

From: Martin Bray <martinbray001@gmail.com>
Sent: Wednesday, 24 July 2019 4:20 PM
To: Butlin, Matthew (OSAPC) <Matthew.Butlin@sa.gov.au>
Subject: Re: Correspondence

Dear Mr Butlin

thanks for your reply.

Can I formally request via this email that (1) my written and oral ('hansard') submission to the state parliament rate capping inquiry, and (2) the paper on value for money in some council activities that i sent you, be regarded as my submission to your enquiry.

Regards

Cr Martin Bray

22/5/15

1



Submission to Parliament of SA Economic and Finance Committee
Inquiry into Local Government rate capping Policies.

Submission from Cr Martin Bray, City of Onkaparinga

I have reluctantly come to the conclusion that enforced rate capping is a valuable tool, not just in keeping rate rises down, but to drive improved value for money for rate payers.

Under terms of reference number 4, related matters, I would like to comment on why I believe rate capping is the only mechanism to effectively keep rates at reasonable levels.

The following views are my own and not those of Council.

I give the following reasons for supporting rate capping.

1. I did a community survey endorsed by 3 other councillors, to satisfy my need to know community views on this. The survey did not push poll, but genuinely gave options. Survey copy is provided as attachment 1. Results indicated 88% in favour of limiting rate rises. See report-attachment 2
2. It can be a valid hypothesis that 'Community plans' are written by staff and 'endorsed' by 'community consultations' that are no more than the approval of motherhood statements. They are presented without connecting the 'wish lists' to cost. Community plans then become 'make work' generators of myriad programs and reports at great cost to ratepayers.
3. I am concerned that gold plating results from establishment of 'need' from esoteric reasonings rather than from usage surveys of all community facilities (public, not for profit and private) to establish existing vacancy capacity across all community organisations. For most major projects I have yet to see an empirically based business case. Capping rates may well drive a focus on real need.
4. Councillors receive advice only from staff about the need for rate rises. It is always well reasoned and appears to need support, regardless of the size if rate rises proposed. However, many elected members appear not to understand that any such presentations are just one viewpoint that is based on many big assumptions, such as the organisation operating as effectively as possible. It is easy for staff to win over individual elected members, in the absence of well resourced political groupings within the elected membership. I am not arguing for political parties in local government, simply pointing out the difficulty of individuals resourcing alternative options.
5. Organisational self interest, where bigger staffs mean bigger salaries for management systems, is canvassed in items 7 and 8 of what I said to council in debate about the budget this year. See attachment 3.
6. If rate capping comes in, with exemptions being available via appeal, I believe it is critical that any such appeal include evidence not just from the council, but also from any parties who believe that an exemption is not warranted.

Cr M. Bray

Contact details: Main Road CLARENDON SA 5157; 08 8383 6207; [REDACTED]

As this survey is independent of Council, resources are limited, and reply paid postage was not an option for us.

We appreciate that delivering or posting this survey to Dr Such's Office is an inconvenience, but your response will be greatly valued.

As mentioned on the front, Leon Bignall's office will accept these over the counter, for delivery to Dr. Such's office, as a service to people in the south.

Again, thank you for your assistance in understanding the extent of various community views on these key issues about ratepayer funding of local government.

Community Survey

Rate rises and debt levels in the City of Onkaparinga

Conducted by Councillor Martin Bray, with the support of Cr. Phil Sutherland, Cr. Robert de Jonge and Cr. Gail Kilby

This is not a survey endorsed by Council. Council members were asked in a Notice of Motion to endorse this particular survey for implementation by the City of Onkaparinga. This motion was lost. Council does do budget surveys, but they do not offer the community these basic options.

None of the politicians or businesses assisting in distribution and collection of this survey ever asked for, and were not given, any input of any kind into the content.

We would value your answers to the two questions inside this brochure.

Returning survey forms

Returns from this survey will be collated independently from the City of Onkaparinga and its elected members. To be counted, returns must be sent to Dr Bob Such, Member for Fisher. Shop 11, Aberfoyle Hub Shopping Centre, Aberfoyle Park, SA 5159. *

CLOSING DATE 30th APRIL 2012

*For people living **further south**, returns can be left **in person** at the office of Leon Bignall MP, Shop 12, Hackam Plaza, 154 Main South Road, Hackam. They will be delivered to Dr Such's office.

To authenticate returns, a name and address are needed.

Name _____

Address _____

Attachment 1

Community Survey- Debt levels and the extent of rate rises.

1. Level of debt.

Current position

The City of Onkaparinga is projected to have a total debt of **\$66 million** when the current budget period ends in June 2012. Debt has been used to fund major projects and some capital works. To help pay back the loans and the interest, it was decided to add **1.25%** to rates every year for 10 years. 2011-12 is the 5th year that this 1.25% has been added. After 10 years, the annual quarantined loan payment income in the Major Projects Fund will be a bit over \$10 million (about 8% of your rates bill in 2017/18). The level of debt is expected to peak in excess of **\$100 million** in 2017/18 as the major projects plan continues.

Should we continue to borrow more, or pay for projects once funds become available from the Major Projects Fund?

Borrow more option:

The advantage is that projects will be delivered sooner.

The disadvantage is that more rate revenue is lost to interest payments.

Stop borrowing now option:

The advantage is that by not paying more interest, approximately **\$40 million** in rate payer funds will be saved over the life of the loan payment plan. This money can be used in the future to refurbish tired suburbs, or if economic circumstances are difficult, to provide substantial rates relief, which could be targeted to provide maximum effect.

The disadvantage is that some projects will take up to **10 years** longer to deliver and roads will need to be done first to save costly deterioration. Whether it matters if projects take longer depends on peoples' personal opinion as to whether current major infrastructure is passably adequate at present.

Do you think debt levels should be increased? _____

Comment _____

2. Rate rises.

There is always pressure for rates to be lifted, due to inflation, cost shifting from the State Government, reduced grants, expanded services and increased funding to other organisations.

Should rates increase above the amount needed for CPI and the 1.25% needed for major project funding?

No formal ceiling on rate rises option:

This option allows the flexibility to expand services if this is considered necessary by the community, and reduces stresses in the system that may occur if some aspects of councils business increases in cost by more than the CPI.

Limiting rate rises to CPI plus 1.25% for funding major projects option:

Limiting rate rises implies:

- A focus by council on core business (service rationalisation) as necessary to achieve budget goals
- Resisting payments to organisations that request money from Council that are not local community groups, and are outside grants budgets .
- Improved value for money in delivering services, and in delivering minor and major projects.

While there is a body of opinion that says services may have to be reduced to keep rates to CPI, an alternative view is that efficiencies may exist with a tighter focus on practical outcomes and streamlining complex consultancies and procedures.

Do you think rate rises should for the next year be limited to CPI plus the 1.25% for the Major Projects Fund? _____

Comment _____

Attachment 2

Community survey on debt and rate rises. Report on results and possible implications

Author Cr Martin Bray

Reasons for conducting the survey

1. In relation to debt, I have not been able to reconcile the aversion I have been detecting in ratepayers, and Council budget engagement that did not highlight any problem with the debt projections.
2. In relation to rate rises, I have noted two common complaints about local government taxation. The first is that we work out how much we want and then calculate the rate to fit, bypassing the need for serious fiscal stringency. The other is a propensity to decide first and consult later.

The purpose of the survey was to get more definitive information on community attitude to these issues.

Two supplementary questions were also asked, one in relation to a speed limit issue I am in correspondence with the State Government about, and the other a Question of Councillor Sutherland's examining satisfaction with suburb maintenance levels.

Veracity of the survey

Despite very limited resources, this survey deserves serious consideration for 6 reasons:

1. There were many expressions of support for just conducting this survey on these fundamental issues.
2. It created reasonable media interest. The Southern Times, On the Coast and 5AA all ran with the story. (I was not successful in getting ABC breakfast radio to take up the story).
3. It created significant interest in the community, including practical support from The Onkaparinga Residents Association, ONCARA, and individual members of the Northern Forum.
4. The response rate of 147 was high. This assertion is based on the fact that:
 - only 3000 were letterboxed, in disparate locations from Willunga to Flagstaff Hill. (2800 from the 3000 printed by Councillor Phil Sutherland, and 200 from the 1000 I printed were letterboxed. About 200 printed by Councillor Sutherland were not letterboxed in time, and the bulk of the ones I printed were left at pick-up points through the city, but few appeared to have been taken due to poor publicity of the pick-up locations)
 - ratepayers had to get the form into the office of Dr Such MP at their own expense. If they were not letterboxed and heard about the survey, they had to download it from the ONCARA website, print it, and then post it in.

- Dr Such did a survey on issues around satisfaction with government just recently, and had a response rate of 250 with 13500 letterbox delivered. (1 in 54 compared to 1 in 20.4)
5. The survey forms were not accepted from me (or any other councillors in support of this survey) by Dr Such's office. The only exception was one form posted to the Council, which was date stamped, and then sent to me. All replies were stamped at Dr Such's office with his office stamp. Dr Such had a volunteer fully collate survey results and comments, and write a report. His office has a copy of the report. The report and replies were handed to me on Monday 7th May.
 6. Surveys, by virtue of the fact that they usually ask for a simple response to a simple question, often inflate the importance of the responses because people are not mindful of the downside to the position they take. This survey is has a great deal of integrity because it makes very clear that no matter what position people take, there is no free lunch- each option for an issue has its down side, and these were mentioned.

Results

Debt: 141 from 147 do not want further debt.

Rates: 130 from 147 want rises restrained to CPI plus MPF 1.25%.

The report attached from Dr. Such's office speaks for itself as a summary of comments.

Implications of the results for elected members

This survey indicates that residents expect elected members to revert to a pay as you go approach to the MPF, and to stop debt funding.

Elected members are also expected to keep rate rises to CPI plus MPF 1.25%. The most common comment (from 24 respondents) in relation to upwards pressure on rates was that spending on infrastructure is too rapid, and requires an even more targeted (ie affordable) approach.

In relation to debt, it cannot be claimed from the survey results that ratepayers would expect a total rejection of debt funding. For example, the current application to the Suburban Jobs Program for a new community centre at Aldinga requires Council to put up borrowed money, but this is to attract three times as much in federal funds. (However, sentiments for restraint expressed in the survey, especially in relation to infrastructure, would indicate potentially great aversion to other proposed options for Aldinga that would appear to lock Council into up to one million dollars in rent per year on an indefinite basis)

Stakeholder expectations and political implications

A significant risk appears to exist in relation to stakeholder dissatisfaction in continuing on the present course.

The last council election saw heightened community-based involvement in attempting to achieve a different and more assertive style of representation. However, the campaign was based largely on generalities, with little evidence that the elected membership was not acting in broad support of community expectations.

This survey has political implications for members in that, for these most fundamental of issues, it will provide a factual element of support for future campaign-based assertions that test whether individual members are living up to community expectations.

5/5/15

2015/2016 Budget comments

1724 people in Thalassa ward voted for the specific policies limiting debt and rate rises put forward by myself and Brian Nankivell. The next largest vote for a specific policy statement in Thalassa was 1141.

1. While I do not support the rate increase proposed, I support a balanced budget, the quarantined Major Project Fund for debt repayment and capital works, and sensible provisions for asset maintenance and renewal.
2. I cannot support further borrowings. With the exception of 2 significant roads, I have yet to see satisfactory empirical data on need or usage, or an options based business case, for individual projects. I am also concerned that there appears to have been significant overestimates in project allocations with reduced incentive for careful cost-conscious delivery.
3. In the last 8 years, rates have risen 21.4% above Adelaide CPI, and taking new rateable properties into account, rate rises above CPI would be about 27%. While some might argue that wages growth means this is not a problem, in the current and ongoing years this argument is unlikely to hold.
4. I do not accept the concept of 'Local Government Price Index' (LGPI) at face value as a justification for rate rises above CPI. Part of LGPI is wage growth and is self inflicted- and why wouldn't wages grow above CPI if councillors always seem prepared to grant rises above CPI. I would be happy for wages to rise above CPI in response to productivity changes which allow rate rises to stay at CPI.
5. Another part of LGPI is construction costs, and I have heard a builder in the media in the last year say that his large firm was experiencing negligible cost growth in the current environment.

6. At a budget workshop, it was decided that the Annual Business Plan (ABP) would be modelled both on 4.6% and 3.6%. While I would prefer a CPI rise only, I supported the 3.6% as a compromise. The 3.6% modelling request appears to have been ignored.

7. I am concerned that the only budget modelling we get assumes business as usual at whatever cost comes out, rather than having an option where constraints are applied to drive deeper objective analysis. In summarising 40 years of work, Harvard economist JK Galbraith in 'The Economics of Innocent Fraud' makes a compelling case for boards of management to be conscious to counter the self-interest of corporate style organisations, in the interest of shareholders (or ratepayers). He argues for the need to identify the gap between 'approved belief' (ie conventional wisdom) and reality. Galbraith's work is widely considered as having strong validity, and he is strongly supported by Steven Levitt, the current high profile proponent of rigorous micro-economic analysis.

8. This exact issue was covered by an elected member who said to me that they felt the organisation could well cope with a 3.6% rate rise, but they would probably not support it because the 'cuts' would be to ratepayer services and not in internal organisational reallocations.

9. Having observed closely how this Council performs, and particularly within the township of Clarendon where I walk most days, I am convinced that working better can obviate the need for rate rises above CPI. I agree that at a broad organisational level, many good money-saving changes have been made, but I have come to the conclusion that there is a lack of "grip" down through the organisation that is needed for tight cost-effective delivery of outcomes.

10. What is the effect of these rate rises over several years? It's not a 'cup of coffee'. An accumulated 20% above CPI over 8 years can, for many lower rated properties, be \$50 extra from the fortnightly pay 4 times a year-that is 2 months where there is a hit. Many people may need the \$50 for other expenses or even just to go out for a break on the weekend.

Cr M. Bray



ECONOMIC AND FINANCE COMMITTEE

LOCAL GOVERNMENT RATE CAPPING POLICIES

Balcony Room, Parliament House, Adelaide

Friday, 28 August 2015 at 9:25am

(OFFICIAL HANSARD REPORT)
PARLIAMENT OF SOUTH AUSTRALIA

WITNESSES

BRAY, MARTIN, Councillor 17

COMRIE, JOHN, Lead Consultant for Financial Sustainability,
Local Government Association (SA) 1

DONALDSON, ROB, CEO, City of Port Lincoln 1

ROSENBERG, LORRAINE, Vice President,
Local Government Association (SA) 1

SEARLE, MARK, Acting CEO,
Local Government Association (SA) 1

MEMBERS:

Mr L.K. Odenwalder MP (Presiding Member)
Hon. P. Caica MP
Hon. J.M. Rankine MP
Mr C.J. Picton MP
Mr D.G. Pisoni MP
Mr D.J. Speirs MP
Mr D.C. van Holst Pellekaan MP

WITNESSES:

ROSENBERG, LORRAINE, Vice President, Local Government Association (SA)
SEARLE, MARK, Acting CEO, Local Government Association (SA)
COMRIE, JOHN, Lead Consultant for Financial Sustainability, Local Government Association (SA)
DONALDSON, ROB, CEO, City of Port Lincoln

1 The PRESIDING MEMBER: Thank you for attending the Economic and Finance Committee today. We are inquiring, as you know, into rates capping in local government. I do have a bit of a spiel to go through and then we'll get started. Thank you for your attendance here today. This committee is a standing committee of the Parliament of South Australia. Its powers and functions are set out in the Parliamentary Committees Act 1991.

I bring to your attention sections 28 and 31 of the act, which set out the privileges, immunities and powers of the committee and the protection afforded to you as witnesses. Section 26 provides that members of the public may be present during the examination of witnesses, unless the committee resolves otherwise. The committee also has the option to live stream the audio of its public hearings via the parliamentary system within Parliament House, and I understand that you are happy with that arrangement?

Mrs ROSENBERG: Yes.

2 The PRESIDING MEMBER: If there is any matter you wish to be taken in camera, please indicate to the committee at the start of your evidence and the committee will consider that request. For the record, could you please introduce yourselves, including your title, and then proceed with your presentation and then we will move on to questions from members.

Mrs ROSENBERG: My name is Lorraine Rosenberg. I am the Mayor of the City of Onkaparinga, but here today as vice president of the Local Government Association, and apologies for our president, Dave Burgess, who is currently hosting the Deputy Prime Minister at a roads conference in Murray Bridge. I have the gig today in his place, so thank you very much for that opportunity.

My panel here is Acting CEO, Mark Searle. Mark is a previous CEO of the City of Marion, and probably known very well for his experience in that arena, and is currently working as the Acting CEO of the LGA, after Wendy Campana moved on. Mr Rob Donaldson, on my far right, is the CEO of the City of Port Lincoln. He has worked on a number of South Australian councils but, most importantly I think for today's hearing, also has some experience in New South Wales and the rate capping program that happens in New South Wales. Our consultant John Comrie is a former LGA CEO and former executive director of the Office of Local Government and I think is probably well renowned throughout Australia as one of the national experts in local government finance and accountability, so it is a very good opportunity to ask John some questions as well.

I just want to make some really introductory remarks, if that's okay. First of all I want to say that, from an LGA perspective, we are really encouraged by this inquiry. It is a great opportunity

for us to look at the process of rate capping and gives an opportunity for local government, in particular, to put on record publicly the value of local government to South Australia and the value of the goods and services that we provide to our community

It is also an opportunity for us to put on record how we go about our engagement process, and maybe a discussion about how we might improve that engagement process is something that we would welcome as part of this inquiry. I think it is also important for us to recognise that we really have a very strong respect for the parliamentary process. We want to work with the parliament of South Australia to make sure that with our community—which we share, we share the community—we are getting the best opportunities for our community both from the state parliament and also from local government.

I also want to emphasise—I may get a question about this, and perhaps my comment up-front might prevent that question—that we continue to represent the 68 councils in South Australia. You may have read about some issues, and that the City of Marion is actually reviewing its position at the moment and has suspended its subscription payment to us, but, regardless of that, under our constitution we are still representing the 68 councils in South Australia. So our submission is on behalf of those 68 councils.

We have provided you with a submission in writing and we believe it is pretty comprehensive. It covers a whole range of things, so today we are probably just touching on maybe the three key points from that submission. They would be, in order, that we believe local democracy in South Australia is working extremely well. We believe it is vital that that local democracy continues. We believe it is vital that our local communities continue to have a say in their local budgets and the local services that are provided to them.

Councils have a whole range of ways of determining that: our strategic plans, our community plans are the obvious way, and we are required to have a review every five years or so. They set our long-term goals, and our community is very much a part of setting those goals. Those goals then have to be funded in some way, and rates is our taxation system. That is the issue that we have with the local democracy. We think it is really important that through this process we consider how we make sure that the local community continues to be the driver of the services that are provided to it.

The second one is that rate capping carries some significant risks of pushing intergenerational costs onto those who come after us, and we can explain that a little bit more if you want to do that. I think that history shows pretty clearly in other jurisdictions of rate capping that there has been a cost transfer to other generations and there has definitely been a decline in services that have been provided to their communities, and the standard of those services has also decreased.

The third point is that rate capping will inevitably lead to some sort of increase in red tape and administration, because it has to be administered in some way. That will be an increase in red tape both to state government and also to local government, in our view. I think it is clear that that red tape has not led to any increase in efficiencies in the New South Wales rate capping area, so it is something for us to consider as we go forward with a decision about this.

I do not want today to be a situation where local government pits itself against state government—and I put that on the table in front—but I think there are some things we need to do in terms of positioning local government in the taxation system, if you like. It needs to be reminded that local government collects about 3 per cent of the taxes and delivers what we need to deliver with those taxes plus grants and fees and charges, so it is a small amount of the overall taxation of Australia.

In about the year 2000, the state government overtook the local government as being a property based taxer, and we can explain what we mean by that a little bit more. There have been the NRM levies, the emergency services levies and then the River Murray levy which was in place for some time—and they are all property based taxes, so that is what we mean by where we have got that figure from.

I guess over the years the ABS figures, not our figures but the ABS data, indicate that the South Australian government has over many years—and under both political parties, I have to suggest—provided the lowest per capita grants to local government throughout any state and territory in Australia. So, we have that double whammy, if you want to call it that, of having to keep

our rates down and we are a low rating area in terms of other levels of taxation but, in addition to that, we are also a lower grant receiver.

I want to put on record that from my perspective, and I think the LGA's perspective, we have always respected that the South Australian parliament has gone about a history of avoiding interfering with local government and the way that local government does its business and we really respect that, and I think that respect has been shown mutually through the state/local government agreement that the Premier currently oversees.

I think that is highly respected by local government and we want to emphasise that a collaborative approach to how we both do our business is much better than adversarial and we want to put that on record very strongly. We value that and we just do not want to be caught up in a legislative process that puts that at risk, and we feel that rate capping is one of the areas where that may put that collaborative approach at risk and, in doing so, would not only risk our relationship but also risk the quality of services that we can provide to our community which is our number one priority.

We want to put on the record that local government believes we have a very low level of complaint about rates and rate increases. We have a whole raft of ways that we gain information from our ratepayers about what they think about the plans that we are putting out and what our proposed budget is. It is not just a public meeting; we do a whole range of other things. Some councils do Survey Monkey, some councils have an opportunity for people to come as an expo and make comment about the issues. There is a whole raft of ways and, over those, there is a very low level of complaint about the rate increases.

As to public meetings, I think we are criticised sometimes that at our public meetings we do not get people to turn up. You realise that we have the public meeting simply because our legislation says we must have a public meeting. I guess we are as frustrated as perhaps the South Australian parliament in terms of the low numbers, and that is why local government has gone that extra step and said, what are the other ways that we need to engage to get that outcome?

I guess what we do not want to see is an assumption made that because people do not turn up at public meetings, they do not understand what we are doing. I am a firm believer, as I am sure all the LGA members are, that our public does know what we are doing. We are a firm believer that they are large contributors to the community plans and the strategic plans and, as I said right at the beginning, they then have to be funded. I think there is no question in our mind that people do really understand the budget process and understand why we are doing what we are doing with the rates that we raise.

The other point I make is that no system will make everybody happy, and as raisers of taxes in the state you would be as aware as we are that people are unhappy with changes you make from time to time, no matter who is in government at the time. People will always be complaining about taxes and that, 'I don't use that service, therefore why am I being taxed for that?' The same applies to the federal government.

It is pretty fair that people just don't like paying out for taxes; that is a given. What we don't want to see is that for a community which holds a very clear view about service levels and projects, we would not like to see the services we provide controlled through a system that is basically state based. I think the rate capping has the potential to go down that tunnel. We want to continue with this engagement. We want to continue to do work that will make local government more efficient and effective, and I want to flag that we are about to release a few extra things, and we will probably be able to provide those to you within the next couple of weeks.

In summary, we will have available an updated data on tax revenue growth for all governments in both real terms and as a percentage of GDP. We will have some updated data on per capita grants from states to local government in each jurisdiction. We will have our draft revised community engagement handbook, which will include some things about the budget process, and references to a major national survey that was done by the Australian Centre of Excellence in Local Government, which again highlights a higher level of trust in local government than in other levels of government. With those few words I am happy to open to questions, and I am sure anyone on our panel would be happy to answer any of your questions.

3 The PRESIDING MEMBER: Thank you, and as you said you did provide a very detailed submission, so I thank you for that. You suggested that you were happy to expand on the idea of the pushing of intergenerational costs for infrastructure and things like that; could you expand on that briefly?

Mr COMRIE: Thank you for the opportunity to comment. A couple of things, if I go back a decade or so, there were financial sustainability inquiries in all states of Australia about local government financial position and performance. South Australia was the first state to do so. It showed then that local government long-run costs were in excess of revenue. Local government, compared with the other spheres of government, was very asset intensive, lots of infrastructure relative to income. Effectively, that infrastructure was wearing down at a rate in excess of the revenue that was available to renew and regenerate it.

Since that time, all states have put measures in place to help councils focus on the longer term—mandated long-term financial planning, mandated assets management planning, etc. South Australian councils as a result of those changes are now generating sufficient revenue, on average at least, to offset depreciation of infrastructure, so we are operating break even. That wasn't the case a decade ago.

Effectively, South Australian councils are generating enough capacity, broadly speaking, to offset infrastructure decline. That is not the case in New South Wales still. Under a rate capping regime in New South Wales, councils have, there is no doubt—you can argue about some of the numbers (there is not absolutely black and white, but there is general acceptance)—that councils there have not been spending enough on asset renewal, and they would say that the fact that they have had rate capping in place has been the major inhibitor.

There is no doubt that rates have increased above CPI-type levels in South Australia, have increased more than they have in New South Wales, but you could also say that it needed to in order to sustain service levels from assets, and there has been a decline in service levels from assets in New South Wales.

4 The Hon. P. CAICA: Ten years ago the asset to revenue base was as it was.

Mr COMRIE: Yes.

5 The Hon. P. CAICA: And there weren't the funds. Why was that the case? Was it because councils in those days didn't allocate funding to replace, or was it because you have increased the rates to an extent that councils are able to replace their assets?

Mr COMRIE: Simplistically the answer is that that is correct. What councils traditionally focused on was basically cash in, cash out, 'How much money have I got at this level; so I'll spend that on wages, materials. The fact that my infrastructure is depreciating—depreciation, non-cash cost—I won't focus so much on that. It will only become a problem when the asset actually deteriorates. Infrastructure long-lived declines gradually over time so you don't notice it. From one year to another, is there a lot of difference? No, it's only when there's an absolute failure that we've got a major problem.

Effectively, because it is long-lived, you can keep your head in the sand or you can get by in the short term. In the longer term there are consequences. So, people were not focusing on that long-term consequence. Changes to legislation, long-term financial planning and budgeting based on accrual accounting has helped people focus on those issues far more, and certainly the recommendations out of the financial sustainability inquiry were a key change in that, supported by the government and the parliament of the day.

Mrs ROSENBERG: If I can make another comment, I think it's important to recognise that, over time, local government through legislative impacts, but also in terms of just generally recognising that assets need to be maintained—and it's not sexy to just continue to maintain a road; it's pretty sexy to be able to go out and say, 'Look at this new road that we've built', or a new building, but the actual maintenance underneath—required asset management plans.

Councils now, through their audit committees and all of that extra checking that's happening, are going very heavily into asset management planning. That then has a long-term return for the community. If you don't do that and if you don't maintain your assets and you don't raise a rate that's enough to do that, then eventually—take a basketball court for instance; a basketball court

has a life. If you are not maintaining that and then putting money aside to renew that asset, eventually, 20 years down the track, you are faced with building a new basketball court. That is just very poor behaviour in terms of asset management. We recognise that and we recognise also that, as part of the act, every decision we make we have to take into account what's the financial implications for that into the future generations.

We are very firm believers that if you just keep putting off maintaining or renewing your assets then you eventually hit a brick wall. Every asset will hit a brick wall and you haven't put aside the right things to then return that asset to the way that it needs to be. If you were to just simply just build something and then leave everything, sooner or later you will transfer all of those costs to the next generation when those things fail. Sorry, I didn't mean to harp on.

6 The Hon. P. CAICA: No, that's alright.

7 The Hon. J.M. RANKINE: I don't know whether I am remembering correctly or not, but did we not have a period in South Australia where rates were frozen and then there was a massive catch up?

Mr COMRIE: Yes, there was a period in South Australia, as there was in Victoria. In Victoria there were forced amalgamations in the early to mid 1990s and then a voluntary amalgamation but with some sort of encouragement in South Australia in the mid-1990s. In both those regimes there was a rate capping period associated with it. So, in Victoria, councils had their rates frozen for a three-year period. In South Australia, it was going to be a three-year period, I think, but at the end of the day the government of the day relaxed that at the end to ensure that councils delivered efficiency improvements associated with amalgamations.

When it came off in Victoria, rates increased beyond the traditional levels as a bit of a catch up, to catch up with asset renewal type things. In South Australia, the government of the day in the late 1990s (I remember I was at the LGA at the time) relented and relaxed the period after two years instead of three, or after three instead of four—I can't remember the exact details. But they relaxed it a year early because they could see the same problems were occurring: that councils were under spending on community preferences in terms of service levels. So, yes, there was a consequence in both cases with the periods where rates were capped.

8 The Hon. J.M. RANKINE: Lorraine, you were talking about the state/local government relationship. If the state government legislated and forced a rate capping on councils, do you think that it would in some way absolve councils from making decisions about infrastructure and services in councils? As you say, you consult with your community now, you decide collaboratively about what you are going to provide and what your capital builds might be. What if your rates were capped?

Mrs ROSENBERG: I think there are many answers that I could give. Probably the most simplistic answer would be that, at the moment, local government believes they need flexibility. There are things like the GFC, for instance. The GFC relied a lot on local government to be able to come in behind the federal government's release of funds and be ready to do the work that was required. Now if we had been rate capped at that time, we would have had no flexibility whatsoever to have done that. There's one example of where it would have failed.

The second thing I would say is that, if we are in a position where another level of government determines what services a local council can provide, then it's a pointless issue having a locally elected democracy because we have no flexibility to respond to our community plan. We are basically being told that, 'Regardless of what your community have said they want, you can only afford to do these things this year.'

From my personal perspective I think our local government area would probably put on every rates notice, 'These are the things we are not building this year thanks to rate capping.' I think that's the sort of thing we would do; and with no question in my mind, politically it would be a short-term gain for a long-term pain, in my view.

9 Mr PICTON: Mayor, you talked about the importance of democracy at the local government level. I have never sat on local government, unlike my colleague the member for Bright. Can you talk us through what the process is for how the budgets are determined and what influence councillors have in terms of what settings the rates are going to be and, say, if a majority of the

councillors was of a mind to cap rates at a certain level, how much influence they have versus the management in terms of deciding that that would be the case?

Mrs ROSENBERG: Chris, thank you for the question. Can I say that I will only speak on behalf of our council because I'm not prepared to come here and say how every council does their rate process. We start our rate process in December, the year before we set the rate, and we start with our elected members saying, 'What are the key drivers for the next budget?' They get to talk about the sorts of things that they think need to drive what we do in the next budget and we base that on what the community plan has said.

We use the Community Plan, which is a 20-year plan. We have a Community Plan of 20 years, we have a Long-Term Financial Plan of 10 years and we have a business plan, which is our budget and which is an annual thing. So we put them altogether and ask, 'What are the services that we want to provide in that following year?' So that's the start of the process.

The elected body also has an opportunity for about a two-month period to put in what we call budget bids so they can bring to the table the things that they have been hearing at the footy club or whatever where we haven't got that in the main plan, they can bring those extra things in. So they have an influence there as well.

We have probably about eight workshops during the lead-up to the budget where we dissect the budget into a range of things—project and capital works, operating—and council then workshops what we want that to be. Then we have a workshop where we talk about what's the appetite for a rate increase this year. What do you think the community can bear, balanced against what are the pressures, the external pressures that we haven't been ready for, like, the solid waste levy going up or growth in our council area which going up, how do we balance those out? Then we come up with a suggested range of rate increase that could provide some or all of the services we've determined over those eight workshops that we are going to provide.

The councillors then give an indication to staff, 'We want you to model that figure.' The staff will go away and come back with a figure with what the budget would like if we adopted that figure. Then we still have, I think it's three meetings after that, where the council can gradually change that. I have to say that, in the last two years, we have had an issue where a councillor has raised on the last meeting night, 'I want to decrease it by a per cent,' which is \$1 million for us. To answer your question, in my personal view, in our council, the councillors control the budget 100 per cent.

10 Mr PICTON: Given that you therefore think that the internal democracy is very strong, do you think that there is any way that it could be improved or do you think it is as good as it can be?

Mrs ROSENBERG: I think there's lots of ways we can improve, and I think any council that thinks they have the answer without wanting to do improvement has got something very wrong. I think we all as local government know that there's lots of extra things, and we are evolving with that. I would love to see—personally and, I think, local government would generally—a whole lot more people involved in that workshopping part.

One of the things we have been tossing around is whether we have a citizen jury type thing at the beginning of that process just to really test that against what our community plan says, but let's test it with maybe a group of people who get fully informed about the process and then, from an informed perspective, come back with comments to council. That is one of the things we have been loosely talking about.

Frankly, I don't think the public meeting works, and we have done a whole lot of stuff where we go out with iPads and we go into the shopping centres and ask, 'What do you think about these things?' It's very hard. Good consultation is very hard, so we are always looking for that. Maybe the citizen jury is the next step that we really need to sit down and go through. In our council, we use an E Panel.

We have about 700 people on an EPanel, so we go out to them and survey them. We also use like a cafe, where people can just walk in during a day and make comment about what

is proposed on the budget. We use our youth committee, and we get our youth committee to come in, and we have a group which we call Leadership Onkaparinga, and they come in as well and we workshop with them. They are relatively informed people. What we want is really informed people who can then really feed back something to us. The citizen jury might be the way to do that.

11 The PRESIDING MEMBER: Mr Donaldson, you are CEO of a very different type of council, a rural council. Do you have a similar process? Do you see different challenges for you in terms of engaging local democracy?

Mr DONALDSON: My experience in recent times is in three councils, and one of those was in New South Wales. What Lorraine describes is pretty similar. Clearly, councils of different scales working with different budgets, with different levels of resources and different skill sets and with different communities to respond to, will have different variations of that. The process we would run at Port Lincoln isn't as intensive as that but, for the level of resources we have and the scale of operation we are, it is a very intensive time, basically from February till June.

As a CEO, I would not contemplate taking annual leave from the period of February till June because I know that's an intensive time when the council is going to be working through from that start at the top—start at the strategic plan, start at the objectives, look at relative priorities, look at project options, work that down through the revenue options, etc., and just to reinforce very much the ultimate revenue decisions are very much in the hands of the elected councillors. My own experience is that they are very responsive to the feedback they get from the community.

Ultimately, decisions still have to be made, and some of those are big decisions and hard decisions about big infrastructure costs which aren't always easily seen or easily appreciated. Ultimately, it's very much a process that is managed and determined by the councillors in terms of what the revenue decision is.

12 Mr SPEIRS: I have a separate question, but I just want to go back to the description of the budget setting process. The description you gave, Lorraine, plus from my own experience at Marion, is a situation where councils are coming up with the wish list, the list of budget bids first, and then working out how much they will cost and then looking at what rate rise will be required to fulfil those obligations.

Is it not the case that that is quite backward in terms of budget management, as opposed to looking at how much money we have, what the community would comfortably be able to afford in the first place, and having the pool of money put out there publicly first and then working out what that money would fulfil, rather than the other way around, where you are coming up with a wish list and then rising rates accordingly?

Mrs ROSENBERG: I understand exactly where you're coming from. I think it's really important to re-emphasise what I said at the beginning of the answer, I think it was to Chris or it might have been to Jennifer: council doesn't sit around and just go, 'Let's do all these wonderful things next year,' and you would know that from your Marion experience. What happens is our 20-year plan gives a really strong emphasis on where we want to be at the end of 20 years, how we are going to gradually get there, and we upgrade that every five years.

Then, it's underpinned by a 10-year financial plan, which is very clear about: how, if we are going to provide those services, they're identified and how we're going to pay for them. That's very clear, it's very open, it's available to everyone, it's not a secret, and you then channel down to one year and that year is the year of your budget. When councillors come in and do their own bids over and above that, those bids are not automatically put on the budget, they go through the same scrutiny and the same criteria of voting and they still have to rise up through all of the other pressures before they're funded. So, that doesn't automatically increase the size of the budget.

What I think is really important is, and I'm a firm believer in this, I used to always say: if you turn up at a public meeting and there are a hundred cars, you've got a problem. If you turn up at a public meeting and there's one car, I think you can make a fairly strong suggestion from that that people are reasonably happy with what's happening. I will stand by, in my council area particularly, and I think as vice president of the Local Government Association I would stand by and say: if there was a major problem with, one, the setting of the budget, how the budget is set, what's on the budget, people would come out and respond.

We've got 165,000 people in the City of Onkaparinga; two people at our public meeting spoke. So, I'm sorry, but I just don't think the way we set our budgets is the problem. What I think that maybe we could do a lot more work with is how we better engage and get more people saying, 'Yes, we agree,' or, 'we disagree with this process and we want to be part of making that final decision.' So, I don't agree that there is a problem with the process we follow for budgets or the outcome that we finally come up with.

You've got to remember that it's a democratic process. There's 20 elected members sit around my council chamber and those 20 people all have from December to July to impact that budget, and they do, considerably. They are people who are out there every day listening to what the community is saying and reporting that back. But at the end of the day there's a democratic process and those democratically elected people, who are there to lead their community, are making a decision on behalf of their community and they will have to stand by those decisions in four years time, as indeed you will.

13 The Hon. P. CAICA: What's the percentage increase for your council over the last three years per year?

Mrs ROSENBERG: Over the last three years. It's 4.65 this year, about the same last year and about 6.2 the year before.

14 The Hon. P. CAICA: I asked that in the context of what you said earlier about one car there or a hundred cars. So, that's about average, is it, across the association?

Mrs ROSENBERG: The City of Onkaparinga sits at about the middle of metropolitan Adelaide, so our percentage is about right in the middle, but that's metropolitan.

15 Mr PICTON: Just further to that, no doubt the LGA keeps a collection of what the statistics for increases across councils are. I was wondering whether you might be able to take that on notice to provide for, say, the last five years what the increase for each council has been?

Mrs ROSENBERG: Yes, it seems we can.

16 The PRESIDING MEMBER: Further to that, just before I go to David, then Jennifer, are you aware of any councils that have sort of self-imposed limits on their capping as a policy?

Mrs ROSENBERG: I'm not aware of any council that has absolute policy that says rates will only be a certain amount. Are you aware?

Mr SEARLE: I think there's about 32 councils, from memory, so because property values can fluctuate quite heavily and circumstances change, there's a number of councils, about 32 councils, put in a cap, so the highest level of rates, so that could be 10, 12 or 15 per cent, just to take the fluctuations out of the market. Sometimes in a particular area the value takes off and that will distort the rate capping, so there are attempts from nearly half of our councils to try to mitigate any sharp increases in rates.

17 The Hon. P. CAICA: Just on the same subject, and if you haven't got it it doesn't matter, you can get back to us: what is the total amount collected across the state by councils?

Mr SEARLE: In rates?

18 The Hon. P. CAICA: Just the total figure.

19 The PRESIDING MEMBER: A lot.

Mrs ROSENBERG: I thought that was in our submission, actually.

20 The Hon. P. CAICA: Is it?

Mrs ROSENBERG: I thought it was.

Mr SEARLE: But overall it's about 3 per cent of the total tax take, I think. We manage about 37 per cent, I think—John might be able to correct me on this. About 37 per cent of the public assets are managed by councils with about 3 per cent of the total tax take.

Mr COMRIE: It's more than a billion, but it's less than two. That's that context, yes.

21 The PRESIDING MEMBER: When you say the total tax take, you're taking into account federal and state?

Mr SEARLE: Federal tax take, yes, federal and state. So, we are really asset managers. Any decisions in relation to our income stream have long-term impacts and that's what we've described to you and that's the issue that New South Wales are wrestling with now, is that we can make short-term changes to income streams that have substantial long-term impacts because our income to asset base is—

22 The PRESIDING MEMBER: While we find that answer we'll go to David's question.

23 Mr SPEIRS: Just again on that idea of the way rates are set and the way that councils do it internally, I don't dispute the rigor behind the long-term financial plan but my personal experience was that perhaps leadership laziness or a desire to please everyone did not lead to bids being just set aside. More likely, from my experience at Marion, was that the list that was on the whiteboard would be fully funded and the rates raised accordingly.

What I do want to focus on now is that between the 2002-03 financial year and 2012-13 (so, over a 10-year period), average council rate rises in South Australia did not only exceed CPI but they significantly exceeded the local government price index, which is the price index set and calculated upon the financial strains that local government might be under compared to the average household, and they significantly exceeded both CPI and LGPI in nine out of 10 of the years between 2003 and 2013.

This means that council rates continued to grow as a proportion of household expenditure well outside average increases in household income and during a very difficult financial period globally we continued to have significant increases. How can eating into discretionary savings of South Australian households in such an ongoing way be justified?

Mrs ROSENBERG: I could ask the state government and federal government exactly the same question, and I probably will at the end of this process. We hear this argument all the time and in response to that, three years ago, and I am sorry to refer back to my council but it's where I have the most experience, about three years ago I asked my council staff to construct for me a graph. It was just a bar graph, and on that bar graph I wanted them to take the ABS figures and on a fortnightly spend of an average household from ABS figures I wanted them to put in that bar graph the impact of taxes, charges and household spend, if you like, so alcohol, entertainment, mortgage, water, electricity, council rates. Guess where council rates ended up? Second to bottom.

So, when we constantly hear this misnomer that it's council rates that are driving everybody to poverty, we have to stand up and say that is absolutely not right. If we're going to be clear about saving our community from escalating costs, let's all share that burden. I think if we work together and share that burden, our community—the same people that you tax and we tax all want those services to increase. How do we then say: 'Well, these are the services that have been transferred to us from state government or federal government with responsibility, we just won't do those anymore'? Our community will lose from that and someone will need to pick it up because people have got used to using those services, they require those services.

Library services, for instance, in our council is an amazing amount of money and some people would genuinely say, 'Well, I don't use the library.' So, what do we do? Do we just rate them accordingly because they don't happen to use one service? I've had people say to me, 'I don't get anything but rubbish picked up.' So, I say, 'Well, you don't walk on footpaths? You don't use street lights? You don't play sport?' I think we have to get the rhetoric out of this argument and we have to get down to talking about facts, and the facts are that local government rating is not what's driving people to poverty.

24 Mr SPEIRS: But it's contributing to it.

Mr SEARLE: I think John also covered part of that in his earlier comments. In that period around the early 2000s local government in South Australia recognised that we were underfunding our asset responsibilities, so through that period of time we have also been trying to catch up with our asset responsibilities. That issue about intergenerational equity was very much alive back in the early 2000s when we weren't spending what we were required to maintain our assets.

I think there are two other issues in there, from my observation. One is the engagement process; so, how does that community have a greater say in where the priorities are spent in councils? There is a lot of preliminary work going on in that area and we need to get better at that. There is certainly an ambition in our sector to get much better at that, and I think it will have far greater benefits; the financial benefits will be significant but it will have even better benefits as we go down the track in terms of targeting services and facilities far more in line with community need. We do a lot of work around that now, but there is a lot of room for improvement.

The other one I have observed is the whole issue of productivity. As a country we have a massive productivity challenge. It is not just local government, it is a private sector as well. Last time I checked—last year—we had dropped down to 27th in the world rankings in productivity as a country, and that is across the private and public sector. So we are not up to speed in productivity as a country, right across all our three sectors, and I think there is a massive challenge for us in that regard.

I have been fortunate enough to have observed some of the emerging economies as they send delegations around the world, pinching best practice from some of the more successful companies around the world, so I would also encourage us as a country, let alone a state government, to have a look at the productivity challenge because—

25 Mr PISONI: Just to follow up on that productivity question, what contribution has local government made to productivity?

Mr SEARLE: There are about 50 councils around Australia that are chasing business-type approaches to productivity, and I think it is worth having a look at those. Through my experience in South Australia I know that at one stage we had a delegation from South Korea come around Australia and they dropped in to see us at Marion. Two of those companies were Kia and the other one was Samsung. So what are they actually learning? They are moving around the globe working out how to become a very effective and efficient organisation: how do you breed innovation, how do you breed productivity, how do you breed better build quality?

26 Mr PISONI: I think you have might have misunderstood the question. I asked what contribution local government has made to improve productivity—

Mr SEARLE: But I would say—

27 Mr PISONI: You are talking about productivity being a real problem in Australia and that we have slipped. I have asked you what local government has done to improve productivity.

Mr SEARLE: I can only speak in terms of the Marion experience. If you have a look through the audit committee minutes for Marion you will see internal and external auditors—BDO internal auditors, Deloitte are external auditors—commenting on the efficiency of Marion as a result of introducing private sector business practices—and that is on the public record—over the last three or four years. So you will see where the challenge has been around introducing business practices into a public sector entity.

I would say those practices exist around the world. If you go to the US it's Baldrige, if you go to South Korea it is jointly funded between the South Korean government and the business sector there, they run some sort of framework. In Singapore it is Spring; they run a business analysis framework to improve the productivity of their private and public sector. In Europe it is EQFM, in Britain there is a British quality council or something. There are eight or 10 of these around the world where governments are working with the private sector to support productivity as a total country.

We don't do that in Australia and our productivity, as a country, is going backwards. There are probably about 50 councils of the 550 around Australia that are pursuing that right now. I think there is a lot we can actually take from those experiences as well.

Mrs ROSENBERG: Can I answer that question from a City of Onkaparinga perspective? Very quickly, we do a range of things. We have a services review, which is a complete services review that started three years ago where every single service we provide is listed. We want to know how much it cost us to do it, is someone else better placed to do it or are we the best people to do it, and is it a service that we really need to be providing.

So it is looking at what services we are providing first. Then, also three years ago, we introduced a moratorium on replacement of staff. So there is a moratorium that we cannot replace staff for three months, to see what gaps that actually introduces into the system or whether that is something that productivity can actually pick up. So, just small things like that—and that is what our council is doing, I cannot speak for every other council—make a huge difference to how we can contribute to productivity within our organisation.

28 The Hon. J.M. RANKINE: I will just make the comment to start with that the engagement and strategic plan development for councils is relatively new. I think I became minister for local government just after the Local Government Act changed and required councils to do that, and I think prior to that they were doing pretty much what David was talking about and that is taking yearly bids from councils. That was how they developed their budgets, but it is much more strategic now in relation to that.

I think I visited in 12 months every council around South Australia and what I saw very clearly was the differences between the councils and certainly the very different communities that they service. In my mind I have seen councils—and I do not know Onkaparinga that well but I certainly know Salisbury council very well—with a very strong social focus for their council. They are also incredibly innovative and I think would be adding to the productivity of South Australia in a lot of ways. Certainly Michell [Michell Wool Group] has benefitted by their water recycling program, for example, and kept them operating in the area because they were able to clean their water and get it back to them very cheaply.

Can you give me some idea about what you think the impact would be of rate capping on those smaller rural councils, which I have a great deal of concern about, being that they cover vast areas in many cases with a low population base?

Mrs ROSENBERG: I think it would be catastrophic quite frankly, and double that with recent decisions by the federal government to cap and hold financial assistance grants at a certain level so that they are not indexed anymore. We have lost our supplementary road funding which was \$18 million which were entitled to, so all those—

29 The Hon. J.M. RANKINE: We were behind the eight ball with that anyway.

Mrs ROSENBERG: Sorry?

30 The Hon. J.M. RANKINE: We were behind the eight ball with that anyway.

Mrs ROSENBERG: Yes, and we have always argued about the formula. But if you add all those things together and then you put a rate cap on top, I think frankly if we go around the state and we look at smaller regional councils, they do an amazing job for the amount of rates they raise. They do an absolutely amazing job. Sometimes I wonder how they manage it. They manage it by being completely efficient about actually knowing their community and what their community needs and what their community can bear, and I think that is really important.

If they are not able to have that flexibility, then they will make the lowest common denominator decisions in my view. They will have a group of things that need to be done, they will have a certain amount of money they can have and they will only do the absolute minimum. That means that you start to build inequity across our residents in South Australia. We will have some residents who might be living in Marion who are getting this level of service and this social support, and then you might have people living in Kimba who are getting this level. Why should that be? Why should it not be up to the individual person who lives in that community to say what they are prepared to bear?

Why is that a decision that is made by somebody else and even another level of government, for instance, that says this is the level of service that you are going to be entitled to this year because this is what your council can raise? Then I ask the further question: who picks up what falls off? Who picks up those social services that will inevitably fall off because we will have to do our regulated requirements first and so the add-ons that are really valuable to our communities, they will fall off first and then who picks them up?

31 The Hon. J.M. RANKINE: As to the provision of those really important social services—and again I refer to Salisbury which does some amazing programs. They might have a

higher than average rate increase compared to a more affluent area like maybe Burnside. Would it be fair to say that rate increases in an area like Burnside might be less but that is because they have to provide less? They would really only need to do roads, rates, rubbish, library and maybe some other things. But as to the demand for social services like supporting the young people, Salisbury Council just did Writers' Week and they have supported a group of 18 students to write a book, which was phenomenal. They have really strong support for young people, strong support in sporting facilities and helping kids engage in the sport because they see that as lessening the cost on the community overall when you have kids positively engaged.

Mrs ROSENBERG: I think the other thing really is that you can't put every council in the same bucket and say that they are all the same, because they are not. To try to make the assumption that Salisbury and Burnside can be compared, they can't be. Salisbury is a growing council, it has an expanding population, it has different services, it is attracting a different group of people to the demographic of Burnside. Burnside largely is already constructed and in a maintenance phase and Salisbury, as indeed Onkaparinga, is in a growth phase, so totally different councils, totally different needs for their community and maybe even a different attitude.

For the services that Salisbury provides for Men's Sheds or men's breakfast groups, and things like that, the value cannot be measured in dollars that it brings to the community. Burnside may have no need for that. To try to have a monotonous layer that says that everybody is exactly the same I think would be a disservice not only to the council but particularly to the residents they are serving.

32 Mr SPEIRS: Surely residents in a city like Salisbury or Onkaparinga are the very people who cannot afford unrealistic rate increases, whereas perhaps people in Burnside could. While we are saying that they need more services and more support, absolutely, but surely they are the ones who feel the pinch of increased rates first and suffer in a more exaggerated way than people in more affluent areas. So, by having rate increases much higher than CPI, we are hurting the most vulnerable first.

Mrs ROSENBERG: I can't really accept that because 165,000 people, 123,000 ratepayer notices—please don't get the impression that they are all extremely poor people. We have a hugely diverse community in our city, as indeed does Salisbury, but what is very important to remember is that the rate support we give to those who are the most vulnerable are paid for across the community.

Rate capping, which is introduced to make sure that those who are paying the highest rates are capped at a certain level, is important, and the fixed charge that we put into our budget is designed in such a way that the people who are less likely to be able pay rates pay less because of that fixed charge. We could have fixed charges of huge amounts, but that would punish the lower income people more than it would the higher income people.

So, I think we need to be very cautious that we don't make this an argument that we are going to rate cap and that it will protect all the poor people in the world. First, I think it is insulting, but secondly it is making an assumption that even those in our community who need services don't respect the fact that they are required to pay for some of those services. I have communities like Christies Downs and Hackham West, and they are the proudest people you could possibly want to meet: they are proud of their community, proud of what they contribute and proud of helping others in their community. So, to make the assumption that they don't want to pay for that or are unable to pay for that is not fair, and I think it belittles the argument that we are putting forward.

Mr SEARLE: Could I just add to that that one of the fantastic relationships I have experienced is working alongside Onkaparinga in Marion as we went through the Mitsubishi closure. We worked on the basis that the best social security you can actually provide anybody is a job. So, a big target of our work (and, unfortunately, we weren't running high resources) was to put some resources into the economic development arena and develop a partnership with the state government. As the Tonsley site comes onstream, that will be a 30 per cent increase in employment within the City of Marion.

My sense is that that is the way we need to be looking at the north at the moment. They have a significant challenge. We have a council that is innovative and wants to be part of the economic future, and they understand that the best benefit you can give somebody unemployed is

actually a job, and I know that they are working through those issues right now. Councils are part of the economy. Fortunately, we are, as a sector, trying to examine our own red tape. We need to get out of the road of business and make sure that we are more enablers than disablers of business, and we are putting a lot of energy into that. I know that Lorraine is leading an economic think tank with the private sector and is working with the LGA trying to work out how we as a sector can be far more enablers of economic activities. We need to be in that arena and we are active in that arena and we want to maintain our role in that arena.

33 Mr PICTON: We were talking earlier about the efficiency of councils. Certainly when people come to talk to me and raise an issue of council rates being too high, they connect that with what they see as too high administration in council. Hence I am wondering—and you might want to take this on notice as well—whether the LGA does any benchmarking in terms of what administration is across other councils, looking at what percentage each council spends on its administration and whether there is any comparison to interstate councils as well.

Mr SEARLE: I think there is data around. We don't have it with us at the moment.

34 Mr PICTON: But you could you take that on notice?

Mr SEARLE: I'll take that on notice.

35 The Hon. P. CAICA: On that same line, Chris, if I can direct the question to Rob, you have over there the Lower Eyre Peninsula Local Government Association, or whatever it might be called?

Mr SEARLE: The Eyre Peninsula, yes.

36 The Hon. P. CAICA: How many councils are in that?

Mr SEARLE: Eleven.

37 The Hon. P. CAICA: There are varying sizes of councils. I think Lorraine mentioned earlier that it is impossible to compare councils with councils for a variety of reasons, but do you have an arrangement there where resources are shared amongst the councils? Say you've got a town planner in Port Lincoln that might go and do some work up at Elliston, or indeed truck moving equipment or any of that infrastructure. Is there an arrangement for sharing across those councils?

Mr DONALDSON: Not in a highly structured way. Certainly for the three councils at the southern end, we have been working for the last three or four years and had some significant work done supported the LGA on a range of shared services options. I've got to say that it's hard work to actually get a really disciplined implementation of that. We are actually right in the midst of attempting to get a joint enterprise bargain so that we can have our three sets of staff for Lower Eyre, Tumby Bay and Port Lincoln, working on a single enterprise bargaining basis. That makes the transition of individuals working in teams and groups with other councils, side-by-side, etc., all feasible. That's part of a commitment we made, for example, to try to get to an efficiency level.

For example, until relatively recently, we were buying the services of a town planner from the District Council of Lower Eyre Peninsula. We've currently got a gap in one of our compliance and building inspection roles, and someone from Lower Eyre is helping us out with that work. Our three councils together have done the Public Health Plan that we need to do, and we are nearly finished that process. That will be quite interesting in terms of how that opens up some opportunities for the three councils to work together on some public health. As you would understand, it is a very broad definition of public health.

Just to transition across to some of the other focuses, I guess that's a classic example of where in some respects the Public Health Plans recognise a range of things that councils do already that contribute to public health. But they inevitably identify a range of new opportunities that our communities, our agencies, our not-for-profit groups all step forward during the consultation on that kind of plan and talk about.

For example, it would be better if we had better public transport so that people could get to health services, to give people access to health services. Somebody needs to be doing something about promoting healthy eating and healthy lifestyles. All of those things are not inbuilt into the budget capacities that any of our three councils have, or probably any of the 11, perhaps

apart from Whyalla. So, if we are going to embark on any of that, we need to be talking about what's the revenue source for that.

It either comes out of efficiencies that we achieve or it comes out of an increment somehow in revenue relative to what we were doing of the like for like services. Certainly the EPLGA is providing a lot of leadership. One of the big initiatives that they have done—and again we are yet to see some delivery on this—is to look at joint procurement, to look at the opportunities on the peninsula for the councils in particular on their bigger ticket items—road resealing and roadworks is probably the biggest one, IT services is another—and where are the benefits and how can we all work together to get more efficient and better value procurement through the council funding and their contracting, etc.

38 The Hon. P. CAICA: I am not being disrespectful but I worry about the sustainability of some of those smaller country councils and then question that sustainability in the context of if you were to impose a rate cap on them as well. I am glad that those discussions and initiatives are occurring.

Mr DONALDSON: It is a continuing and constant discussion.

Mrs ROSENBERG: The LGA took that very seriously too and so a couple of years ago it embarked on what local government needed to do. There is a report—I am not sure whether it has been tabled as part of this—which all of local government worked on which worked through a whole lot of ideas like regional LGAs working together on a whole lot of things besides just procurement. As one really small example, our council is working very actively with Yankalilla, 4,000 residents, a huge area. We currently do their planning for them, their rates and finance and we have just let one of our directors go there as acting CEO for three months while they go through the consideration of—

39 The Hon. P. CAICA: Was that fee for service at mates' rates?

Mrs ROSENBERG: Yes.

40 Mr PISONI: I want to get back to the substance of your submission which was basically the infrastructure backlog in New South Wales. Can I assume then that there is no infrastructure backlog in South Australia because you don't have a rates cap?

Mr COMRIE: I'm happy to make a brief comment. The answer is: councils have the flexibility to respond to asset renewal needs as and when they need it, so by definition all councils at the moment have said, 'Relative to our existing revenue levels, relative to what our communities want to pay, we are satisfied with our service levels.' If there were additional grants available, would they undertake further asset renewals, absolutely they would, but relative to their income levels and their discretionary decisions, broadly speaking, they're satisfied with their asset.

41 Mr PISONI: Is that the same criteria that is used for the claim against New South Wales?

Mr COMRIE: The issue is the councils are constrained in terms of their revenue-raising process in New South Wales, but I take your point.

42 Mr PISONI: I don't think you have answered the question. I have asked whether there is an infrastructure backlog in South Australia. You have chosen not to answer that question.

Mr COMRIE: I'm happy to answer that question. In New South Wales councils are required to report formally on asset renewal backlogs and they do, and they record a significant number. There are no similar provisions in South Australia, so there's no data that says there's an asset renewal backlog of X in South Australia.

43 Mr PISONI: You can't measure what happens in New South Wales against what is happening in South Australia, for example?

Mr COMRIE: Correct.

44 Mr PISONI: I have a question about the differential rate in the dollar. I know that this was hotly debated when I was on the Prospect council in the early 1990s when we had a lot of empty shops in that area. The general view was that commercial properties were rated higher than

residential properties. What is the justification for rating commercial properties higher than residential properties?

Mrs ROSENBERG: I think that's a generalisation; that's probably not correct across all councils. Certainly, in our council, commercial properties are rated at a rate in the dollar lower than residential and it's done purposefully because we want to encourage commercial activity in our council to give jobs to our people. I'm not sure about the assumption that all commercial properties are rated higher.

45 Mr PISONI: I said 'generally' and that is the case. Perhaps you can provide to the committee a breakdown of councils that charge more for commercial properties than what they do for residential properties.

Mrs ROSENBERG: We can do that.

46 The Hon. J.M. RANKINE: Rob, considering that you are the one who has had the lived experience of rate capping in New South Wales, what was your opinion of rate capping and what did you see happening in councils?

Mr DONALDSON: I was in New South Wales from 2009 to 2013, so I just note that. When I arrived there, I was really scratching my head. I worked for a big council, a council with a \$180 million budget and 1,000 staff, and included water and sewer operations. It was a big council, not the biggest, but one of the biggest.

47 The Hon. J.M. RANKINE: Which council was it?

Mr DONALDSON: This was a council called Shoalhaven, which is on the near south coast. I really wondered how that council was managing to make its budget stack up year on year. I think still, if you went and looked now at Shoalhaven's long-term financial plan, what you would see is a very serious operating deficits going all the way through the 10 years of their long-term financial plan. That's what John would call unsustainable.

One of the observations I have to make is that whether rates capping was helping or not helping, what it certainly did not seem to do was that it did not seem to have that council—and I think it is true for most—focused on like-for-like services from year to year, and it did not focus that council on its renewal obligations, as opposed to building new assets and creating new services. I think that's a really important distinction to make.

We have talked about renewal a lot, but what councils do—and you will appreciate that it's nice to be able to open new facilities and get brownie points for doing new things, and in many cases that's a short-term gain politically. Certainly, what Shoalhaven did not seem to achieve—and rates capping had not helped—was to focus on its renewal obligations; arguably, that's what it should have done. Rates capping should mean that the capacity to do new projects and to introduce new services is relatively constrained and the focus on renewal should continue to grow.

48 The Hon. J.M. RANKINE: Did it focus the council on internal efficiencies or productivity, or was the council focused on surviving year to year?

Mr DONALDSON: That council operated with a big budget, and I would suggest that, while there were continual endeavours to make cost savings, I don't think at the cultural level, which Mark has talked about and which Mark has experienced, that council had reached a point of seeing on an organisational or cultural level that it was going to be much more efficient and much more productive. It was working, if anything, simply on a simplistic year-to-year costcutting process. You can do that for a little while, but you end up cutting into services and genuine capacity.

49 The PRESIDING MEMBER: Thank you very much. I think I will call this to a close. I want to thank you very much for your generosity this morning. Thank you for expanding on your submission. It has been very interesting, and thank you very much.

THE WITNESSES WITHDREW

WITNESS:

BRAY, MARTIN, Councillor

50 The PRESIDING MEMBER: Councillor Bray, how are you?

Mr BRAY: Not too bad.

51 The PRESIDING MEMBER: I will start with an apology. I wasn't aware of the time frame, so I do apologise and I will give you the option to come back, if you wish to come back, or we can see how we go now.

Mr BRAY: No, that's alright.

52 The PRESIDING MEMBER: Were you here when I read the rights and responsibilities to the LGA?

Mr BRAY: Yes, I was.

53 The PRESIDING MEMBER: So, we can take that as given, you understand your rights and responsibilities in relation to the committee?

Mr BRAY: That's fine.

54 The PRESIDING MEMBER: Do you have an opening statement at all?

Mr BRAY: Yes. Look, I was mainly here to answer questions but I'd certainly like to say a few words for a few minutes.

55 The PRESIDING MEMBER: Absolutely.

Mr BRAY: In terms of community consultation and local democracy, my experience is that, from the elected member point of view and from the council point of view, at times it is actually resisted, let alone promoted. I've had a notice of motion that the council consults with the community on rate rises relative to the level of services and on borrowings relative to the standard of infrastructure, and the elected membership actually voted that down.

In terms of council being responsive to the councillors, in this most recent budget setting period there was a workshop on what sort of level of rate rises would you like to have and the clear consensus of the meeting was that we would like modelling on two rate rises. The staff suggested 4.45 per cent and councillors also asked for 3.45 just to see what things would look like with that lower rate rise. When the budget papers came back to elected members the 3.45 had completely disappeared, staff completely ignored that which was requested at the workshop and it never appeared again during the whole budget process.

Just as an example of the culture within the staff in relation to community sentiment about rate rises, the Aberfoyle community has a community meeting that discusses council issues, amongst other things, and they had a 'Rate your council' evening (something along those lines) where a lot of good things about what council does was explained and the community also prioritised their concerns. Internally within council a promotional document appeared saying, 'We need to congratulate ourselves, this is what the Aberfoyle Park community thinks. We need to give ourselves a pat on the back. There were a couple of little concerns but we're looking at them.' It actually completely ignored the fact that the number one issue among the negative things was the level of rate rises.

So, I have concerns about the cultural aspect, about how the organisation approaches these issues. I fully support proper payment for infrastructure and I firmly believe that in the case of Onkaparinga if we did something about the ineffective spending, of which I have seen a lot, we would comfortably be able to work within CPI rate rises. I think I would rather just answer questions at that point. People have seen my submission. I should mention at this point, because you have probably guessed, I'm here not representing the City of Onkaparinga.

56 The PRESIDING MEMBER: I gathered that. I'll start. I just want to clarify something, and I may be paraphrasing, but you make the claim that it's easy for staff to get at their elected

councillors or to win them over in some way. Can you explain what you mean by that, or am I paraphrasing too—

Mr BRAY: I think there's a very firm basis for the hypothesis that staff actively work to get elected members on side and that's it's very successful.

57 The PRESIDING MEMBER: By what method?

Mr BRAY: It's a very subtle thing, but it's a case of, I think, staff working from experience on how best to manage the elected membership. I believe in local government, senior staff move around from council to council, moving up the promotional ladder, and there's a certain culture within local government and part of that culture is to learn to effectively manage the elected membership. My characterisation of it is that the council staff, in effect, are like the government and the elected members, to a certain extent, are a fairly weak opposition. That would be my characterisation of it, in terms of the realities of what really happens.

58 Mr PICTON: You would have heard the evidence from your mayor before in response to how democracy works internally in council and used the example of the City of Onkaparinga. She said that while there's areas potentially for improvement, councillors are 100 per cent in charge of the budget. Do you have a response to what her comments were?

Mr BRAY: The councillors legally and in theory are, but in reality they have very little influence at all. A couple of examples: consistently at council meetings when questions are raised longstanding councillors will get up and say, 'Look, we just have to defer to staff. They're the experts,' end of argument. Another example in relation to the last budget, a new councillor, who I have a lot of respect for, said to me, 'You know, I reckon we don't need 4.45 we could have 3.45 comfortably if the organisation was prepared to look at staff efficiencies, but I won't vote for it because I know that they'll just cut services to people which people will miss.' So, he knew it could be done but he wouldn't vote for it because he felt the culture of the staff would not achieve the results he thought should be achieved.

59 Mr PICTON: Do you think there is anything that could be done to improve council's process to address the issues that you see?

Mr BRAY: Easily. As you would have seen if you got my complete submission, when I first got on to council, I and another councillor wanted to know really what the community thought, so at our own expense and time we did a survey. I assume you saw the survey sheets we put out to ask the community in a very balanced way, saying their arguments for and against, what do you think of rate rises versus the level of services? What do you think of debt versus the level of infrastructure? I have had two notices of motion over the years before the council saying as part of our engagement can we ask these simple questions just to get a baseline from where we can move forward? The elected membership voted those down. Personally I think it is important that we ask the very basic questions to the community: how do you think we are travelling versus do you think these rates and borrowings ought to rise?

In talking to the community, I do not subscribe to the view at all that the community just wants lower rates for the sake of lower rates. I find people very perceptive about what is happening in their local community and have a very good understanding about whether they think a little bit more pressure in terms of capping rates would drive the real efficiencies which I think are desperately needed. I do not regard rate capping as something that is going to cut services or diminish planning for future infrastructure. I see it, as in the case of Onkaparinga, that it may be the catalyst to create some efficiencies. When you create an efficiency, that efficiency goes on every year afterwards.

60 The Hon. P. CAICA: How many surveys did you send out and what was the rate of return?

Mr BRAY: Bob Such was very embarrassed. I think we put out 3,000. I think I sent you a copy of the report. We got a couple of hundred back and Bob had never achieved any response like that. For that kind of survey dropped in letterboxes—

61 The Hon. P. CAICA: So a 10 per cent return.

Mr BRAY: It was pretty good.

62 The Hon. J.M. RANKINE: Councillor, how can you explain your completely different view to the operations of Onkaparinga council to that of your mayor?

Mr BRAY: Completely different view on?

63 The Hon. J.M. RANKINE: The operations of your council. Your view about the operations of your council is completely opposite to what we have just heard from your mayor. Why do you think that is? How do you explain that?

Mr BRAY: Well, I guess I come from a successful small business background, that is just so you know where I come from, and I am not part of the culture. That is the simple answer. The more detailed answer is I can answer that on a number of levels, if you like. I live in Clarendon and I got on council because I was disturbed about the way money was being spent. Council admitted, yes, we will not do things like that anymore. Over the years, as things have happened in—

64 The Hon. J.M. RANKINE: How long have you been on council?

Mr BRAY: This is the start of my second term. As things have happened in the town recently, I have been very observant and asked a lot of questions and identified in some project work that has been done in the town what is easily in the tens of thousands of dollars wasted and possibly in the hundreds. Staff will acknowledge a certain figure has been wasted. In terms of delivering services, it is a very process driven organisation, and the director of city services acknowledges that to me honestly. Because it is a very process driven organisation, it is very hard to get good outcomes simply and cost effectively.

65 The Hon. J.M. RANKINE: So you think the mayor is immersed in a negative culture in your council? Is that what you are saying?

Mr BRAY: I would say it is mutually beneficial. The mayor is part of the system, I guess.

66 The Hon. J.M. RANKINE: She is an elected representative like you. So, you are saying she is immersed in a negative culture in your council. Is that what you are saying?

67 Mr PISONI: You do not have to get into a debate with the member.

68 The Hon. J.M. RANKINE: I am trying—

69 The PRESIDING MEMBER: It is a legitimate question.

Mr BRAY: I think the mayor is part of the council.

70 The PRESIDING MEMBER: If Councillor Bray disagrees, he disagrees.

Mr BRAY: The mayor is part of the system, and the mayor has a legislated—well, no, I will answer it differently. The mayor has a legislative obligation to promulgate the views of the collective council which the mayor does very effectively to her credit.

71 The Hon. J.M. RANKINE: Okay, so the majority of councillors, therefore, agree with her and not you? Is that what you are saying?

Mr BRAY: That's what I'm saying, yes.

72 The Hon. J.M. RANKINE: Can you explain why the culture in your council is perhaps so different from the culture in, say, Salisbury council, which is a similarly large council but has a very high reputation I think around Australia for its operations, and the people who live in the Salisbury council area are incredibly proud of that council. I don't think I have had one complaint about rate rises in Salisbury council for 15 years.

Mr BRAY: I don't know anything about Salisbury.

73 The Hon. J.M. RANKINE: What has infiltrated your council that makes it, in your view, such a negative environment?

Mr BRAY: I don't know anything about Salisbury council, so I can't comment.

74 The Hon. J.M. RANKINE: I can tell you that it is really positive and it is an innovative council and it is highly respected in its community.

Mr BRAY: I will say that the City of Onkaparinga presents also as a very innovative council. We have massive expenditure on publicity and self-promotion, so I image it should be well regarded if our promotional money is working. But, in terms of what happens behind the scenes, to me it is a very glossy picture over relatively mediocre performance. It is a top down thing.

I guess in terms of whether or not rate capping would work, there are two possible outcomes you might have: you might have rate capping imposed on a council with business as usual and how it may respond to that is hard to predict, I guess. One would hope that the real efficiencies and the removal of this process-driven approach and a real focus on the outcomes that are needed would happen, maybe, maybe not.

Another good alternative for elected memberships, if rate capping was imposed, would be to go out and get a change manager CEO on the basis that this person will come in for a couple of years and find out really what is going on and really do what is needed. These people are often unpopular. If they come in for a couple of years they can really identify what is needed in the organisation and then move on.

Over the time and from listening and talking to people (and financing is my real interest in council), there is no doubt in my mind that many millions of dollars have been spent ineffectively, sometimes through mistakes and other times because, for very expensive projects, we build them with no empirical data, and that's frightening.

75 The Hon. J.M. RANKINE: But you haven't been able to convince your fellow councillors of your point of view?

Mr BRAY: No, there is an advantage, I think, to councillors being—most of my fellow councillors I would characterise as being PR people for the staff.

76 The PRESIDING MEMBER: I am sure they will be happy to hear that.

Mr BRAY: They have backgrounds which may be limited in their understanding of business—some, some not—and they say time and again at council meetings, 'Look, we need to defer to the staff, they're the experts'. It is so different from state government, where I would like to hope that the Public Service doesn't run the state government. In state government, you have an opposition and an opposition is a collective number of people and collectively they have a power to put together different ideas and to test these ideas against the government with some validity. You have 20 independent councillors who are, in a sense, as individuals virtually powerless.

77 The PRESIDING MEMBER: But in New South Wales the political parties have long been involved in local government, so you have had this situation where there are essentially governments and opposition in council, yet they are still encountering the same problems, so-called, that you identify. I don't understand your reasoning.

Mr BRAY: I'm simply pointing out; I'm not saying whether we should have political parties in council or not.

78 The PRESIDING MEMBER: What I am saying is that there is an effective opposition in the New South Wales council which doesn't exist in the South Australian council.

Mr BRAY: I am not saying I've got the answer. I'm simply saying that the staff are extremely powerful in driving—and, as I said in my submission, with any organisation, self-interest is going to come to the fore unless the board of directors or management understands that and directs that self-interest to the benefit of the shareholders or ratepayers. When you have 20 often inexperienced people, it's a bit of a challenge at times.

79 The Hon. P. CAICA: Councillor Bray, I am interested in one thing that you mentioned earlier, and that is that you requested at one of the lead-ups to the budget determination for the council to go away and model a three point increase—whatever it was—as opposed to a 4.3 increase.

Mr BRAY: That wasn't me; that was the whole elected membership.

80 The Hon. P. CAICA: No, that's my point. It was the whole elected membership.

Mr BRAY: Yes.

81 The Hon. P. CAICA: But at the subsequent meeting, or the final meeting, there was only one set of modelling done and that was at the higher level.

Mr BRAY: That was absolutely ignored by the staff. In fact, at subsequent debates during council meetings elected members would from time to time comment and say, 'Well, I would have liked to have seen the 3.45' or 'I'm disappointed that the 3.45 as requested wasn't provided to us.'

82 The Hon. J.M. RANKINE: But they can instruct them to do that.

83 The Hon. P. CAICA: That's my point. Isn't it negligent then, for want of a better word, for elected members to meekly accept the higher level without having what they directed, because councils have the right to direct to have that model of the lower figure?

Mr BRAY: Probably.

84 The Hon. P. CAICA: Probably negligent? Or soft?

85 Mr SPEIRS: Weak, yes.

86 The Hon. P. CAICA: Or weak.

87 The Hon. J.M. RANKINE: Why didn't you do it, councillor? Why didn't you direct them to come back with the model as instructed?

Mr BRAY: I guess because I assumed they would simply do as they were instructed. It was a fait accompli when the budget papers came. That was all there was. One possibility might have been a subsequent—at the next council meeting a month down the track I could have tried a notice of motion, but we get to a certain point in the budget process where the rest of the elected membership would be very resistant to interrupting the budget process. I try not to increase my unpopularity whenever I can.

88 Mr PICTON: I'm not sure appearing today would help that.

89 The Hon. J.M. RANKINE: We heard from the mayor that right at the very last meeting before the budget was delivered there was a councillor who every year comes in and wants to slash a million dollars off the budget, so clearly those things can be changed. Was she referring to you?

Mr BRAY: No. What happened was there was a very keen councillor who didn't make it in when he applied for re-election during the last election, and he put that up in the budget just prior to the election. And because it was just prior to the local government election and given that there might be a division on it, I think being prior to the election there was slightly more keenness on behalf of the elected members to maybe keep the rate rise down.

90 The PRESIDING MEMBER: David?

Mr SPEIRS: I think in some ways it is advantageous but also quite unfortunate that we had Mayor Rosenberg as the representative of the LGA, because it has set off sort of a disagreement on some points today and that might have distracted from your overall views.

A lot of the answers that you have given this morning are actually reflected back on general capacity of elected members. Twenty-first century councils are obviously very complex. They have significant budgets and lots of responsibilities: social, economic, environmental, and so on. There appears to be in your answers concern about general capacity of elected members.

Do you think in a general sense the capacity of local councillors doesn't necessarily match the organisation, and governing an organisation of that size and complexity? If that is your feeling, what do you think could be done to improve capacity of those who end up getting elected to govern local government?

Mr BRAY: I suppose there are two issues there; one of them is what I alluded to before, which is people with sufficient experience to have a very general understanding of the roles of boards that govern organisations. J.K. Galbraith's whole career he ended up summarising by saying, 'If there's one thing I learned, it's that corporate-style organisations are going to act in their

self-interest unless the board of directors has the experience and skill to make sure that it doesn't,' and I think this is a key issue with local government.

Democracy is important but, where you get at the governance, the elected member level, that necessary expertise, I really don't know the answer to that. One of the problems, though, in finding an answer is that we have now mandated elected member induction, which is an opportunity for the staff to inculcate in the new councillors the staff way of thinking about budgets, the necessity of rate rises to match what appear to be the needs of the organisation. So, right from the start, this approach of, as you mentioned before, having a wish list and then decide how much money you need to get from the ratepayers is inculcated into the elected members. It's a very powerful thing.

91 Mr SPEIRS: Do you think if that compulsory training sat with someone more independent, like the LGA or a body like that (but the LGA is probably the one that springs to mind), that would sit apart from the council itself, that might assist?

Mr BRAY: I don't know about the LGA being the best to do it because the LGA might end up being the councils doing it collectively through the LGA, but I think the idea of newly elected member training being provided by an independent organisation which could provide some understanding to elected members independent of the council culture and make elected members aware that they do really have the power to question and to take a different viewpoint would be incredibly valuable—to have elected member training that gave different approaches to these issues and not just be a systems cultural approach.

92 The Hon. J.M. RANKINE: Councillor, the LGA does provide training for newly elected councillors, doesn't it?

Mr BRAY: Yes, it does.

93 Mr SPEIRS: But it's not compulsory training, is it?

94 The Hon. J.M. RANKINE: No, but I'm not sure how Onkaparinga can compulsorily require a councillor to go through training that—

95 Mr SPEIRS: no, but the Minister for Local Government actually took through legislation through parliament last year providing that when councillors were re-elected in November there would be compulsory training around ethics, responsibilities and governance and what the role involved. I think, and I could be corrected, that is done at the local government individual level. I was just suggesting that maybe if it were removed from the individual council and provided in the more overarching way that would be more desirable.

Mr BRAY: I think there are four modules of compulsory training for elected members which are legislated; one of those modules is finance, and I think that it would be incredibly valuable if the finance one was provided in some way completely independently. Certainly, you have to explain how local government financing works, but I think part of the compulsory thing could well be someone independent explaining the scope within which elected members have the power to act in order to work on behalf of their ratepayers' expectations.

96 Mr PICTON: My question is in two parts, the reduction in terms of modelling you have requested and the council has requested, if that's available in minute form, would you be able to provide that for the committee?

Mr BRAY: No, it was a workshop. It should be somewhere. It was noted by the staff somewhere. It should be documented or minuted. It was a workshop on how we were going to approach the budget this year, and at the conclusion of the workshop it wasn't even a formal vote: it was, 'What do we want?' The conclusion by the chairman of the workshop was, 'Well, then we're working on 4.45 and 3.45 staff. This is what we want,' and that was the understanding of all present—that there would be two modellings.

97 Mr PICTON: Secondly, my recollection is that in the previous financial year Onkaparinga actually went through the process whereby the councillors determined that the staff recommended rate increase was too high and then made a decision that it should be lower, and there was a whole process around that. I was wondering whether you could tell us about what happened then.

Mr BRAY: What happened then was that we went through the entire process at the higher rate—everything was nailed down, finished and determined—and at the very last meeting, where the vote was done to do the final budget approval, one of the councillors put up his hand and said, 'Well, I would like an amendment to reduce it by 1 per cent,' and I guess with the election imminent a number of other people thought it was not a bad idea and it got through.

98 Mr PICTON: What work happened from the council's staff perspective to work out how that budget would meet with the lower rate increase?

Mr BRAY: The budget was balanced. Staff worked it out.

99 Mr SPEIRS: Councillor, your submission suggests that you're not necessarily enthusiastic about rate capping per se, but you see it as the only thing in your mind that will actually compel councils to look at the way they are doing business effectively and try to be as efficient as possible; is that a fair analysis of your position? While rate capping is probably quite a blunt instrument and not necessarily the ideal approach, but given your experience, and given that councils have a monopoly in service provision, this is probably the best way to get them to work efficiently and productively.

Mr BRAY: Yes, because my concern is that everything we want to achieve could probably be achieved without rate rises above CPI if the organisation was less process-oriented and was very careful to understand that at each individual little community level what the outcome is that we want here and how we can simply achieve it. If that method of working was forced on local government, I think it would be useful.

We do a lot of things, and we employ a lot of consultants as well as high-paid staff who basically check the same thing out. Often, once a determination is reached, sometimes the outcome is not exactly what the community was looking for anyway. I just feel it's the methodology.

100 The PRESIDING MEMBER: We have run over time, and we did keep you longer than we intended, so I'm sorry about that, councillor. As there are no further questions, we thank you for your time and appreciate your coming in. You will get a copy of the transcript to check for accuracy, so before it goes public you can check the figures and so on.

THE WITNESS WITHDREW

Service Costs of Clarendon Community Waste Water Management Scheme (CWMS)

(Including brief commentary on diverse issues concerning value in services delivery)

Or, how ratepayers are funding trades work for council at a rate exceeding \$1000 PER HOUR.

Report Author: Councillor Martin Bray, City of Onkaparinga.

“Capping rates and fees and charges will impact on services, create a backlog of works, and ultimately just shift the costs of maintaining our communities on to the next generation of ratepayers.”

-SA Local Government Association 26/7/18

“I wonder if we could contrivesome magnificent myth that would in itself carry conviction to our whole community.”

-Plato, *Republic* 380BC

30 April 2018

Overview

This report is about excessive costs to ratepayers.

The Clarendon CWMS case study will raise issues around contracted services. Further commentary will briefly cover consultant use, leasing losses, complacency in returning the cost of implementing 'efficiency' measures to ratepayers, and the opportunity cost of questioned value in program outcomes.

The common theme is that the big savings in local government may often be **within** the often opaque program/activity budget lines.

Smokescreens, of (a) notionally robust governance systems and policy frameworks, (b) a widely promulgated self-congratulatory culture and (c) heralded economising by tinkering with the numbers of services delivered, disguise the fact that poor value for money often exists within programs. This makes a myth of much anti-rate-capping propaganda, where the threat of cutting services is pushed, rather than facing the reality that council (i.e. ratepayers) often pay far too much for services rendered.

This bad news about excessive costs is equally a good news story, because it implies a proactive elected membership and a committed management have ample scope to improve finances. A value for money test for contracted works where total cost is measured against the actual scope of on-the-ground hours is proposed in this report.

More broadly, it is acknowledged that any failure to secure improved flexibility in enterprise bargaining agreements may impact the pace of more general improvement into the future.

Stakeholder Engagement

A draft of this report was circulated for consultation/feedback to: community leaders in Clarendon that have expressed an interest in this issue; Brian Nankivell of Flagstaff Hill who has a career financial background; Onkaparinga Council Watch (OCW); and the City of Onkaparinga. Feedback is incorporated in this report. Sections 5 and 6, written after (as a result of) feedback, were not circulated for comment.

1. Background

All residents in Onkaparinga on the 7 CWMS schemes (Clarendon, Maslin Beach, McLaren Flat, McLaren Vale, Morphett Vale and parts of Sellicks Beach and Willunga) pay the same yearly fee. Clarendon has about **3% of the CWMS connections**.

A number of years ago, two new developments in the Sellicks area were created, Prodec and then Bluewater. The disposal of treated waste water after Bluewater became a problem. The Bluewater residents Community Corporation was meant to be the responsible for the use (disposal) of their recycled water.

Prior to Blue Water going ahead, council was warned by its own consultants that the ground allocated would not cope with waste water disposal.

As predicted, effluent disposal didn't go too well, and council ended up taking over the failed waste water disposal systems, ultimately having to build a \$1.67M disposal pipeline to the Aldinga waste water reuse facility. The cost to ratepayers of the whole mess was about \$3M. 😞

As the waste water systems are meant to be self-funding, the hypothesis was proffered within Clarendon by this writer that other CWMS scheme residents may be subsidising the Sellicks fix. This would be unfair as the CWMS ratepayers did not cause the Sellicks mess- it was a failure of the City of Onkaparinga as a whole, led by the relevant CEO, who was appointed by the Council, ultimately elected by all ratepayers.

The investigation into Clarendon CWMS costings was initially to look into the cross-subsidising issue, but this issue has been dropped by me for now. This is for 2 reasons.

1. It is common knowledge that sale of the systems is a possibility at some stage, and if this happens in the not too distant future, the issue is not relevant
2. The Clarendon CWMS investigation raised value for money questions, and therefore the opportunity to suggest how the elected membership and administration can do better into the future in ensuring good value for residents.

2. Clarendon CWMS: Getting the answers

When I raised the issue that with Clarendon Community Association (CCA) that Clarendon residents may be subsidising the Sellicks debacle, the then president David Elder wrote to Council asking about the costs.

The 26/7/17 reply from CEO stated that operating costs were \$86 000 pa, covering

- Operations and maintenance contract
- Power
- ESCOSA licence
- SA Water discharge to sewer fee
- Septic tank desludge program
- Admin and reporting
- Insurance.

The claim was also made that capital works of \$690 000 over the next five years are needed, or \$138 000 year. This plus the \$86 000 pa above equates to \$224 000 pa or \$1736 for each of the 129 properties, which currently have fees of \$670pa (2018).

This was a strong slap down of the idea of other CWMS, and Clarendon in particular, subsidising the Sellicks mess.

But is it true ?

A local resident, Kevin Innes, had a look at these figures and asked a lot of questions, about operating costs and the capital works.

The figures for operating costs were given as

- | | |
|---------------------------------------|--|
| • Operations and maintenance contract | \$42 000 (3% proportion of total contract) (\$1 448 000 city wide) |
| • Power | \$5 700 actual |
| • ESCOSA licence | \$1 200 actual |
| • SA Water discharge to sewer fee | \$15 700 actual |
| • Septic tank desludge program | \$8 900 (3% proportion of total contract) |
| • Admin and reporting | \$11 100 (3% proportion of total contract) (\$383 000 city wide) |
| • Insurance. | \$800 (3% proportion of total contract) |

A revised figure of \$475 000 for capital works, as determined by Trility, was also provided, a reduction of \$215 000 from the CEO's letter.

I have tried to get the details of the capital works to be covered but was refused by the organisation at the time of writing this report draft. But there is adequate in the various correspondence to do an analysis for the purpose of testing a hypothesis about Clarendon residents being overcharged at notional 'good-value' costings.

3. Analysing the figures- what is the notional fair value annual cost of Clarendon CWMS

3.1 Running Costs

Trility contract.

- Covers all CWMS schemes in the City of Onkaparinga
- Endorsed by Council at 17/12/02 meeting.
- Agreement executed 9/04/03
- Operational 11/06/03
- Indexed yearly using a combination of CPI and AWE indices
- Finishes 2/11/2029, 25 years after the commissioning of the upgrade of Willunga waste water treatment plant.

Initial enquires about what the \$42 000 maintenance contract involves in Clarendon resulted in an 11-dot point list that was just repetitions, as if the scope of what is done had to be puffed up and padded out. In reality, the work entails attending to breakdowns, light maintenance, and some paperwork. Any repairs are additional cost to council.

Information obtained under Questions on Notice, after a strongly worded (but polite) verbal complaint about failure to provide detail the question asked for, resulted in a description of what this maintenance work covers. There were 19 jobs over 1 year. 2 appear to be flood damage related and the assumption is made that these were picked up in additional unforeseen repair charges to council over and above the contract.

This leaves 17 jobs.

I have studied the list of work undertaken. At different times, 4, 4, 2 and 3 jobs were done on the same day, providing efficiencies of scale, and the total attendances were 8. Given the relative simplicity of the tasks, and the fact that 4 identical installations means quick inspection/maintenance work due to familiarity with the equipment, I would generously give 2 hours per job on average, making 32 hours. Using a reasonable rate of \$200 per hour to incorporate some admin costs, this is \$6400. At \$42000, the Trility contract looks about \$35000 over-priced, or over 5 times too expensive. \$42 0000 for 32 hours is **\$1300 per hour**, although a slight reduction for travel time may be warranted.

Admin and Reporting

At an extrapolated \$383 000 city wide, to administer the systems, this is nearly 4 staff on a reasonable salary. This seems unreasonable as admin costs due to system extension should be borne by developers. A skilled (well paid) person should be able to administer the 7 schemes. Look at it this way, TOTAL MAINTENANCE in Clarendon was only 32 hours, less than 2% of annual FTE hours of about 1700 hours, and Clarendon is 3% of the total system. At this rate, one good FTE good do the actual maintenance on the whole system for a year, so one FTE should be able to administer it. This should be a mature system with established protocols. I will allocate \$120 000. 3% for Clarendon is \$3600.

SA Water discharge fee

I am told that the discharge fee is due to possible internal surface damage to SA Water pipes due to hydrogen sulphide in the discharge water. The capital works program includes a doser to add a neutraliser to the water. If this is so, the water is no longer a liability to SA Water but an asset to be on-sold for irrigation. Unlike other SA Water waste water, the sludge component is already dealt with. Whilst I am not advocating they pay us at this time, the discharge cost should, in a fair price good-value regime, be negotiated away.

Maintenance

Total of \$28000 in round figures. This is from changes in Table 1 one using \$6400 for maintenance, \$3600 for admin and \$900 (adjusted for good price from \$2850) for SA Water discharge compliance chemical dosing running cost.

Unforeseen repairs

Trility charges Council for unforeseen repairs. The 2017 payments were \$2710 plus \$12927 for a major event (flooding). I will amortise major event impacts over a generous 2 year only to \$6500pa. This leaves \$9210pa at head contractor prices. As evidence to date in this document shows, at this point it is probably safe to apply a 50% 'good-value' cut to this figure at settle on \$4600.

Total notional running costs, fair price, good value regime

The total is \$28000 plus \$4600 unforeseen repairs allowance= \$33000 in round figures, reduced from the \$86 000 (or about 40%).

3.2 Capital Works

Suggested Capital works costs provided by Trility are \$475 000. I have very little hard information on this but it does include adding 3 concrete tanks to supplement pump station storage in case of a power or pump major failure. A figure for one of the tanks has been provided at \$65000 in a reply to Kevin Innes. I can use this to test for good value and extrapolate for the rest.

The tanks need to be up to 10,400 litres (9,100 L for two of them) in concrete. Ri Industries supply 12 000L for \$10700 excluding GST, with 5% discount for purchase of 3, making it \$10 165. This includes trafficable lid and lifting into the hole. Ri gave typical excavation charges of \$1500, plus \$2000 for rock. This makes \$13 665 Add plumber connection costs, landscaping, admin etc and \$20 000 seems about right. Feedback from council indicates that an allowance needs to be made for design drawings and engineer sign-off. I will allow a days work (\$2000) for three somewhat similar design drawings and round it out to \$6000 with certifications- \$2000 each.

Total \$22000, or about one third including reasonable connection and site remediation allowance contingency.

Extrapolating, the \$475 000 can be cut by two thirds to about \$160 000. Given that the maintenance charges appear to be 5 times above potential on the ground cost, it may be not unreasonable for capital works to be quoted 3 times above potential actual.

In a reply to Kevin Innes, the Council has said that renewal works capital costs do not have to be amortised over a period because they are funded from connection fees. Whilst this causal connection is complete nonsense- it is a matter of choice- it is at least a plus for my argument as I do not have to include cost of finance in my calculations.

The \$160 000 can be sensibly amortised over 20 years, making capital contribution costs about \$8000 per year.

3.3 Total

Based on the above, running plus capital costs, at fair value and good value would be about \$41 000 pa.

This differs markedly from the CEO's 26/7/17 assertion to the community that the correct annual cost is \$224 000, or five and a half times the notional good value cost.

Clarendon residents pay about \$82 000 collectively, about double the notional good-value cost.

3.4 Commentary

This is a case study to test the hypothesis that Clarendon pays it way in CWMS compared to good value costings. And it does on my examination. Easily. Very Easily.

Of course, in reality it probably doesn't, but that is only because of poor value actuals.

3.5 A Caution

The current administration cannot be held responsible for the Trility maintenance contract and its contribution to **part** of the promulgated costings. It was before their time. They have, however, not volunteered any critical commentary around cost per hour on the job in CWMS work, despite community interest in cost issues.

4 Issues arising about services contracts from the Clarendon CWMS study

4.1 Providing good information on community request

This is difficult to deal with so I make no recommendations. It is a general cultural thing and beyond the scope of this report. You can't really put up a notice of motion 'that the organisation will not supply self-serving inaccuracy to its community'. Maybe you could..... but I'm not going to try.

The other issue, in such egregious and massive cost inflation in council responses, is the motivation. Is it to ameliorate the consequences of laziness or incompetence? I don't know. I do think however that staff with direct on the ground responsibility have a complex job and work hard to manage costs. This makes the inflated assessment of costs to the Clarendon community even more bewildering.

It should be noted that if my estimates are out by **100%**, Clarendon is still paying the **full** good value cost, and the letter to slap down the idea of Clarendon subsidising other systems still seems to be out by 2.6 times.

4.2 Estimates affecting costs

The estimates I was able to work on were for the supplementary storage tank. I think it is a risk that when you start with high estimates, the end result actual cost may likely be much the same. The problem could be the contractor doing the pricing, and building in high margins. Maybe the staff are unsure what things could potentially cost at local contractor good-value pricing.

4.3 Gross overcharging ratepayers

I contend that \$1200 per hour for trades work is gross overcharging of ratepayers by Council.

Trility is in no way to be criticised for the contract costs and estimates. Its job, and I believe it was/is owned by listed entities, is to provide a service and maximise profits. It provides very good service on the evidence provided by staff. If council chooses to pay certain prices, then it is entirely its own responsibility.

4.4 Recommendations-suggested Notices of Motion

1. That staff test all capital works cost estimates by going to source suppliers and small-scale low-overhead tradespeople to find good-value costs. Relevant management fees may need to be added on if a larger contractor is doing the job, but a ceiling of maybe 20% could be the target.
2. That all contracts, where the aggregate of work at a particular site (which could be the whole city) over the full contract period exceeds one million dollars, come to Council with an analysis of the cost per hour for work performed on the ground derived from total contract price divided by total on the ground hours.

These measures would seem vital given the above. The cost of value-testing should be very small in comparison to the savings from fair value/good value contracts. Clearly discipline is needed, along with determination and imagination to find what things really could or should cost.

5 Good value service provision- a wider context

Part of the community feedback was a request to put this case study in a wider context, giving some indication of the extent of potential poor-value expenditure, thereby indicating the scope for financial gains .

Some things are done very well in Onkaparinga. Waste collection and reserve mowing costs seem to represent good value to ratepayers. It is my understanding that some contracted services like phone service provision and road surfacing may also be fair value.

The following is a summary of a few significant concerns that collectively may be costing council millions.

5.1 One-off building works

The more something becomes a *unique one-off cost*, the worse things seem to get. Individual minor works, capital works and major projects are all areas of great concern. A small toilet block costs council the same as a luxury home.

Contracting costs, or in-house work efficiency, for built projects is an issue for its own investigation.

5.2 Contracted services

The Clarendon CWMS case study above is instructive in relation to on the ground contracted services, but not all contracts are of this type.

In the last year or so, the concept of non-cashable efficiencies was incorporated into the procurement justification mix for IT 'efficiency' based acquisitions. What this means is that money spent on improving IT efficiencies would not be recouped through efficiencies. That is, improved efficiency would cost money. Non-cashable efficiencies is a valid management concept, meaning more output, but no reduction in input costs. The key issue here is that unlike mowing reserves and processing building applications, 'doing IT' is not a valid output for local government. That is, 'doing IT' is part of process, not an outcome.

Local government misappropriation of this concept basically amounts to laziness. Strong resistance to this situation by this writer over a period of time has resulted eventually in an undertaking to offset IT efficiency procurement costs with real cost savings. I have some confidence that such 'efficiency' acquisitions will at least now be cost neutral.

5.3 Major infrastructure-leasing

The leasing of part of the Aldinga shopping centre for a library is instructive as poor value infrastructure provision. With indexation, the council will pay about half a million dollars per year for 10 years in rent- \$5M in total, yet council land is available for build-to-own. So, after 10 years we will have nothing when we could have had a library.

How did this happen? Councillors were shown a table comparing leasing with build-to-own over 20 years, that appeared to show similar costs. But it was fairly obscure financial conjuring, and not easy to understand (it could have been).

Recent re-analysis shows that in the comparison given to councillors, the value of the building owned by council in the build-to-own scenario was *not deducted* from the build-to-own costs (in a fair comparison with a lease, at the end, in *both* cases, you should have nothing). If it was, the lie would be given to the idea that leasing made sense.

5.3 Consultants

This year it was revealed that staff spent \$55 000 on a consultant report to review a scheme where businesses pay council to cover creating car parks when they cannot provide their own off-street parking. The vast bulk of the data came from council staff anyway, but the really crazy thing is that the scheme had only raised \$7000, as was not slated to do much better into the future. \$55 000 to review \$7 000. Think about it.

This came to light not because something stood out as being concerning, but from a random question by the writer out of curiosity. This then begs the question as to the worth of hundreds of thousands of dollars in consultancies, given that council already employs well qualified staff, who, in the right cultural setting, should have the courage to do their own fearless reporting on program performance and/or future directions.

5.4 Program outcomes- 2 examples to question value

Onkaparinga spends \$1.38M on youth services. Is this good value? Is the opportunity cost of what is being done failing youth and the community as a whole? A recent visit to Base 10 youth centre by the writer indicated that including a head office admin component, the net cost may be about \$200 000 pa.

About 160 youth over a year do an activity program one afternoon a week for a term. And with school holidays, the total is about 200 youth p.a., for the cost of about \$1000 for each young person from ratepayers. This seems expensive competition for groups often actively seeking participants, like Scout Australia, Guides, Cadets, Surf Lifesaving, sports clubs, Duke of Edinburgh Award program, etc. A key difference with council is that many of these organisations offer a comprehensive long-term resilience building program. And for short term programs, why not introduce young people to the WEA organisation. And, council does not receive any referrals from other agencies to help at-risk youth through its programs.

Could more young people gain more support if council left this space as a provider, and acted as a proactive agency connecting youth with community-based organisations? Better outcomes for much less cost? We could then even afford to fund memberships or uniforms for the genuinely at risk to give them a leg up. At much less than \$1000 per head.

Council spends about \$130 000 on background support staff for the indigenous community. Would it make any difference to outcomes if it didn't, and the indigenous community approached general community-based staff for assistance as required? The unwritten assumption is that the indigenous community lacks capability to manage like other groups do, but to me they seem articulate, able, and well supported within the community. Councils approach seems more about council being seen in the politically correct space than about outcomes. Assuming a less able indigenous community is passive racism.

6 What to do to drive good value

It is possible as indicated above to devise a notice of motion for mandating the examination of hourly rate values for on the ground rolling contracts. Other things are not so simple. Wider organisational issues need addressing.

Nearing the end of eight years on Council, this report is an opportunity to reflect on elected membership interaction with the structure and culture of the organisation, and how it influences ratepayer value.

In the past, I have heard it suggested that there are 2 unwritten rules for elected members: (1) once a decision is made everyone backs in behind it; and (2) leave details to staff. I'm convinced these are wrong. The first stifles on-

going debate that may lead to change and the second prevents evaluation of true service value- both cost and outcomes.

I think that the extensive and sophisticated layers of regulations, official policies and protocols act at times to prevent good outcomes, by giving a facade of appropriate authoritative activity.

In the staff credit card scandal, the Audit committee was held up as the approving arbiter with a response of 'nothing to see here'. But the committee could only act on what the staff provided. The sample credit card statement given to them was not for edible flowers, but workshop consumables. And the staff suggest who is appointed to the committee from outside- the notion of advisory capture is not able to be fully eliminated.

Likewise, service reviews are largely undertaken by staff who are reviewing the worth of, if not their own jobs, then those of friends or colleagues. A recipe for more bureaucracy, but not necessarily economy.

Elected members should accept significant responsibility for the lack of progress towards good outcomes. Some have stood on occasions in the chamber to argue against the elected membership taking a contrary position by stating that 'we should do what the staff say as they are the experts'. It is hoped that Clarendon CWMS costs, Aldinga library lease and credit card issues show the elected membership that more competent oversight is a worthy aspiration. It is essential to see through the facade of organisational processes and 'logic', see past the 'economies' of program delivery tinkering and look at the soundness of value within programs with a case study approach. Show the staff what should be done. Lead. Check the detail.

So, in the final analysis, an elected membership with very high level analytical skills, forensically and independently applied in case studies, is necessary for better outcomes. As is a staff leadership group dedicated a little less to the wondrous possibilities of the future, and more to the most mundane, which is where the \$90 000 toilet block is to be finally achieved, and funds are freed to hold down rates and put trees in many barren streets.