

Information requests from SA Productivity Commission on its Draft Report Inquiry into Local Government Cost & Efficiency

Chapter 2

Information request 2.1: Funding

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

FAG funding has little to no effect on Council's decisions around non-mandatory services. The funding program has been in place for many years and is treated as part of Council's annual income stream. Our risk matrix does recognise that the withdrawal of this funding would have a significant impact on Council ability to deliver the current range of services.

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

Council has a range of projects from streetscape upgrades to new built infrastructure that it will only do if it is successful in capturing grant funding. The addition of new or expanded infrastructure always has to be balanced against Council's ability to sustain the ongoing cost of providing that service without a significant rate increase.

Often Council will apply for funding to undertake projects that are beneficial for the community but not necessarily part of its mandatory service. For example, in the last 12 months CGVC has been successful in receiving several Commonwealth grants that have enabled research work to be undertaken to help grow the tourism sector. It also put funding from the Federal Government's Drought Communities Program into business development activities by using the RDA to manage and deliver the project. Regional Councils are often one of the few bodies that can apply and receive funding from the State and Commonwealth Governments for economic development projects and initiatives that are not part of Local Government mandatory services.

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 services to their communities?

The policy does affect Council decisions from time to time, however in my experience of the last 12 months the Council took absolutely no notice of advice indicating that a decision contrary to what was suggested by administration would likely breach the competitive neutrality policy.

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

Clare & Gilbert Valleys Council (CGVC) does provide a limited range of services that could be provided by the private sector. These would include things like road maintenance and construction; gardening and park maintenance. Council has its core staff that undertake work that could be done using private contractors – really it is almost everything from road building to finance. This needs to be balanced with increased levels of risk that would come with a heavy dependence on contractors.

Information request 2.3: Financial management

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

Driven a more professional approach that lessens the risk of fraud, better approach to treasury management allows for better money management.

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

It is not necessarily the type or quality of information that is required it is often the financial capacity of Councillors that inhibits good financial decision making. If there is poor understanding this can create a mistrust of administration, and poor decision making. Even advice from the Audit Committee can be rejected depending on the dynamics in the chamber.

With the development of the 2019-20 business plan and budget administration developed a new, very simplified process to evaluate proposed new projects and services (regardless of their source) to assist the community and Elected Members understand why certain projects were suggested to be included in the budget and ultimately assist Councillors with their decision making. Projects were evaluated on a matrix that covered:

- a. required by legislated*
- b. reduce risks to the community/Council*
- c. part of existing commitments*
- d. to save Council money in the future*
- e. would increase service levels*

A standard format for Asset Management Plans and Long Term Financial would be helpful for councils and facilitate comparisons across councils.

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?

Compliance is not the issue it is the quality of the plans. For some regional Councils there are capacity issues in the development of both sets of these plans. The LGA has provided support in the past but it has not been very effective. The only way that I have found that to address the issue in a reasonable timeframe is to have external consultants come in and help set up the systems/processes and build capacity over several years, and at times an external party will need to hold the data for asset management plans.

Information request 2.4: Workforce planning

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

Not in my experience. If you recruit people on the basis of their capacity to develop the specific knowledge to do a job rather than requiring people to have experience in a particular sector, then generally it usually works. Having said that, there are few particular professional areas, such as planning, that can be challenging.

In regional areas being a Council employee is one of the best paid jobs available. It is amazing how many skilled people there are in regional areas that have for one reason or another ended up in regional areas. Having said that, it is easier to recruit to a position in Clare than it is to Burra. Working with three of the surrounding Councils, recruitment of professionals has been relatively easy over the past few years. Collectively we can develop a fulltime role and secondly having positions based in Clare is attractive to many tree changers. Using specialist consultants helps to fill skill gaps enabling a number of significant projects to be undertaken and help increase the competency of existing staff.

Retention issues are driven by Councillor behaviour and individual's need for career development opportunities.

Are these issues unique to individual councils?

Certainly, the more remote the Council the more challenging workforce issues will be. Skill levels can also diminish.

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

To understand what new skill sets Local Government will need to have available over the long term would be helpful.

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?

Numerous but there are challenges around the business structure that is put in place to protect these arrangements. Section 42 & 43's is expensive and cumbersome. Also, travel times in regional areas can make shared positions challenging. Particularly with roles like building inspectors, general inspectors etc.

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

Things can work until a change of Mayor, Council or CEO who have a different perspective. There is no reason there cannot be resource sharing across most Council activities, and many are already doing it to varying degrees. CGVC either has currently shared positions or services in place or discussing how it might be done in the future: Star Club officer (sport & rec); General Inspectors; IT service provider; IT consultancy; Tourism, Community Assessment Panels, building inspectors, planning, etc.

Councils are asked to provide further examples of resource sharing.

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

Political and physical barriers (travel time)

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 collaborating Councils need to be sure that additional layer of cost and governance make sense. Currently the Councils that CVGC is collaborating with, we are using basic agreements and MOU's.

Chapter 3

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?

Main drivers are needing to access specific skills including professional skills. Regional council have a 10-20% premium because of location as well as additional administrative controls that are required by local government.

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

Most tenders build in additional costs to cover the additional administrative work that is required by Local Government.

Information request 3.2: Population density

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

Not really applicable to CGVC.

Information request 3.3: Sector wide service standards

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

All departments have a set of service levels relating to the functions they undertake. This is reviewed annually. There are more comprehensive reviews of things like waste collection when there appears to be an issue with the service; the community raise issues about a service; or the community ask for a higher level of service. Current staffing levels make ad hoc reviews difficult to undertake internally and often need to be contracted out.

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

Would be good to see a set of Indicators that Local Government reported against. The current annual reporting process is focused on the needs of State Government not on the needs of rate payers/community members. Financial reporting is opaque for the ordinary person

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?

State Government sets fees for services that LG delivers on the States behalf and most of them bear little relation to the cost of providing the service. The Dog and Cat Act allows for some input from Councils to set registration fees.

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

| <i>LG Mandated Services</i> | <i>Service Provided</i> | <i>Full cost recovery</i> | <i>Partial recovery</i> | <i>No cost recovery</i> |
|---|-------------------------|---------------------------|-------------------------|-------------------------|
| <i>Cooling tower inspections</i> | No | | | |
| <i>Environmental protection control</i> | Yes | | | No |
| <i>Heritage assessments</i> | No | | | |
| <i>Cemetaries</i> | Yes | | Yes | |
| <i>Health risk for hoarding and squalor</i> | No | | | |
| <i>Rubbish collection</i> | Yes | Yes | | |
| <i>Waste disposal facilities</i> | Yes | | Yes | |
| <i>Stormwater & drainage</i> | Yes | | | Yes |
| <i>Flood mitigations</i> | Yes | | | Yes |
| <i>Noise and nuisance controls</i> | Yes | | | Yes |
| <i>Dog management and control</i> | Yes | | Yes | |
| <i>Road construction and maintenance</i> | Yes | | | Yes |
| <i>Heritage protection</i> | No | | | |
| <i>Community wastewater management</i> | Yes | Yes | | |
| <i>Roadside verges</i> | Yes | | | Yes |
| <i>Building control</i> | Yes | | Yes | |
| <i>Town planning</i> | Yes | | Yes | |
| <i>Fire prevention enforcement</i> | Yes | | | Yes |
| <i>Emergency management</i> | Yes | | | Yes |
| <i>Rate postponement for seniors.</i> | Yes | | | Yes |
| <i>Coastal protection</i> | No | | | |

How are service scope and standards determined for mandatory services?

It varies. For some services Council will do a risk assessment to determine the service level. For example, CGVC recently revised its Dog & Cat Policy so that there would be no call outs on weekends for wandering dogs, only for attacks. For other mandated services there may be no flexibility, such as planning and building inspections. Some areas are not covered at all. For

example, Councils are responsible for ensuring Windfarm operators comply with noise levels on their planning approvals. I doubt there is one Council in the state that has the equipment to measure whether or not the wind farms are compliant. Certainly, Council doesn't have the resources to check that businesses are compliant with the original or no planning condition approvals. For example, sheds that are approved in primary production zones that end up being used for industrial business purposes.

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

Recent changes to legislation have had an impact on Council resource such that an addition general inspector position has been created to deal with the Litter and Nuisance Act and the increase of work required under fire prevention. Again, travel distances significantly impact the cost of service delivery.

Information request 3.5: Compliance costs

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

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?

Infrastructure – new, upgrade & replacement of buildings, roads and stormwater.

Local govt insurance providers and the way council are pushed to put controls in place for hazards that are identified in the sector but do not always relate to the actual risk level of the organisation. It could be argued that much of what the sector is required to do is to protect the interests of the JLT not the individual council.

Chapter 4

Information request 4.1: Performance reporting

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

The Victorian model could be useful.

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

All of them except those services that LGSA's do not provide.

Information request 4.2: Partial productivity estimates

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

There is significant room for improvement in how Local Government manages its business, including administrative culture that has a focus on data collection; analysis of service delivery to identify efficiency outcomes.

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

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

Perhaps a stronger focus on getting the data that is already collected to be comparable would be the first place to start rather than trying to collect more data.

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

Change in service levels at CGVC over the past ten years include: expansion of waste collection to rural areas; addition of recycling and soon to come green waste collections; provision of a small regional art gallery; increased support for tourism; fire prevention activities; nuisance complaints. There have been a number of services that have been outsourced which has lowered costs, plus attempts to take a different approach to asset management.

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?

Yes, it is appropriate for there to be a central collection point but there needs to be controls in place to ensure that the information/data that is put into the system is accurate and comparable.

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?

1. *FAGs data should be more comparable. There needs to be more guidance and controls around how data is collated etc so there can be comparisons across councils.*
2. *Councils need to do more work to identify efficiency opportunities within their businesses.*
3. *Councils need to better understand the full costs of providing a service, particularly so-called in-Kind services*
4. *Councillors need to better understand long term financial planning and why it is important and should be followed. There is also need to understand the difference between mandatory and non-mandatory services*

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?

The size of council SHOULD provide an opportunity to increase efficiency, however the previous round of amalgamations did not seem to do this at least not with the amalgamation that formed CGVC. The particular circumstances that the participating Councils brought to the table at the point of amalgamation is most likely the cause of this. The big standout issue over time that creates inefficiency are the short-term decisions that Councillors make that upset good long-term plans.

Information request 4.5: Factors that influence estimated council efficiency

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

- *Skill, commitment and effectiveness of administration, particularly management, to question current practices and embed a culture of continual improvement.*
- *Asset management*
- *Short term decisions*
- *Insurer driven risk management (particularly WHS) costs may be a factor worth considering because the Local Government insurer controls / determine the range of controls that Councils need to put in place. It could be argued what is required does not reflect the real business risks of the individual Council but rather that of the insuring body.*

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

- *As above.*

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?

Chapter 5

Information request 5.1: Employee costs

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

Yes, it might improve Local Governments capacity to bargain rather than being played off against each other. Would also deal with those Councils that see salary increases as a performance bonus payment.

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?

Standardization of information provided to the Grants Commission. A joint project between the LGA and the Commission might be the way forward.

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;

Some simple annual reporting would be a good start. That is, providing information that is for a general user not state administrators. More details that can be gleaned from the standard set of accounts.

- legislation and monitoring of implementation through audits of the processes of local government decision making; and

This certainly would tighten up some of the decisions that are made that seem ad hoc.

- an agreement with councils and regular dialogue to reinforce the expectation that councils will conduct audits of the processes of local government decision making.

Either it is legislated or done by agreement with the LGA.

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?

It would be a great tool for a CEO to have in their kit, but for some Councils it could be challenging to find the right set of skills. With 68 Councils we would be creating a whole new industry for consultants.

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?

If there were Council's that resisted undertaking the exercise then there may need to be a trigger and this would be a good as any.