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Dr Matthew Butlin  
Chair and Chief Executive  
South Australian Productivity Commission  
GPO Box 2343  
ADELAIDE SA 5001

Emailed: [sapc@sa.gov.au](mailto:sapc@sa.gov.au)

Dear Dr Butlin,

**Inquiry into Local Government Costs and Efficiency – Draft Report**

Thank you for the opportunity to reply to the draft report.

Council has not formally considered the draft report however its administration has reviewed the report and provide the attached submission.

Yours sincerely,

Roberto Bria  
**CHIEF EXECUTIVE OFFICER**



## **South Australian Productivity Commission – City of Holdfast Bay Submission**

### **Inquiry into Local Government Costs and Efficiency.**

#### **Draft Report information replies**

#### **Chapter 2**

#### **Information request 2.1: Funding**

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

There is no direct correlation between the FAG funding and the provision of non-mandatory services. The FAG funding is included as a source of overall revenue in Councils budget and annual business plan.

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

Government programs and project funding always affect Council expenditure. Whether capital or operational, increased indirect costs are incurred. For example Federal funding of sports facilities require Council and clubs to contribute. This results in increased maintenance, running costs and depreciation of these facilities. For example in Holdfast Bay the \$14.6m Kauri Parade Community sports facility (\$5m Federal Funding) has resulted in increased operational, maintenance and borrowing costs for Council.

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

These policy requirements can affect Council's decision making on service provision. An example is the Community Home Support Program. Increased consideration is given to the level and quality of service provision compared to private sector providers.

#### **Information request 2.3: Financial management**

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

The program has increased management and elected member focus on short and long-term sustainability combined with a greater understanding of the importance of an operating surplus target. This has resulted in draft budgets being prepared on a zero based increase basis ensuring costs are closely managed.

**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 current type and quality of financial management is generally adequate for decision making.

**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?**

It would be beneficial if the long-term asset and financial management plans were audited. This task could also be undertaken via an independent internal audit process. The focus of the audit would be on the learnings from the planning process and financial insights rather than pure compliance.

#### **Information request 2.4: Workforce planning**

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

As a metropolitan council no major issues have been experienced in attracting suitable candidates. Some specific trade areas have taken a bit more work e.g. concreting, paving, landscape and design, however, suitable candidates have been sourced by using different recruitment methods. The only issue with retaining workers are those related to key talent and as a medium sized council these people have had to move to other councils for career progression.

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

Attracting and retaining workers in rural councils is where most difficulty is being experienced. Holdfast Bay has a good reputation in terms of strategy and culture, therefore, we are currently attracting high calibre candidates (feedback provided from candidates). A possibility for exploration would be in resource sharing and/or exchange programs.

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

Every council has a unique culture and is delivering to communities with different demographics, lifestyle, needs etc. Standardising workforce planning and development would not suit individual strategic plans which focus on the community wellbeing of the demographic being serviced by individual councils. What may be of benefit is a support structure/framework which will guide Councils on leadership development, alternative recruitment strategies etc. Alternatively, Council's should focus on increasing the capability of individuals employed within their HR/People & Culture teams.

## **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?**

Increased potential exists in areas of waste management, home assist and economic and business development. There is also potential of creating centres of excellence between Councils that could be shared. For example Holdfast Bay has a mature Tourism and Events area that could provide services to neighbouring Councils for a fee and another Council could have advanced expertise in another that could be used by Holdfast Bay for a fee.

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

Regional working groups in areas of economic and social development can work well. Collective tendering can also work well provided Council policies and processes align.

Sharing people, plant and equipment can prove problematic due to differing equipment, and work processes with the requirement to undertake work on the same day and time. Differing policies and safe work practices in regards to different equipment also requires additional training and education.

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

In previous years Holdfast Bay Council combined with Campbelltown and Barossa Councils for a new corporate information system. This was a successful process with competitive pricing and efficient tender processing and evaluation at that time.

Other collaborate examples includes the Western Alliance. This includes the cities of Holdfast Bay, Charles Sturt, Port Adelaide Enfield and West Torrens. The purpose of the alliance is to highlight significant projects in the region and be an advocate to the State and Commonwealth Government to secure funding. The goal is also to increase sustainable tourism job growth, visitation and investment in the western region.

Holdfast bay works with Onkaparinga and Marion Councils to initiate economic development projects. One project is the Southern Business mentoring Program. This service operates within the three council areas and businesses have access to low cost confidential one-on-one advisory sessions for existing businesses or those wishing to start a business.

Holdfast Bay is also a member of "Resilient South". This group has implemented a number of climate adaptation programs. Council is also involved with the NRM and the Southern Region Waste Resource Authority.

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

Business needs and service levels and standards can vary between Councils. It works best when priorities, systems, and processes align.

**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?**

Holdfast Bay is a member of the Southern Region Waste Resource Authority established under section 43 of the Act. This authority operates services for the management of waste and waste facilities on behalf of the cities of Onkaparinga, Marion and Holdfast Bay. This authority is operating efficiently for the benefit of the respective communities. The challenges arise when differing views exist in terms of major decision making. However while in this case while each Council has a different level of ownership the voting rights are equal, hence addressing any bias by larger participants.

### **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?**

It should be noted that for Holdfast Bay increased costs can be the result of increased emphasis on commercial and economic enterprises. For example Council has invested in developing the Brighton Caravan Park – this has resulted in additional revenue and associated costs. To assess Council costs in isolation of non-rate revenue income can provide a misleading result.

Other main drivers include increases in power, water and waste management levy costs. Watering costs increase in times of low rainfall. Community expectations for efficient processing of enquiries is also driving increased costs in information gathering, storing and response. Fuel costs are also variable and can impact direct cost of materials. Being a coastal council Holdfast Bay has increased maintenance on public infrastructure and coastal protection.

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

Council has increased its emphasis on improved procurement practices ensuring the best value supplier is selected for projects. The practices have reduced duplication of effort and ensured thorough due diligence is applied thereby minimising risk. Council has a detailed policy and procedure on procurement specifying the requirements.

Council also uses the LGA and other procurement panels to improve efficiency in procurement.

#### **Information request 3.2: Population density**

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

It has a major impact in areas of waste management, infrastructure usage and maintenance including drainage as well as traffic management issues. The useful lives

of assets diminishes with additional use placing pressure on asset maintenance and renewal. Increased density also reduces open space which in turn increases the need for alternate and effective open spaces. There are also community well-being impacts that are not easily measured.

### **Information request 3.3: Sector wide service standards**

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

In a broad sense standards are set through the annual business plan and budgeting process. Annual community surveys also inform Council on the level of satisfaction in specific service delivery. Service reviews are conducted when business or community needs change. Two recent examples with Holdfast Bay is in the areas of customer engagement and community wellbeing.

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

Via the grants commission expand non-financial data collection to include quality of life survey information. For Holdfast Bay this includes a community rating in the areas of community (library and sporting facilities), environment (coastal and waste), customer engagement and infrastructure construction and maintenance. However obtaining this information across the industry would be costly and may prove difficult to develop in a consistent manner.

### **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?**

A review of fees set by the State Government is required to ensure they cover the costs of delivery.

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

- Change-over of dog registration process – Council staff absorbed the communication, training and education costs for the general public.
- Previous role of EPA in managing local nuisance, wholly transferred to Councils, adding to employment costs.
- In respect to major developments Councils absorb the cost of assessment without benefit of statutory fees.
- State Government Public land – signage and general compliance done by Council.
- Collection the NRM levy.

### **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.**

- Auditing costs have increased with the provision of internal audit services and additional external auditor compliance requirements in relation to internal controls.
- Potential additional administrative costs associated with updated valuation data and impact on rates.
- Inspection regime for swimming pools and buildings.
- Requirement to fund State Government Planning portal.
- Compliance costs in relation to new aged care standards
- Compliance costs in areas of customers requesting reviews of decisions under Section 270 of the LG Act.

### **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?**

- Costs associated with asset renewal and replacement – assets are being renewed with improved features - ie playgrounds, coast park walkways, sporting hubs, footpaths, drains. This in turn can add to direct cost of maintenance and depreciation.
- Costs of maintaining existing assets in times of fluctuating climate conditions – ie foreshore footpath storm damage, variable watering costs of reserves, drainage systems to minimise flooding.
- Transport costs - road networks increased deterioration due to increased vehicle numbers and load sizes.
- Waste management costs including state government imposed levy, and recycling costs.
- Risk management costs – both strategic and operational.
- Economic Development costs – new strategies and initiatives.
- Jetty/Boat Lock repair and maintenance.
- Compliance costs in areas of customers requesting reviews of decisions under Section 270 of the LG Act.
- Costs of absorbing previously grant funded services – may include Commonwealth Home Support Program.
- Employment costs if they outpace overall CPI and effects of workforce trends.
- Environmental costs associated with initiatives to address the impact of climate change.
- Any costs due to changes resulting from the Local Government Reform agenda.

## **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 Australasian LG Performance Excellence Program is being used by Holdfast Bay. The inputs and reporting from this program could be applied to all South Australian Councils to assist them in analyse their own costs of operations. This could be achieved by incorporating similar data inputs into the annual grants commission returns.

The "know your Council" tool used in Victoria could be applied to SA. The challenge would be ensuring comparative "similar" councils are selected. For example the differing sizes and locations of SA Councils would make finding similar councils difficult. For example Holdfast Bay is a medium sized metropolitan coastal Council with a very high tourist focus. In this way Holdfast Bay is unique.

Another challenge is to ensure costing methodologies are consistent in the sector. For example distributing administrative on-costs and overheads can differ between Councils. In a similar manner depreciation rates can differ depending on the useful life of the asset class. For Holdfast Bay the soil is sandy and relatively flat, resulting in longer average life for roads. While being a coastal Council playground and coastal infrastructure has a shorter life span.

The most important performance reporting to the community is the Council's annual report. For Holdfast Bay this includes outcomes and targeted performance reporting in all strategic areas.

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

Most of the indicators already used by Holdfast Bay could be applied and measured (many using a community based survey) over time in the SA sector including;

- Resident wellbeing – using the PERMA model
- Level of satisfaction with playgrounds and open space
- Increase in community engagement
- Increase in customers using community centres and libraries
- Reduce flash flooding and stormwater discharge
- Increase waste diverted from landfill
- Increase business satisfaction
- Measure level of community satisfaction with new building design
- Achieve delivery of Annual Business Plan
- Achieve annual financial targets
- Overall level of community satisfaction with Council performance



#### **Information request 4.2: Partial productivity estimates**

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

**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?**

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

**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 conclusions in the report are fair and reasonable, and there needs to be a strategy to develop a common performance framework across all councils.

In terms of other productivity measures, refer to previous comments. Holdfast Bay's annual reports measure strategic areas and outcomes against the targets set in the annual business plan and long-term strategic plan.

For Holdfast Bay service improvements across many facets of Council business in accordance with its strategic and annual business plan have occurred. Specific examples include economic development, tourism support and promotion, library services and public infrastructure maintenance and creation. The evidence can be sourced by comparing Council's strategic documents over time.

The capture of data and information through the SALGGC returns is an appropriate process.

#### **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?**

Quality can be improved by applying consistent measuring methodologies. Using non-financial data sourced through community satisfaction surveys can reduce the difficulties found with differing accounting costing methodologies and enable a quality measure to be introduced.

#### **Information request 4.4: Efficiency changes through time**

#### **Information request 4.5: Factors that influence estimated council efficiency**

The previous submissions summarised on page 124 adequately explain the major factors that influence council efficiency. As previously mentioned other data sources that can improve this analysis are non-financial sourced through community surveys.

## 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?**

The main issue associated with the industrial framework is around outdated Awards. They are out of date and include classification frameworks which do not match current benchmarking or classification standards. They also contain terms and conditions that are far in excess of the federal employment standards and do not support a flexible and agile workforce. LG salaries are disproportionate in comparison to market salaries. This is being compounded in enterprise bargaining as many areas of LG just "roll over" conditions and provide wage increases as it is easier than dealing with the union bodies. A need exists for an LG wide cap on wage increases that can be provided, and/or a salary re-alignment exercise undertaken to bring LG in line with market rates. Sector wide enterprise bargaining would not bring any benefits and would actually impede those Councils who have improved their agility/flexibility and take them "backwards". There may be some benefit to some rural councils moving to a joint EB process. Some metropolitan councils would be disadvantaged by this. Again, LG should focus on increasing the industrial/employee relations capability within HR/People & Culture teams as this seems to be an area of skill deficiency, not through attracting candidates, but a lack of understanding of the capabilities that HR practitioners should hold (seems to have been a long term focus on organisational development candidates rather than HR generalists).

### 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?**

Councils are best assisted when representative bodies such as the LGA and the SALGFMG initiate discussions and working parties to provide information and guidance. An example of this is the financial sustainability project. All SA councils benefited from the discussion, education and training provided by these bodies. Grant funding was also provided to assist in the research and development of the projects. This is an efficient and effective way to collectively be assisted.

### Information request 5.3: Strengthening councils' accountability and transparency

How can the South Australian Government strengthen the accountability and transparency of councils? Possible instruments include:

- funding;
- legislation and monitoring of implementation through audits of the processes of local government decision making; and
- an agreement with councils and regular dialogue to reinforce the expectation that councils will conduct audits 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?

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?

Current financial and auditing requirement and practices already ensure that Councils are accountable and transparent. The requirement for strategic plans including annual business, asset management and long term financial plans including consultation support this view. It is questionable that increasing audit in this area will add any further value to accountability.

What would be beneficial is the introduction and reporting of standard non-financial data measured by the community as a whole in Councils annual report. For example a community may be prepared to support additional services in its area if it feels a target is not being met or addressed.

In its submission by the SALGFMG it is noted that the LGPI is seen as variable and not wholly reliable. Further discussion and research is needed in this area to ensure a reasonable measure is used.

Measuring of performance should also take into account a long-term view. A council may have a maintenance and asset renewal backlog that needs to be addressed. The strategic plan process supports this focus.