

Ref. CR19/42441



02 August 2019

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Dear Dr Butlin

**CITY OF PROSPECT
LOCAL GOVERNMENT COSTS AND EFFICIENCIES SUBMISSION**

Thank you for the opportunity to lodge a submission regarding the Local Government Costs and Efficiencies.

At the Council meeting held on Tuesday 23 July 2019 the following resolution was carried unanimously:

- (1) Council having considered Item 14.4 Draft Submission - Local Government Costs and Efficiencies by the South Australian Productivity Commission receive and note the report.
- (2) That Council provide a response to the South Australian Productivity Commission Submission on the Local Government Costs and Efficiencies as provided in Attachments 48-56.

Carried Unanimously 183/19

Please find attached City of Prospect's Submission – Local Government Costs and Efficiencies - South Australian Productivity Commission, **Attachment 1-9**.

To evidence our submission, Council has undertaken an "Expenditure Trend Analysis" of its recent grants commission submissions, please refer to **Attachment 10** enclosed.

Yours sincerely

A handwritten signature in black ink that reads 'Ginny Moon'.

Ginny Moon
Director Corporate Services

City of Prospect – Feedback to the SA Productivity Commission

	Council's Response
3. Approach to comparative analysis	
3.1 Is the Australian Classification of Local Governments an appropriate way to group similar councils for comparison? Is there a better approach?	<p>Consistency, quality and equity of data are important elements to ensure meaningful comparison.</p> <p>The Australian Classification of Local Governments is the basis use to distribute the Financial Assistance Grants. Council sees this as an appropriate way of grouping similar Councils for comparison.</p> <p>However, Council takes into consideration of LGA's position in arguing the Data Envelopment Analysis (DEA) model works best when there is more organisations in each group and that two categories of councils for input to the DEA is the maximum that should be used if robust results are desired through the DEA model.</p> <p>As a result, Council supports consideration be given to grouping councils into metro and regional.</p>
3.2 Is the proposed ten-year timeframe to analyse costs and efficiency appropriate?	<p>The proposed ten-year timeframe to analyse costs and efficiency appropriate appears to be too long.</p> <p>Council supports a 6 year timeframe to allow Council to deliver and measure a complete Strategic Plan cycle and afforded the opportunity to review the methodology used to assess Council's performance on costs and efficiency.</p>
3.3 Are there any other sources of data that would help the Commission?	<p>Apart form the Grants Commission Supplementary Return, City of Prospect has previously conducted various efficiency and economy audits and various Service Reviews.</p> <p>City of Prospect has also participated in The Australasian LG Performance Excellence Program.</p> <p>Council also refers the Commissioner to the <i>Chief Executive Officer Statement on Financial Sustainability – Annual Business Plan 2019-2020 (25 June 2019 Council Meeting)</i>.</p> <p>Council budgeting efforts in recent years have allowed the LTFP 2020-2029 to see a reduction of the overall rates revenue increase from 6.5% (2011-2012) to 3.75% (including growth) annually from 2021-2022 for the life of the plan.</p>

Year	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
ABP 2011-2012	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%			
ABP 2019-2020						4.47%	4.04%	3.75%	3.75%	3.75%	3.75%	3.75%

<p>4. Analysing council costs</p>	
<p>4.1 What are the key determinants or drivers of council costs and how have councils' costs changed over time?</p>	<p>Changes in service provision and community expectations has increased over the period. Councils are providing additional services in Community Services, Library Services, Economic Development and Recreation and Open Space.</p> <p>Councils have also been impacted by cost shifting and legislative changes resulting in increased expenditure in Regulatory Services, with examples including Local Nuisance and Litter Control Act, Dog and Cat Management Act.</p> <p>The additional fees applicable to councils to support the cost of maintaining the SA Planning Portal and costs and fees incurred by both professional staff and/or councils under the new accredited professional schemes resulting from the Planning Infrastructure & Development Act 2016.</p> <p>Most recently, the State Government's 40% increase in solid waste levy. The waste levy increase equates to 0.58% increase in rates and Council has no choice but to pass the cost of this State Government tax on to our ratepayers. The Levy was introduced in 2003/04 at \$5 per tonne. The latest increase to \$140 per tonne in the metro area equates to a 2700% increase in the levy since its introduction. This is compared to Council's average residential rate of 2.5% in 2003/2004 and what it would have been 2.7% in 2019/2020 (without the increase in the solid waste levy), and continues to be a significant cost impost to Councils and our ratepayers.</p> <p>The impact of China Sword resulted in Council having to implement a combination of measures such as cost/service reduction and/or increased rates to cover the impact.</p> <p>Employee costs represent approximately 35% of Council's total operating cost. This cost is driven by Enterprise Bargaining Agreements (EBA).</p> <p>From 2008/09 Council's wages increase in the order of 4%, falling to around 3% in 2014/15 and more recent EBA in the order of 2.5%, and more reflective of wages growth in the broader economy.</p> <p>Rate increases should also be reviewed in light of wages growth impacts.</p>

<p>4.2 What is the best approach to defining and measuring costs for comparisons across councils or through time?</p>	<p>As part of Council's Submission on Local Government Reform Discussion Paper (Council Report 28/05/2019), Council supports LGA's position in the areas of Benchmarking:-</p> <p>"While there is a considerable amount of information already available to communities about what their council is doing, this information is often spread across multiple documents and platforms, can be difficult to find, and is not easy to compare with other councils.</p> <p>There is merit in developing a sophisticated online platform for councils to share and compare meaningful data about their performance, and enhance the transparency and accessibility of council data for the community.</p> <p>Having access to up to date, consistent and reliable data from across the sector will enable local government to monitor trends, identify future challenges and make evidence-based decisions about reform and practice improvement.</p> <p>Gathering information about councils and how they are operating is beneficial for a number of reasons, including:</p> <ul style="list-style-type: none"> • determining if councils are performing well, being fiscally responsible and are financially sustainable • assessing the relative efficiency of the sector and the value for money being delivered to communities • measuring and evaluating the outcomes that are being achieved and whether the community is satisfied with what councils are delivering • identifying opportunities for continuous improvement and reform programs to strengthen the sector. <p>In developing a benchmarking framework, care needs to be taken to reflect that councils are as diverse as the communities they serve. Not all measures will be comparable across all councils and financial information will tell only one side of the story. It is important that there be a suite of meaningful performance measures that build a more complete picture of the financial and governance health of the sector and the public value of the services and programs delivered by councils."</p>
<p>4.3 What is the most appropriate measure of capital expenditure?</p>	<p>Council supports the following feedback provided by the South Australian Financial Management Group (SAFMG):-</p> <p>Given the cost structures of Local Government, CPI is not a relevant cost index as it does not represent the bundle of goods that Councils purchase.</p> <p>The LGPI is not a price index in a pure form. It is influenced by not just the costs of what is purchased but also the volume of what councils are purchasing, and consequently is not a true reflection of the cost increases faced by the industry. Further, the LGPI relies on grant commission data</p>

	<p>which is not audited and may be incorrect in some instances, which detracts from the reliability of the LGPI.</p> <p>A mixed index of the Wage Price Index (WPI), CPI, and some consideration that unit rates for infrastructure revaluation are typically higher than CPI (resulting higher depreciation for existing assets), is more relevant.</p> <p>We consider that a 50% WPI, 30% Road and Bridge construction Index and 20% CPI hybrid is more reliable and independent, transparent and efficient to produce.</p>
<p>4.4 What measures of council service quality are available?</p>	<p>The LGA Act offers no guidance on meeting the obligation of reporting the performance of Strategic management plan and the Annual Business Plan.</p> <p>The following are utilised by the City of Prospect to inform the community:</p> <ul style="list-style-type: none"> • Quarterly performance reporting to Council against the 67 targets outlined with the Strategic Plan • Resident Satisfaction Survey • Youth Qualitative Forums • Council currently utilises the target ranges for the three Key financial indicators from the model financial statements as its main financial performance measures <p>To measure council service quality:-</p> <ul style="list-style-type: none"> • Biennial Community Survey (last survey 2017. About to commence a new survey in 2019). • Draft Annual Business Plan Consultations (most recent report presented to Council on 25 June 2019). Various forms of Community Engagement were provided including: <ul style="list-style-type: none"> ○ Electronic Submissions via email ○ Website Survey Submissions ○ Hard Copy Submission received through Post and Over the Counter ○ Adult Focus Groups ○ Youth Focus Groups – visitation to 2 Local High Schools ○ Public Meeting – Tuesday 28 May 2019 • Assurance via Council's Audit Committee. Includes service reviews and internal/external audit outcomes. <p>Comment</p> <ul style="list-style-type: none"> • Any service review must reflect councils strategic direction • Maximum 5 year interval, staggered so not all at the same time or it can be overwhelming (cost and resource implications) and therefore disengaging for Council Member's. • The requirement to review service levels could be based on an equitable system (e.g. use of the group tier approach) when applying frequency determinations.

<p>5. How to estimate local government efficiency</p>	
<p>5.1 What is the experience of South Australian councils in measuring and monitoring efficiency?</p>	<p>Response to this question is similar to that provided under Question 4.2 & Question 4.4.</p> <p>As part of Council's Submission on Local Government Reform Discussion Paper (Council Report 28/05/2019), Council supports LGA's position in the areas of Benchmarking:-</p> <p>"While there is a considerable amount of information already available to communities about what their council is doing, this information is often spread across multiple documents and platforms, can be difficult to find, and is not easy to compare with other councils.</p> <p>There is merit in developing a sophisticated online platform for councils to share and compare meaningful data about their performance, and enhance the transparency and accessibility of council data for the community.</p> <p>Having access to up to date, consistent and reliable data from across the sector will enable local government to monitor trends, identify future challenges and make evidence-based decisions about reform and practice improvement.</p> <p>Gathering information about councils and how they are operating is beneficial for a number of reasons, including:</p> <ul style="list-style-type: none"> • determining if councils are performing well, being fiscally responsible and are financially sustainable • assessing the relative efficiency of the sector and the value for money being delivered to communities • measuring and evaluating the outcomes that are being achieved and whether the community is satisfied with what councils are delivering • identifying opportunities for continuous improvement and reform programs to strengthen the sector. <p>In developing a benchmarking framework, care needs to be taken to reflect that councils are as diverse as the communities they serve. Not all measures will be comparable across all councils and financial information will tell only one side of the story. It is important that there be a suite of meaningful performance measures that build a more complete picture of the financial and governance health of the sector and the public value of the services and programs delivered by councils."</p> <p>The LGA Act offers no guidance on meeting the obligation of reporting the performance of Strategic management plan and the Annual Business Plan.</p>

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5.2 Are there any examples of efficiency monitoring programs in other jurisdictions?	No comment.
5.3 Have these efficiency monitoring programs resulted in improved council efficiency?	<p>Benchmarking is often use to 'determine' if a Council is 'efficient'.</p> <p>It is important to note that each Council calibrates its services to meet their community's needs.</p> <p>In developing a benchmarking framework or any efficiency monitoring program, care needs to be taken to reflect that councils are as diverse as the communities they serve. Not all measures will be comparable across all councils and financial information will tell only one side of the story.</p> <p>It is found that services are intentionally different because each Council is serving the needs of its distinct community.</p> <p>Council activity participates in service reviews programs to improve service delivery, value for money and efficiency for or community.</p> <p>Looking at each individual Council over time provides useful information about improvement in resource utilisation and service provision which is much more relevant than comparing across councils.</p>

5.4 Is there value in estimating service-specific efficiency of councils?	Refer comments provided under Question 5.3.
5.5 What services are most appropriate to estimate council efficiency?	Refer comments provided under Question 5.3.
5.6 How do councils monitor their efficiency over time?	<p>Apart from the Grants Commission Supplementary Return, City of Prospect has previously conducted various efficiency and economy audits and various Service Reviews. Most of these reviews included comparisons with our Councils of similar size.</p> <p>City of Prospect has also participated in The Australasian LG Performance Excellence Program which includes benchmarking of Councils from Australia and New Zealand in the following areas:-</p> <ul style="list-style-type: none"> • Workforce • Finance • Operations • Service Delivery • Risk management • Corporate Leadership • Asset management
5.7 Are there any examples or case studies of councils benchmarking their costs and efficiency against other councils?	Refer comments provided under Question 5.3.
6. Understanding factors that influence efficiency of councils	
6.1 Are the factors used in previous studies likely to influence local government efficiency in South Australia?	
6.2 Are there any additional factors that could affect the costs and efficiency of South Australian councils?	<p>Cost to maintain, upgrade and renewal of Council's infrastructure assets. Increased community expectations on service levels. Cost shifting and impact of changes in legislations.</p> <p>Refer comments provided under Question 4.1.</p>

6.3 What are the key internal and external factors that have impacted councils estimated efficiency over the last ten years?	Refer comments provided under Question 4.1.
6.4 What are the key internal and external factors which councils expect to impact their efficiency going forward?	Refer comments provided under Question 4.1.
6.5 What decision-making processes do councils use to determine the scope of services they provide and how these services are provided?	<ul style="list-style-type: none"> • Alignment with Council's Strategic directions • Financial sustainability • Community survey/feedback/Draft budget consultation • Cost of providing new/additional services • Community's ability to pay
7. Options for improved council performance	
<p>7.1 What are councils' experiences with recent reforms in policy, governance and management?</p> <p>7.2 What actions/reforms have council initiated to improve efficiency or reduce costs?</p> <p>7.3 What reforms in other jurisdictions successfully resulted in improved council efficiency?</p> <p>7.4 How can financial accountability in the local government sector be enhanced?</p>	<p>Council supports LGA's previous outline plan for sensible change that includes:</p> <ul style="list-style-type: none"> • sector wide benchmarking program • strengthening the Council Members Code of Conduct • best practice audit committees • standardising external audits • introduce a revenue policy • diversifying local government revenue • best practice service reviews • supporting new boundary reform processes • industry-wide industrial relations framework • review representation reviews • local government elections reform.

<p>7.5 Are there examples of actions initiated by councils to increase efficiency? What has worked and what has not worked?</p>	
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Attachment

Expenditure Analysis Trend

The following graph presents average expenditure increase in various categories within the Grant Commission Data Return. The increase has been compared to the CPI, LGPI and Council average residential rates increase for the past 8 years.

