA Policy Manual (7.3.6 Untied and Specific Purpose Grants) states:</p> <p><i>Local government acknowledges that grants from other spheres of government are most beneficial when untied, and available unconditionally for a wide range of purposes.</i></p> <p><i>Local government shall continue to welcome grants from federal/state governments and negotiate terms that will most benefit local communities.</i></p> <p>The LGA would not be supportive of any suggestion to 'tie' FAG funding to specific purposes however advice is sought from member councils regarding whether it would be beneficial to have a 'statement of expectations' for any further increases above the current level of FAGs funding which expresses the priorities of the Commonwealth and would allow councils to better articulate back to the Commonwealth how councils activities are assisting in the delivery of those priorities.</p>	<p>Untied funding provides flexibility for Councils to allocate funds based on each Council's specific community needs and priorities, which can vary between Councils.</p> <p>Tied funding is more restrictive in nature, and is invariably only provided on a dollar for dollar basis.</p> <p>The council does not support any element of FAG funding being tied.</p>
How does other Australian Government program or project funding to councils, of a more ad hoc nature, affect council expenditure?	<p>Grant funding, whilst representing an opportunity to leverage funds to carry out projects which may otherwise not be achievable, can actually work against local government's focus on renewal and replacement of existing assets as grant funding is predominately focused on capital 'new' works rather than 'renewal' or 'maintenance'.</p> <p>Often within grant programs there is also a requirement to provide matching funding, plus there are the associated increase in interest costs, maintenance and depreciation following the construction of the asset. These additional costs also apply for assets vested by developers or by other levels of government.</p> <p>Grant funding is also often tied to a particular outcome or function (for example – funds must be used on open space or arts/culture projects) these areas may not be the highest priority area within a council's asset management plan however, in order not to miss out on funding opportunities, projects are brought forward or re-prioritised.</p> <p>There may also be examples of some grant programs which are set up with the best intentions but, for various reasons, SA</p>	<p>Concur with LGA comments.</p> <p>Grant funding is generally provided on a dollar for dollar basis, is highly competitive and tied to an outcome.</p> <p>While it is beneficial to receive investment in upfront capital costs, this is generally only provided to 'new/upgraded' assets which subsequently leads to new depreciation costs and increased maintenance costs. It is critical that the Council takes into consideration such factors when determining its annual budget, Long-term Financial Plan, and Infrastructure and Asset Management plan. Particularly where projects have been brought forward in order to capitalise on grant opportunities.</p>

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	<p>councils have limited access to as they don't fit the current guidelines.</p> <p>For example, the Commonwealth Government will provide \$640 million from 2015-16 to 2022-23, with an on-going commitment of \$85 million each following year to upgrade and replace bridges to enhance access for local communities and facilitate higher productivity vehicle access. However, over the life of the program, South Australia has been awarded 23 projects (out of 511 projects awarded nationally) and received total funding of just \$12 million (out of over \$395 million awarded nationally).</p> <p>The criteria for program and project funding need to be fit for purpose to support council needs, if Commonwealth funding is to support council financial sustainability.</p>	
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 services to their communities?	The LGA Secretariat is currently exploring local, national and international business models used by the local government sector to manage commercial operations and explore any current legislative barriers or opportunities that would enable greater innovation and investment in commercial activities, in order to offset the cost of council services for the community.	Council only has minimal operations captured by its National Competition Policy.
This may include direct provision of services or contracting the services from private sector providers.	A survey of councils has been completed and a discussion paper is being prepared that will be presented to GAROC for consideration in November 2019.	
2.3: Financial management		
How have the financial management program reforms affected councils' ability and incentives to manage costs?	The LGA's submission in response to the Commission's Methodology Paper reported the improvement in the financial performance of councils and the Commission noted that, while some councils are recording deficits, the sector as a whole has moved from deficit to surplus.	<p>The LGA's 2005 independent inquiry into financial sustainability of local government provided important financial reform for the sector as a whole.</p> <p>In this regard, legislative changes in 2007, that effectively emanated from the 2005 inquiry, included the following improvements as noted on page 39 of the draft report:</p> <ol style="list-style-type: none"> 1. the need for councils to establish an audit committee; 2. the need for councils to prepare and adopt infrastructure and asset management plans; 3. the need for councils to prepare and adopt a long-term financial plan; 4. the adoption of various measures to strengthen the independence of external auditors; 5. the adoption of a consistent and improved reporting format for annual financial statements, which effectively remains unchanged to this day. <p>The long-term financial plans and associated infrastructure and asset management plans are utilised to assist and guide the councils long-term financial aspirations and capabilities.</p>

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		<p>The independent members of council's audit committee have proven to be a valuable resource and assistance to council's ongoing financial management and financial aspirations.</p> <p>The 2005 inquiry was also the genesis of a series of financial information papers and policy templates prepared by the LGA to facilitate improved financial management practices across the local government sector.</p> <p>Continuation of reforms further to the 2005 inquiry are welcomed to the extent that local decision making by locally elected representation continues to be able to make tangible contributions in this critical area of local government governance.</p>
What changes to the type or quality of financial management information would assist councils to improve their decision making and contribute to better performance?	The LGA are open to suggestions of improvements that can be made to further assist member councils.	Existing statutory financial statements and ratio indicators are appropriate, and have now been well established across the sector.
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?	<p>The LGA notes that there is no independent or external body (including the SA Auditor-General) that has adversely commented on the standard of external audits conducted by SA councils.</p> <p>We also note that the Auditor-General does not support the suggestion, in the recent Office of Local Government Discussion Paper on Local Government Reform, that he be given oversight of the external audit function of SA councils.</p> <p>The LGA proposes to use a best practice approach to encourage councils to make the best use of their audit committees.</p> <p>Each council is required to establish an Audit Committee to, among other things, review the financial statements of the council, provide advice on council's Strategic Management Plan and Annual Business Plan and review the adequacy of council's internal controls and financial management systems.</p> <p>Many councils have voluntarily expanded the role of their audit committee beyond what is legally required.</p> <p>Each audit committee must have at least one independent member and it is widely acknowledged within the sector that having more than one independent member, including an independent Chair is best practice.</p> <p>The way in which many councils have established their audit committees demonstrates that a heavy-handed legislative response is not always required to achieve positive change within local government.</p>	<p>No – the current scope and depth of reporting is considered appropriate and fit for purpose.</p> <p>Any audits undertaken by the auditor general would be more expensive and, given the auditor general does not have the current capacity to undertake local government audits, would invariably be outsourced to audit firms currently conducting local government audits.</p> <p>External audits are undertaken by audit firms in accordance with prescribed auditing standards.</p>
2.4: Workforce planning		
Have councils experienced any issues with attracting and retaining workers or securing workers with specific skills?	Anecdotally, the recruitment and retention of staff can be difficult particularly for regional councils.	Anecdotally there has generally been minimal issues with attracting staff, albeit this can fluctuate from time to time in certain professions.

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	Drivers may include a lack of qualified individuals locally, remoteness of location, the inability of councils to compete with the private sector and the lack of opportunity for career progression.	Since the sector transitioned away from a sector wide award rate (i.e. to individual Council Enterprise Bargaining Agreements) means that Councils are often competing against each other regarding the attraction and retention of staff.
Are these issues unique to individual councils?	The LGA will be guided by comments from member councils.	No skills issues identified. It is acknowledged that rural councils would experience greater issues with attracting and retaining staff.
Is there value in a sector-wide or region-wide approach to workforce planning and the development of specific skills to support councils?	The LGA currently assists members via LGA Education and Training which provides access to relevant training programs. The LGA are open to suggestions of improvements that can be made to further assist member councils.	The Council acknowledges the sector wide training options available for the LGA. Councils work regionally and in a supportive way relative to services provided and where efficiencies can be achieved such shared services are implemented. Opportunities for the expansion of such shared service arrangements should be pursued.
2.5: Resource sharing		
What is the potential for additional use of resource sharing to deliver efficiencies and other benefits to participating councils?	The LGA will be guided by comments from member councils.	Town of Gawler has had arrangements with neighbouring councils to share a range of services and provide assistance. Such arrangements drives efficiencies for the Councils involved. Such areas of service provision include IT and HR resources, Library Services, Health, Animal Management etc., which has provided greater capacity, efficiencies and provided professional development for staff.
In councils' experiences of resource sharing, what works and what does not? Why?	Councils are asked to provide further examples of resource sharing.	Conflicting priorities can be an issue.
Councils are asked to provide further examples of resource sharing.		Further to the information above, The Town of Gawler has been involved in such service sharing arrangements as: The Barossa Regional Procurement Group, Northern Adelaide Waste Management (NAWMA), and Gawler River Floodplain Management Authority are other examples of resource sharing.
Are there any impediments to the greater uptake of various forms of collaboration or resource sharing?	The LGA will be guided by comments from member councils.	Systems, processes and governance models would need to be aligned. Consideration would also need to be given to different service level/quality that may exist. The establishment of sector wide models and or methodologies would further assist groupings of Councils to expand such opportunities.
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 LGA Secretariat is currently exploring local, national and international business models used by the local government sector to manage commercial operations and explore any current legislative barriers or opportunities that would enable greater innovation and investment in commercial activities, in order to offset the cost of council services for the community. A survey of councils has been completed and a discussion paper is being prepared that will be presented to GAROC for consideration in November 2019.	Systems, processes and governance models would need to be aligned. Consideration would also need to be given to different service level/quality that may exist.

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Chapter 3 – Local government costs		
3.1: Materials, contracts and other costs		
What are the main drivers of materials, contracts and other costs for rural small and medium councils?	<p>Drivers may include a lack of suppliers locally, remoteness of location and competition with the private sector.</p> <p>Councils are asked to provide examples.</p>	<p>The main drivers include quality of supply market, lack of economies of scale, competition – in the supply market and with other Councils.</p> <p>Due to WHS, legislative requirements, policy compliance and general risk mitigation issues, the increased tendering compliance costs incurred by suppliers are invariably passed on to Councils within the tender price.</p> <p>Partnering with regional partners through the Barossa Regional Procurement Group has assisted in this regard.</p>
In what ways do current council procurement practices affect expenditure on materials, contracts and other costs?	The LGA will be guided by comments from member councils.	<p>Commitment to sourcing locally and/or sustainably can at times result in increased costs.</p> <p>Extensive tender compliance matters on suppliers – some suppliers are effectively imposing a 'tax' to recover the increased compliance costs that they incur.</p> <p>Frequency of putting services out to tender. Conversely, some goods/services are not reviewed/tendered as frequently as they could.</p>
3.2: Population density		
How does increasing population density and urban infill impact on council service costs?	Growth areas – may require councils to increase service levels and/or introduce additional services, may also speed up consumption of assets.	<p>Infrastructure pressures – for example, stormwater management and traffic management</p> <p>An example of increased costs that result from increased population density and urban infill impact are the increased demand for public open-space facilities as a result of diminished urban block sizes.</p> <p>The costs of reengineering an existing community to accommodate new and increasing population is not covered by increased rates as a consequence of new residents coming into an area. When taking into account whole of life infrastructure consequences the long term financial consequences on Councils (and existing communities) is invariably negative.</p>
3.3: Sector wide service standards		
How do councils currently define and measure standards of service delivery?	Some councils undertake formal service reviews and/or community surveys to ensure the services they provide are relevant to their communities and are financially sustainable in the long term, a number of known examples of these have been provided to the Commission as part of the LGA's previous submissions.	<p>Incremental development of service level policies, noting that most Councils have not developed formal service standards.</p> <p>It is acknowledged that the sector as a whole needs to enhance its performance measuring and business analytics to then learn and improve service delivery outcomes.</p>
What measures could be developed on a sector wide basis to measure quality standards for either mandated or non-mandated services?	The LGA proposes the development of a best practice guide to undertaking service reviews. Service reviews should consider service levels, unit costs, community demand, community satisfaction, alternative providers and links to financial	Concur with LGA comments. Given the vast differences in demographics, population, socio-economic factors that exist in Councils, a prescriptive (one fits all) approach is not supported.

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	<p>sustainability. Standardising the approach to measuring and reporting these factors will assist councils and communities to understand the value of the financial and community value of the services delivered.</p> <p>A prescriptive approach to undertaking service reviews must be avoided to ensure that efficiency gains are not eroded by additional red tape and compliance costs.</p>	
3.4: Cost shifting		
To what extent do councils receive external funding or an ability to charge fees for delivery of mandatory services?	<p>South Australian councils receive the lowest total revenue per capita of all mainland states, and this is in part attributed to the significant gap between the fees and charges that can be raised by interstate councils for undertaking regulatory functions such as planning and building assessments and food safety inspections.</p> <p>The LGA continues to advocate, as part of our Local Government Reform agenda, for a comprehensive review of local government fees and charges regulated by the State Government to establish modern price setting principles which promote efficiency, flexibility and fairness in service delivery.</p>	<p>Concur with LGA comments.</p> <p>In most if not all cases the fees set by State Government do not cover the cost of service and do not keep pace with cost increases (which can include increased costs as a result of increased compliance issues), such that the net subsidy required by ratepayers is increased.</p>
To what extent are councils able to fully recover costs for the mandatory services listed in appendix 4?	<p>The LGA's submission in response to the Commission's Methodology Paper outlined:</p> <p>Cost recovery – fees and charges The LGA and the South Australian Financial Management Group (FMG) has raised concerns for some years regarding fees and charges that are fixed by State Government Statute. Many of these fees and charges have not been reviewed for many years and there has been concern that the lack of review is leaving councils with a burden of legislated work without being able to charge adequate fees and charges to cover costs.</p> <p>Planning and Development Councils are covering a large portion the cost of implementing the new e-planning system under the Planning, Development and Infrastructure Act 2016. The fees applicable to councils to support the cost of maintaining the SA Planning Portal are a significant impost for many councils. There are also costs and fees incurred by both professional staff and/or councils under the new accredited professional schemes. Further, there is a significant shortfall in the development and compliance income councils receive from undertaking these functions. Our member councils tell us that their total income is only 29 percent of total costs and that development assessment income only covers 31 percent of their assessment costs.</p>	<p>Concur with LGA comments.</p> <p>The fees for mandatory services, such as Town Planning and Building Control, are set by State Government therefore cost recovery is minor.</p>
How are service scope and standards determined for mandatory services?	<p>SA councils are required to develop an Annual Business Plan and Budget which outlines amongst other things:</p> <ul style="list-style-type: none"> (i) the council's objectives for the financial year; and (ii) the activities that the council intends to undertake to achieve those objectives; and 	<p>The scope of mandatory services provided is largely defined by regulations (if applicable) and then reaffirmed through strategic planning activities which involve community consultation, such as the Gawler Community Plan, Stormwater Management Plan or through regional planning such as Emergency Management.</p>

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	(iii) the measures (financial and non-financial) that the council intends to use to assess the performance of the council against its objectives over the financial year.	
Councils are asked to provide further information on instances of cost shifting and quantify how they have impacted on councils' costs.	<p>The LGA's previous submissions to the Commission included information on the broad cost shifting areas such as Solid Waste Levy and Community Housing mandatory rebates.</p> <p>The Commission is particularly interested in what this means for individual councils and has asked for further examples of cost shifting along with information on how these have impacted on councils' costs.</p>	<p>Increased costs are as a result of increased legislation i.e. compliance issues.</p> <p>Current examples of cost shifting includes:</p> <ul style="list-style-type: none"> • State Government Solid Waste Levy – the per tonne levy has nearly doubled in the last five years (from \$52 to \$100 per tonne) and the State Government 2019/20 Budget has announced a further increase from 1 July 2019 to \$110, followed by a further increase to \$140 from 1 January 2020. • Collection of State Government NRM levy, with the small fee that Council are able to claim for providing the service not covering administrative costs in collecting the levy. • Regulated fees set by State Government not covering the costs incurred by Council in undertaking associated services.
3.5: Compliance costs		
Councils are asked to provide further examples of compliance costs and quantify how they have impacted on councils' costs.	<p>The LGA's previous submissions to the Commission included broad information on:</p> <p>Local Government Elections - costs of carrying out official duties and arranging advertising for local government elections.</p> <p>Nuisance and Litter Control Act - since July 2017, local councils have been responsible for enforcing the Local Nuisance and Litter Control Act. Some councils are indicating they are finding it difficult to keep up with the volume of complaints.</p> <p>Implications of changes to heritage system - the changes proposed by the State Planning Commission (SPC) will lead to about 11,000 Contributory Items being unprotected from demolition control. The cost of review of each of these items has been estimated to cost between \$300-500 per item (consultant costs), plus additional internal resourcing in amending development plans.</p> <p>The Commission is particularly interested in what this means for individual councils and has asked for further examples of compliance costs and quantify information on how they have impacted on councils' costs.</p>	<p>Legislation changes, changes in the interpretation of accounting standards, and added complexities that result.</p> <p>For example, legislative compliance processes over the last 10 years has dramatically extended the process timelines required to develop and adopt the annual budget, such that the new budget cycle is effectively now an ongoing 12 month cycle.</p> <p>Relative to the changes in controls and protection of local heritage via contributor items is estimated to cost the Town of Gawler some \$200,000 to undertake a review of contributory items that would not be necessary if not for a change in State Government policy interpretation relative to the changes in the current planning system. This cost is expected to be higher as the outcomes from the current study then need to proceed to the preparation of a Development Plan Amendment and subsequent processing via the State Planning Commission.</p>
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?	<p>This may include:</p> <ul style="list-style-type: none"> • properly accounting for and maintaining important infrastructure • technology advancements • grant timing and reliability • increase in supplier costs • increased number of force majeure events (bushfires, floods) • shift in demographics (causing significant increase/decrease in demand for services/assets) 	<ul style="list-style-type: none"> • industrial relations – staff turnover/competition in labour market • population growth – which may trigger the need for expanded services • properly accounting for and maintaining important infrastructure • ratepayer expectations • red tape. • cost shifting/sharing

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	<ul style="list-style-type: none"> • skills shortage in region • change in economic contributor to region (major redundancy, industry/market failure in region) • cost shifting/sharing • change to regulations and/or legislation • limits on other revenue sources including user pays fees • climate change • ratepayer expectations • red tape. 	<ul style="list-style-type: none"> • change to regulations and/or legislation
Chapter 4 – Local Government efficiency and productivity		
4.1: Performance reporting		
How can these lessons from state-wide performance reporting frameworks in other jurisdictions be applied to South Australia?	<p>Consideration should be given to the cost to implement any proposed model and that this doesn't become an additional cost driver that works against local government's efforts to put downward pressure on council rates.</p> <p>Councils should be provided with assistance to implement reporting systems, and care should be taken to limit duplication with any existing data collections (so councils don't have to replicate data with slightly different requirements, time periods and formats).</p>	<p>Concur with LGA comments.</p> <p>It is anticipated that significant investment would be required to integrate any performance reporting requirements into existing systems so that the reporting process is streamlined.</p> <p>As noted in the draft paper on page 92, the <i>'Know your Council'</i> initiative of Victoria was the first state-wide performance reporting framework for local government in Australia. Should the State Government seek to implement such an initiative in South Australia, it would need to carefully consider the cost/benefit implications of such an approach.</p>
Which indicators used in other jurisdictions would be appropriate for South Australian councils?	<p>Achieving consistent data reporting across 68 councils will be a resource intensive exercise and consideration will need to be given to the items that are reported to ensure that they deliver some strategic, operational and policy benefit.</p> <p>The LGA would welcome suggestions from member councils.</p>	<p>Any indicators utilised will need to be clearly defined to ensure that each council is reporting in a standardised and consistent manner.</p> <p>The Victorian Model warrants further consideration. However, it would be important to understand the cost/resource implications.</p>
4.2: Partial productivity estimates		
What do these partial productivity estimates tell us about local government efficiency?	<p>Technical efficiency is an important element in defining efficiency but this should also be underpinned by the principles of meeting community needs or desires (which may include a request for increased service levels), achievement against strategic management plans, achieving increased/enhanced community/social outcomes and sound asset management practices (where higher quality costs may be deemed to be relatively less technically efficient but are optimising asset lifecycle costs or performance).</p> <p>A true estimation of local government efficiency should consider additional indicators at an individual council level such as the existing Financial Indicators, community satisfaction survey results and an assessment of achievements against Annual Business Plans.</p>	<p>Concur with LGA comments.</p> <p>There can be considerable disparity which exist between councils relative to the apportionment of indirect costs across services, which are included in the annual Grants Commission data reporting.</p> <p>As noted in the draft report on page 102, partial productivity measures do not account for differences in Council size, scale, service standards and underlying cost structures.</p>
What other partial productivity estimates can be used with currently available data?	The LGA will be guided by comments from member councils.	The application of partial productivity estimates are very limited due to the variances that exist between Councils, as noted on page 124 of the draft report.
What additional data would councils be able to report on for minimal additional cost which would improve our understanding of council efficiency?	The LGA will be guided by comments from member councils.	The Town of Gawler is currently participating in the Local Government Performance Excellence program which consists of 119 Councils participating across the state, nation, and internationally in New Zealand.

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		<p>This tool could subsequently be considered as a data resource for wider application across the sector. Whilst there is a cost to Council in participating in the program, by way of a payment to PwC who facilitate the program and interrogate and analyse the data provided by each Council, in addition to the considerable staff cost in compiling, analysing, and ensuring the accuracy of the data provided to PwC, the tangible benefits delivered as a result of Council's participation in the program are deemed to exceed its investment cost.</p> <p>Nonetheless, each Council would need to better capture individual service cost across a consistent approach before meaningful comparisons of efficiency across the sector could be made.</p>
Is there any other evidence of an expansion in the scope of council services, or improvement in quality over this time period?	The LGA will be guided by comments from member councils.	Being a major growth Council, population growth has dictated an expansion of services being required in many instances, most notably pertaining to waste management and parks, gardens and reserves maintenance.
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?	The LGA will be guided by comments from member councils.	<p>Comparison of services is currently limited as each Council has a different process methodology to allocate indirect costs (via a Full Cost Attribution (FCA) process) across the organisation, let alone any material differences that may exist between the allocation of direct service costs.</p> <p>The existing reporting requirements to the South Australian Local Government Grants Commission could be expanded, however the existing data accuracy and limitations would need to be considered and addressed.</p>
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?	<p>The LGA recognises the need for a sector-led performance management system, with a primary aim of providing reliable data with which councils can make informed decision. Much of the data is already collected by councils and stored on their corporate IT systems. Optimally, a central system would automatically extract the required data from the 68 councils, collate, analyse and present it in a meaningful manner. In doing so, such a system could increase council efficiency and reduce the considerable time currently devoted to collection, analysis and reporting of data.</p> <p>A performance measurement system with subsequent analysis of information would lead to a more efficient local government sector and, hence, a more productive state. As such there is a case for state government financial support for the scoping and then creation (but not ongoing costs) of such a system.</p>	Improved and enhanced capturing of service specific data and consistency of Full Cost Attribution allocations (assuming FCA is incorporated in referenced service costs) would assist.
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?	To build trust, communities require certainty that councils are delivering the right services at the right cost. A best practice program of services reviews with strong community engagement	Periodic review of service level policies which outline the volume and nature upon which a service is provided.

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	<p>will assist in building community confidence and demonstrating efficiencies.</p> <p>Councils already undertake regular reviews of key services to ensure they are meeting community needs, being delivered in an efficient manner and not impacting on the long-term financial sustainability of the council. Sometimes difficult and unpopular decisions need to be made about reducing or consolidating services for the sake of greater efficiency and sustainability. It is important that these decisions about the range and level of local services provided remain in the hands of councils and their communities.</p> <p>The LGA proposes to develop a best practice guide to undertaking service reviews. Service reviews should consider service levels, unit costs, community demand, community satisfaction, alternative providers and links to financial sustainability. A sector-led consistent approach to measuring and reporting these factors will assist councils and communities to understand the value of the financial and community value of the services delivered.</p>	<p>In this regard, Council has a Service Range policy, underpinned by the incremental development of Service Level policies for each service encapsulated in the Service Range policy.</p> <p>Each Service Level policy outlines the service levels that apply to the service, how it is funded, and the means of delivering the service (e.g. whether it is insourced or outsourced).</p>
4.5: Factors that influence estimated council efficiency		
What other factors can explain the estimated efficiency differences between councils or over time?	<p>Some of these noted in the consultation process, including submissions, are outlined below:</p> <ul style="list-style-type: none"> • multiple towns/service delivery centres • climatic factors • soil types • topographic differences • coastal versus inland setting • tourism • quality of services. 	As noted in the Draft Report on page 124, there are often individual factors that can influence any consideration of comparing efficiencies between Councils overtime. This can also include the different rating methodologies and structures that can apply (e.g. the comparatively high commercial rates applied for the City of Playford ultimately means that their rating structure has a comparatively lower impact on residential properties).
What factors can explain the estimated productivity differences between councils over time?	As above	
What other possible data sources can improve this analysis?	The LGA is conducting further research on other data sources however suggestions from member councils is welcomed.	
What further information could be considered to analyse and interpret estimated partial and global efficiency scores?	The LGA is conducting further research however suggestions from member councils is welcomed.	Until more detailed and consistent data capturing mechanisms are in place relating to service provision, investigation of further options and opportunities is considered redundant.
Chapter 5 – Costs and efficiency Improvements		
5.1: Employee costs		
Are there any benefits from streamlining the current industrial relations arrangements by moving to sector-wide enterprise bargaining?	<p>The LGA has started looking at opportunities to streamline processes within local government through an industry-wide industrial relations framework which enables a culture of meaningful, open and respectful engagement between employees, management and unions.</p> <p>Our work to date demonstrates there is an opportunity to align the sector workforce through a modernised industrial relations framework. An aligned workforce will provide individual councils with continued success and simultaneously deliver wellbeing to employees through shared values and commitments; support individual council's strategic and business plans; secure a multi-skilled and engaged workforce; foster flexibility and continuous</p>	<p>There could be benefits in having a sector-wide-enterprise bargaining, however any implementation will need to address the different salary scales that now exist across the sector (in addition to various non-salary conditions that may apply).</p> <p>Employee costs comprise a major component of a Council's costs. Since the introduction of enterprise bargaining agreements there has been ongoing instances of Councils affectively competing against each other, and other sectors, relative to the attraction and retention of staff, which has led to annual wage indications being above CPI. The paper notes that wages in the sector have increased by 3.7% per annum over the last 10 years, which it notes has exceeded all</p>

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	improvement in the local government sector; enhance productivity and significantly reduce duplicated costs and effort.	<p>other sectors of the economy and has since been the subject of recent media interest. For the Town of Gawler, annual wage increases negotiated through the enterprise bargaining agreement process over the last 10 years has exceeded the annual CPI index adjustment.</p> <p>Whilst a new enterprise agreement is currently being negotiated with ASU (inside) staff within Council, being cognisant of the impact that wage and salary adjustments have on the Council budget and, in turn, the flow on financial impact on ratepayers, the 2019/20 budget provides for a nominal CPI index factor being applied, consistent with the price increase threshold invariably sought from Council's external suppliers.</p>
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?	<p>The LGA would welcome a local government-led Local Government Efficiency Program, which would:</p> <ul style="list-style-type: none"> • capture and report on local government performance measurement data in a consistent way • enhance integration of Asset Management Plans, Long Term Financial Plans and Strategic Management Plans • be based on a maturity model - that helps councils assess their current effectiveness and identifies the capabilities that are needed in order to improve their performance. <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	<p>Standardised systems and process for data collection is critical.</p> <p>Sector wide training and advice facilitated by the LGA. LGA has previously developed Service Range and Service Level policy templates.</p>
5.3: Strengthening councils' accountability and transparency		
How can the South Australian Government strengthen the accountability and transparency of councils? Possible instruments include:	<p>The LGA would welcome a local government-led Local Government Efficiency Program, which would:</p> <ul style="list-style-type: none"> • capture and report on local government performance measurement data in a consistent way • enhance integration of Asset Management Plans, Long Term Financial Plans and Strategic Management Plans • be based on a maturity model - that helps councils assess their current effectiveness and identifies the capabilities that are needed in order to improve their performance. <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	Agree with LGA commentary.
<ul style="list-style-type: none"> • 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. 		
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?	<p>A heavy-handed legislative response is not always required to achieve positive change within local government, the LGA proposes to use a best practice approach to encourage councils to make the best use of their audit committees.</p> <p>Consideration should be given to the cost to implement any proposed model and that this doesn't become an additional cost driver that works against local government's efforts to put downward pressure on council rates.</p>	<p>No. Each Council would continue to be accountable to its community in explaining any relatively high operating expenditure growth.</p> <p>Expenditure growth can be influenced by population growth, which also impacts revenue growth from Rates and various fees and charges. Thus, expenditure growth should not be looked at in isolation to revenue growth.</p>
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?	<p>Current legislation requires councils to publicly report broadly on where their revenue comes from. However, councils are not required to adopt a revenue policy describing what mix, of this suite of revenue options, it proposes to adopt for each of its services and why it has made such choices.</p> <p>A revenue policy would create a single point of reference to enable the community to understand how a council proposes to</p>	<p>Council has a funding policy, and has already developed a number of service level policies which are subject to periodic review and inform the annual budget process.</p> <p>The further development of service level policies has somewhat stalled in recent years due to competing priorities (e.g. extensive work required leading up to the implementation of Separate Rates in</p>

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	pay for the services it chooses to deliver over a period of time, taking into account rates, grants, fees and charges and commercial activities.	Gawler East, protracted negotiations with the Federal Government relating to the Housing Affordability Funding agreement, growth management considerations, etc.).
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