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Dr Matthew Butlin
Presiding Commissioner
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BY EMAIL

Dear Dr Butlin

Re: South Australian Productivity Commission, *Inquiry into Local Government Costs and Efficiency* – draft report, August 2019

Thank you for the opportunity to provide comment on the South Australian Productivity Commission's (the Commission) draft report of the *Inquiry into Local Government Costs and Efficiency*.

The draft report properly acknowledges the evolution of the local government sector in this State through a long history of reform that commenced in the mid-1990s with the very significant amalgamation process, coinciding with the comprehensive review of the overly prescriptive *Local Government Act 1934*, and culminating in the passing through State Parliament of new legislation to provide the current governing framework that is the *Local Government Act 1999* (the Act).

Unlike its preceding legislation, the new Act provided a more enabling legislative framework; one of several subsequent reforms that, as described in the draft report, "*broadened the discretionary power of councils to perform a range of functions*". The consequence of this shift in emphasis generated several changes in the local government sector; key among them was to provide greater autonomy and clarity for councils to focus on identifying and responding to the needs of their community.

By way of example, a prevailing view in the sector used to be that councils had little or no role to play in economic development beyond the provision of basic infrastructure and efficient regulation.

Internationally, however, contemporary approaches in economic development (for example in the European Union and the United States) increasingly emphasised place-based, bottom up approaches; a reaction to top down approaches which were creating and/or reinforcing regional disparities, as well as a realisation that closer connections between local needs and policies result in more inclusive growth.

Closer to home, the South Australian Centre for Economic Studies has previously found “in relation to the ability of local governments to enhance the long run economic performance of their local economies, we conclude that not only can they do so but that it is important that they actually do so...because it is integral to the achievement of the core purpose and objective of local government – to build and enhance community development”.

In Salisbury, Council plays an active role in building the local economy. In the past eighteen months alone Council has provided assistance and advice to nearly 1,500 businesses looking to start or grow, worked with 60 firms on expansion or inward investment activity and encouraged closer linkages between State Government priorities such as Lot 14 and local research and innovation infrastructure.

The motivation for councils to pursue the economic development of their area may vary according to their perceived need; job creation, investment attraction, service provision, social cohesion or cultural expression, or all of the above. However, it is the thinking and strategizing, and going through a process of identifying need or opportunity or an innovation that will benefit the community that is important. It is one of the keys to improving council performance overall.

The legislative and financial reforms of the mid-2000s further strengthened the local government framework by raising the standard of strategic long term planning and financial management. These reforms required councils to:

- Update their Strategic Management Plans every 4 years;
- have a Long-term Financial Plan as part of their Strategic Management Plans;
- have an Infrastructure and Asset Management Plan;
- have an Audit Committee; and
- rotate external auditors at least once every five years.

More recently we have seen a focus on values and articulating or developing standards of behaviours; the introduction of codes of conduct for elected members and council employees, and strengthening of conflict of interest provisions.

Each wave of reform, however successful or effective, has had at its core a constructive interest in developing the overall autonomy of councils as government, tempered by community accountability measures. In other words, councils work with the community and are accountable to the community.

This in part might help to explain why discussions about what “the sector” does or how “the sector” behaves are narrow and of limited value. Councils do not act uniformly. They represent different communities and different communities of interest, and under circumstances that are often particular to their area at a given time.

So, despite the significant growth in maturity in the sector about its understanding of its responsibilities as “government”, there is still a prevailing view that sector-wide prescriptive solutions can be found and are appropriate.

The Commission's draft report provides many insights into the challenges that confront councils in South Australia. Yet, in its draft advice to South Australian Councils, the Commission refers to providing guidance "to improve efficiency and to create capacity to pass on cost reductions to rate payers". This is too simplistic and poses significant risk for councils because at a high level, it perpetuates the myth that:

1. all councils are the same,
2. the needs of all communities are the same, and
3. prescriptive solutions can be applied (and work) across the sector.

It also reinforces a notion that the functions of a council are well defined and somehow commonly known, agreed upon and understood. Yet there is enormous variation among councils for the services they provide and the standard to which they deliver.

The State Government itself, in proposing a reform agenda for local government, has neither articulated what it considers the role of councils to be, nor what it should be in future.

Of course, it should not go unstated that "cost reductions" are always passed on to ratepayers by way of the broadening list of services that we provide and the Commission itself refers to; services that evolve as community expectations and circumstances change.

In the case of the City of Salisbury, we are a culturally diverse community, with some of the fastest population growth in the state, experiencing significant housing renewal and trying to encourage and manage a transitioning economy.

In fact, Council is focused on maximising efficiency in its service delivery so as to be able maintain a level of investment in local public infrastructure to shape the future of our economy so that we have thriving private industry and a sustainable commercial sector. This means jobs and local services and well maintained streets and parks for our citizens.

Council's biggest challenge is actually cost and revenue optimisation, meaning reducing our costs as much as we can, and identifying sources of revenue, beyond revenue from rates and regulatory charges, so that we can invest in managing and maximising our growth, while maintaining our long-term financial sustainability.

In our previous submission we offered the following:

"The City of Salisbury recognises that delivering an efficient service effectively means delivering to the community need, and efficiency without effectiveness, as defined this way, might be seen as providing little value. Effectiveness requires us to genuinely engage with our community to develop our understanding of our community's needs. That understanding, in turn, enables appropriate responses to be identified, developed and implemented. Finally, and in order to maintain our capacity to meet emerging needs, our responses must be proportional and efficient.

Understanding the circularity of this approach means that our community is the primary driver of cost, and the motivator for continuous improvement."

This approach is entirely consistent with the need for transparency in developing policies and strategies, and providing necessary local services and infrastructure to the standard required by our ratepayers. It is through transparency that we make ourselves accountable to the community.

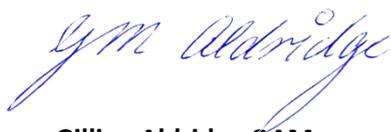
While we note that this as one of the suggestions for local government in the draft report, we also note that the current framework already requires that transparency and accountability.

We are certainly encouraged by the Commission's recognition that mandated imposts from State Government have a significant impact on council costs to service the community. Any review that might lead to eliminating unnecessary red tape, overlap of service or provide clarity between the roles of State Government and councils respectively would be welcome.

In conclusion, the City of Salisbury asks that the Commission, in finalising its report to State Government, provide advice that cautions against legislative measures that might have an effect of restraining councils' autonomy and direct accountability to its community.

The standards of transparency and accountability expected of councils (as public authorities) should be and are necessarily high. They are for the purpose of maintaining a productive relationship between the community, their elected representatives and the administration who are charged with the responsibility of providing the services and building the infrastructure.

Yours sincerely



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