



**City of Salisbury**  
ABN 82 615 416 895

12 James Street  
PO Box 8  
Salisbury SA 5108  
Australia

Telephone 08 8406 8222  
Facsimile 08 8281 5466  
city@salisbury.sa.gov.au

TTY 08 8406 8596  
(for hearing impaired)  
www.salisbury.sa.gov.au

26 July 2019

Dr Matthew Butlin  
Presiding Commissioner  
GPO Box 2343  
ADELAIDE SA 5001  
**BY EMAIL**

Dear Dr Butlin,

**Re: South Australia Productivity Commission – Inquiry into Local Government Costs and Efficiency**

Thank you for the opportunity to provide a submission to the South Australian Productivity Commission's (the Commission) Inquiry into Local Government Costs and Efficiency.

It is appropriate that an evidence based approach is taken by the Commission to ensure that any recommendations from the inquiry have a strong factual basis that will improve and develop the capacity of the Local Government sector to deliver local services and infrastructure that meet community needs and standards.

In this light, I invite you and your officers to visit the City of Salisbury to meet with the Chief Executive Officer, John Harry, and his officers to receive a briefing on our approaches to delivery of local services and infrastructure to our community.

Your work in this important area was discussed at our previous Council meeting on 22 July 2019 and the commentary that follows is consistent with the sentiment expressed by Elected Members at the meeting. This submission attempts to broadly cover the issues identified in the Commission's methodology paper and therefore is necessarily kept at a high level. Should the Commission require any detail in relation to any matter raised we would be happy to provide it.

Councils play a critical role in the wellbeing of the community through social, environmental and economic initiatives and outcomes that go beyond "roads, rates and rubbish". This is something that is not thoroughly appreciated by other spheres of government, and in many instances the community.

The City of Salisbury actively and continuously pursues improvements in the way it delivers services to its community through its "continuous improvement framework". The City's intent and approach is to build its capacity to not only deliver services that are generally accepted to be the responsibility of Councils, but to also be well placed to respond to emerging community needs and to identify opportunities that add value to services we already provide.

City of Salisbury

By way of background, the City of Salisbury manages approximately \$1.9billion in assets, has budgeted operating revenue of approximately \$122M, and an operating surplus of \$3.4M for 2019/20. The City of Salisbury has a population of approximately 137,000 and 60,000 rateable properties.

As stated above, the City of Salisbury provides a wide range of services to its community; however we also undertake additional activities that generate social, environmental and economic benefits to our community. Examples of this include the Salisbury Water initiative (stormwater capture, storage and reticulation) and Strategic Property Development that transforms excess community land into affordable housing and improved open space.

The fundamental driver of changes in council costs over time is community needs. Elected Members and the administration collectively work together to ensure the services being delivered are aligned to community needs. These vary from council to council and making any comparison of these costs is complex and will be difficult for the Commission.

A simple example of how these could vary is the provision of verge maintenance services. The City of Salisbury provides an extensive verge mowing service across the city, with a recent increase in standard to this service implemented in response to community feedback. Not all councils provide an identical service or to the same standard. Therefore any comparison of costs or benchmarking against this would be difficult, and if done would require appropriate qualification for sake of clarity.

This is only one example of course and there are many others where understanding cost drivers makes it difficult to effectively measure or compare service delivery and effectiveness across councils.

#### Legislative Compliance and Corporate Costs

Legislative compliance or State Government imposed changes also drive costs to councils. A recent example is the Solid Waste Levy that increased by approximately 40%. This increase, to the City of Salisbury, equated to a rate increase of approximately 0.8%. There is no link to efficiency or effectiveness in this example; it is merely an increased cost to councils without any material benefit to our community.

Nonetheless, the Council had to manage the impact on our community, notwithstanding that the City of Salisbury is a major constituent council of the Northern Adelaide Waste Management Authority who are widely recognised for the great work they do in managing waste and reducing costs for the member councils. The three constituent councils still had a major cost impact that they had to either absorb or pass on to the community.

Should the Commission recommend assessing cost structures, then a way to exclude such cost imposts needs to be factored into any modelling; otherwise it will not be an accurate reflection of a council's efficiency or effectiveness.

An alternate perspective and one appropriate for a sector with such diversity would be to develop performance targets that allow each council to improve against its own performance in defined areas rather than a comparison across another council or group of councils.

Given the substantial need to meet legislative requirements, and to some degree a base level of support services, such as payroll, governance, human resources etc., it would not be inappropriate to develop benchmarks for these costs categories as they are likely to be more easily compared across the sector and linked to the size of an organisation, which generally is driven by number of residents within the council area.

Further, in analysing corporate costs, the Commission should give consideration to the cost to councils of compliance with legislative requirements. While it is appropriate that a higher level of accountability is required of councils given they manage public funds; that accountability also imposes additional costs that other sectors are not required to meet.

It is worth emphasising that compliance requirements do not discriminate between councils, therefore smaller councils are likely to have a greater cost ratio of compliance costs than a larger council. Isolating these costs from any assessment not only allows a comparison for like councils but also removes them from any efficiency analysis given the legislated requirements.

#### Capital Expenditure Costs

With regard to measuring capital expenditure, due to the varying nature of such projects, a comparison across the sector is also difficult. The cost of capital projects are predominately delivered by external resources and therefore tested through a procurement approach to the market. The City of Salisbury is of a view that little benefit will be achieved through benchmarking capital projects.

As noted above, it is difficult to measure efficiency across councils given the many variables that impact on service delivery.

#### Service Reviews and Continuous Improvement

In the past six years we have undertaken a comprehensive review of service levels across the organisation, followed by a review on how we deliver the agreed service levels. This has required some benchmarking as part of the process but more importantly identified areas within our operations that can be improved to deliver the best outcome for our community.

Overall this program of review has delivered approximately \$3.0M in ongoing annual savings. On completion of this broad ranging service review, Council implemented a “continuous improvement framework” so that the improvements achieved are built upon progressively and embed a culture of continually improving our systems and processes.

Overall, through sound financial management and strategic planning, we have created a capacity to:

- continue to deliver a wide ranging mix of services to our community,
- keep rate levels stable and increases reasonable and relatively predictable,
- ensure we can fund our asset renewal program, and
- meet emerging community needs.

This approach is, in the long term, about providing our community with the assurance that we are not only delivering value to our community but also responding to their needs.

That is why we have also implemented a process to measure our community’s perception of Council. We have conducted Community Perception Surveys which are undertaken every two years, and in future, while we will continue to undertake this bi-annual survey, we are now in the process of establishing a program to receive more regular feedback from our community. This will enable our organisation to identify and respond to emerging community needs in a timely way.

Both at the Elected Member level and organisationally we are particularly aware that if we do not put effort into understanding evolving community needs, understanding the constant changes in our operating environment we cannot purport to be engaged with our local community and delivering the services they require. Importantly, we are of the view that this is the best way to identify further opportunities to add greater value to our community.

To this end, the Commission is encouraged to identify high level indicators that would allow a council to measure the overall value it provides to its community. This should be a measure that can be compared across the industry so that lessons can be shared.

#### Community Needs/ Community Experience

A key focus of the City of Salisbury has to move from delivering good customer service to delivering exceptional community experience. This shift in emphasis not only encompasses delivering greater

value through council services but also how we interact with our community so that their experience with us is a positive one. We recognise that residents do not have a choice as to their council, so it is important that councils ensure they are adding value back to their community.

An extract (*section 8, parts g-k*) from the *Local Government Act 1999* (the Act) notes the following principles to be observed by a council that are, to some extent, aligned to the Commission's inquiry: manage its operations and affairs in a manner that emphasises the importance of service to the community;

- g. seek to ensure that council resources are used fairly, effectively and efficiently;*
- h. seek to provide services, facilities and programs that are adequate and appropriate and seek to ensure equitable access to its services, facilities and programs;*
- i. achieve and maintain standards of good public administration;*
- j. ensure the sustainability of the council's long-term financial performance and position.*

Proper consideration of these principles requires broader thinking as well as innovative approaches that add greater value when delivering council services to a standard that at least meets community expectations, rather than focussing solely on efficiency and effectiveness.

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.

The Commission should give consideration to how these principles can be incorporated into indicators that allow a council to monitor its own performance in servicing its community while also enabling some comparison across the sector.

There are of course other principles in the Act, but those above resonate with some of the fundamentals that are being considered within the Inquiry.

The City of Salisbury is supportive of the work the Commission is undertaking but we emphasise the importance in the Commission giving appropriate acknowledgement to the broader benefits councils provide to their community and not take a purist approach to achieving efficiency, which as we note above is likely to have an adverse impact on the communities; the very communities inquiry is intended to support.

The City of Salisbury, as previously noted has been, on its own initiative and over a number of years, undertaking a review of all its functions which have delivered substantial ongoing financial savings but also improved how we deliver the services to our community. We will give careful consideration to any recommendation that may impact adversely on the ability for this Council to respond to its community's needs and for which we are responsible under the Act.

A critical concern is, by only focussing on what is often referred to as "roads, rates and rubbish", and an over emphasis on efficiency measures, the Commission runs the risk of severely curtailing the opportunities available to the community if recommendations that arise from this inquiry reduce the ability for council to respond to emerging community needs.

Any recommendations arising from the Commission's work should take an educative approach strongly consider how to improve awareness across all stakeholders of the roles Councils play to enhance community wellbeing. It is unfortunate that a "blanket" drive for efficiency may negatively impact the community if this broader role of Councils is not understood.

Thank you for the opportunity to provide our submission and we look forward to the draft report, which we will review and provide you with further comment.

In the meantime, while the Commission is undertaking this important work, I reiterate my invitation to you to contact the Chief Executive Officer, John Harry, at [jharry@salisbury.sa.gov.au](mailto:jharry@salisbury.sa.gov.au) or (08) 8406 8222 to arrange a visit to our City and receive a full briefing on our approaches for serving our community. I feel certain that this will assist your process significantly.

Yours sincerely



**Gillian Aldridge OAM**

Mayor

Phone: 08 8406 8262

Email: [galdridge@salisbury.sa.gov.au](mailto:galdridge@salisbury.sa.gov.au)