



ATTACHMENTS

Ordinary Council Meeting

24 September 2019

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REFORMING LOCAL GOVERNMENT IN SOUTH AUSTRALIA DISCUSSION PAPER



Government of South Australia
Department of Planning,
Transport and Infrastructure

AUGUST 2019

FOREWORD

Every four years, thousands of people stand for election to their local council, with more than 700 chosen to serve and lead their communities.

High expectations are rightly placed on those elected, as they take on real responsibilities for support and services in their local area. Like all governments, councils need to make decisions about the services they provide, and the revenue that they need to bring these services to life.

To achieve good outcomes for ratepayers we need the ecosystem in and around local government to be as robust as possible. From the internal structures around how councils operate, to the integrity bodies that oversee them and the media that report on them, every part of the ecosystem needs to work to deliver quality services for local communities, whilst also ensuring that ratepayer dollars are used as wisely as possible.

As Minister for Transport, Infrastructure and Local Government, I have a responsibility to ensure that this legislation offers councils the support they need, provides appropriate oversight and gives each community certainty that their council is making good decisions, understands local needs and is operating efficiently and sustainably.

This discussion paper proposes reforms to local government legislation that aims to achieve this. Some of the key reforms proposed include a new conduct management framework for council members, an expanded role for council audit committees to provide expert, independent advice to councils on a range of critical financial and governance matters, and improvements to regulation to reduce councils' costs.

I am grateful to the people who provided their ideas for reform in the first stage of the Local Government Reform program. I was impressed by the range and number of considered ideas that were submitted. Likewise, I am keen to hear as many views as possible on the reforms contained in this discussion paper. Which do you think will work? Are there other ideas for reform that should be considered?

I look forward to receiving all submissions on this discussion paper, and to work together to ensure we have local government legislation that will set the future direction for councils in our State.

HON STEPHAN KNOLL MP

Minister for Transport, Infrastructure and Local Government

Minister for Planning



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WHY IS LOCAL GOVERNMENT REFORM NEEDED?

The *Local Government Act 1999* (the Act) was put in place following significant council amalgamations in the late 1990s that created our current 68 councils. In 1999, the Act recognised that councils are government bodies elected by their communities to make decisions about the services that need to be delivered for their local area.

This means that councils have serious responsibilities. The services they provide—roads, footpaths, ovals, parks, sporting grounds, waste management, libraries, community centres and community support services to name just a few—are what makes our local communities work.

The State Government also has a responsibility to ensure that the legislative framework around councils enables them to act, make decisions, and provide services in the way in which their communities expect. It 'sets the rules' for how councils are elected; what their roles and responsibilities are; how they can raise revenue; how they make decisions; and how they inform and engage their communities.

The four reform areas put forward by the Government recognise that there are areas in this legislative framework that currently aren't working as well as they should, and need to be reviewed.

These areas are—

REFORM AREA 1



**STRONGER COUNCIL MEMBER
CAPACITY AND BETTER CONDUCT**

REFORM AREA 2



**LOWER COSTS AND ENHANCED
FINANCIAL ACCOUNTABILITY**

REFORM AREA 3



**EFFICIENT AND TRANSPARENT
LOCAL GOVERNMENT
REPRESENTATION**

REFORM AREA 4



SIMPLER REGULATION

REFORM AREA 1

STRONGER COUNCIL MEMBER CAPACITY AND BETTER CONDUCT



Communities have high expectations of how their council members should behave. They are leaders in their communities, who speak and make decisions on their behalf. There are more than 700 council members in South Australia, and most meet this expectation admirably. They step forward to serve on their council, and commit considerable time and energy to make their local community a better place to live.

However, from time to time, some council members conduct themselves in a way that is not acceptable.

This can be poor behaviour, such as rudeness or a lack of respect to fellow council members or community members. It may be poor behaviour in a council meeting, through an unwillingness to engage in the respectful debate that's needed to ensure good decisions. Or it may be conduct that calls the integrity of their decisions into question, such as not managing a conflict of interest properly, or accepting gifts and other benefits that may improperly influence what they do.

Whatever the issue is, council members and their communities expect that it should be dealt with in the right way. This means that it is investigated at the right level; that sanctions are applied that fit the behaviour, and that council members who choose to repeat poor conduct receive escalating penalties.

There is a strong view that the current system for managing the conduct of council members is not delivering on these expectations. Feedback has been that councils have a desire to be better equipped to manage low-level behavioural issues on a local level, but also want a clearer pathway to resolving more serious conduct matters. Proposed reforms will create a better framework for managing and improving council member conduct and capacity. The Act will make a clear distinction between lower-level 'behavioural' matters that can be dealt with at a council level, and more serious 'integrity' matters that should be investigated and dealt with by an independent body.

The new framework will also recognise that while most behavioural matters are low-level, occasionally poor behaviour can be serious enough, or can be repeated to an extent that it causes a risk to the health and safety of others, or prevents an elected member body from acting effectively. Councils should be able to refer these 'serious behavioural matters' to an independent body for investigation and resolution as integrity breaches.

One question that this discussion paper poses is which model should be put in place to deliver this new framework. Three alternatives are proposed—a 'light touch' model that clarifies the current legislative provisions; a model that uses a new council 'governance committee' to support councils' conduct management; and a significant change through the introduction of a 'Local Government Conduct Commissioner'.



REFORM AREA 2

LOWER COSTS AND ENHANCED FINANCIAL ACCOUNTABILITY

It is fair to say that of all the decisions a council makes, the one that receives the most attention is setting the rates that are paid by its community. This decision is what enables councils to provide the services that we rely on—roads, waste management, libraries, and all the other council services and facilities that our communities use. It also enables councils to manage the very significant assets that underpin these services—over \$23 billion worth across the State.

Most people realise this and are prepared to contribute their fair share to these services. However, ratepayers must have confidence that their money is being raised fairly and spent sensibly. This means that their council is managing its finances responsibly, with the right level of oversight and assurance; that it makes every effort to keep costs low; and that it also provides clear and easily understood information about these critical decisions. The Act establishes clear standards of financial management and accountability, which have been reviewed and improved a number of times over the past decade.

However, given the critical importance of councils' financial position, the need for all councils to make well informed and effective decisions on revenue and expenditure, and a continuing need for independent oversight that assures both councils and their communities that councils are well managed and sustainable; another review of these standards is timely.

The discussion paper proposes several reforms to improve council auditing and oversight, to improve decision making by council member bodies and to improve the information that councils provide each year to their communities on their rating decisions.

Feedback on all proposals is welcome. However, it should also be noted that the State Government has charged the SA Productivity Commission (SAPC) to undertake an inquiry into cost pressures and efficiencies in the local government sector. It is likely that any recommendations the SAPC makes in its final report in November 2019 will have a significant impact on reforms in this area.

REFORM AREA 3

EFFICIENT AND TRANSPARENT LOCAL GOVERNMENT REPRESENTATION



It is the election of our councils that makes them a government.

Like State and Federal Government elections, Local Government elections give us the ability to choose who we want to represent us, to lead our communities, and to make decisions about the services that are available to us. Many aspects of these elections are the same. They are run by an independent body, which for councils and the State Government is the Electoral Commission of South Australia (ECSA). They are based on a fundamental principle of 'one vote, one value'—that is, that each vote held by each voter is equal.

However, there are also unique features of council elections in South Australia. Most notably, voting for councils is voluntary, and done by a postal vote. The franchise is different—property owners, as well as residents, can vote. The method of voting and counting is also different in council elections. Other differences are in the role of formal political parties, which is much less apparent in council elections; and how voters learn about the candidates that are standing for election.

In the call for reform ideas, council elections attracted the most submissions and comments. Many contributors asked for the introduction of online voting, to make voting more convenient and to improve the numbers of people choosing to vote. There is general agreement that online voting is desirable, however, a range of technological challenges must be overcome before its introduction to ensure the security of our elections. This is why this discussion paper does not propose this reform.

Other calls for improvement to local government elections centred on clarifying the roles of ECSA and councils in elections; particularly for people who wish to nominate for council, and then become candidates. There was also a widespread view that candidates should be required to provide more information that would be of interest to people considering whether to vote for them—any political affiliations the candidate may have; whether they live in the area for which they are standing; and any significant donations they may have received.

The reforms in the discussion paper therefore propose a greater role for ECSA in receiving nominations and publishing information on candidates—all online, to provide a more convenient, centralised service for both candidates and voters. The reforms also propose greater information disclosure by candidates in an easily accessible form.



REFORM AREA 4

SIMPLER REGULATION

Councils are required to act within a range of regulations that are put in place to deliver or protect the public interest. For example, they are required to undertake a specific, regulated process before they decide to revoke the community land status of some of their land. This regulation is in place to ensure that councils fully consider all aspects of this decision, to provide assurance that this decision is made in their community's best interest.

However, it also must be recognised that regulations can be costly—in time and resources. This is why regulation is often referred to as 'red tape'—or perceived only as a barrier to timely and effective actions. There's no question that regulation should be regularly examined to ensure that it delivers on the public good it aims to protect. Every dollar that a council spends on compliance is a dollar that must be raised by rates or not spent on a local service. It's therefore essential that regulations are regularly reviewed to ensure that the cost of compliance is justified by the benefits they deliver.

The many ideas for local government reform received suggested a number of areas where regulation can be simplified. This paper therefore proposes reforms to a range of current regulations. These include a more modern approach to community engagement; a faster process for simple community land revocation proposals; clarifying councils' ability to hold workshops and information sessions for its council members; reducing regulations that apply to permits for use of council roads; and improving aspects of council meetings.



HOW TO MAKE A SUBMISSION

This discussion paper puts forward a range of proposals for local government reform.

In some instances, these include a number of potential models for discussion and debate. In other cases, a single proposal is put forward for comment.

We are seeking your views on the proposed reforms. Which do you think would best address the issues that have been identified? Are there changes that you would make to the proposals? And are there any new ideas and alternative proposals that you think we should consider?



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REFORM AREA 1



**STRONGER COUNCIL
MEMBER CAPACITY
AND BETTER CONDUCT**

1 INTRODUCTION

Under the *Local Government Act 1999* (the Act), a council is a body corporate and consists of members elected to the council. A council's elected member body is made up of a principal member who is known as either a 'Mayor' (elected to the position) or a 'Chairperson' (appointed by the other elected members, although may also be referred to as a 'Mayor') and several council members often referred to as 'Councillors'

The reforms proposed in this discussion paper aim to improve the legislative framework to support and promote better conduct and stronger capacity of council members, while recognising the status of council members as democratically elected representatives, who are primarily accountable to their communities and will ultimately be judged at local government elections.

2 COUNCIL MEMBER CONDUCT

BACKGROUND

2.1

Council members are elected to council to make decisions for, and to act in the best interests of, their community. Being a council member is a position of trust bestowed on them by their local communities.

Because local governments today have many complex responsibilities and a great deal of discretion, their communities understandably have high expectations of standards of behaviour, integrity and performance. As representatives and leaders of their communities, council members are generally expected to act ethically, diligently, respectfully, honestly and with integrity.

Generally, the South Australian community is well served by those who serve as council members in local government, who overwhelmingly conduct themselves in accordance with the high standards expected of them. However, from time to time, inappropriate or improper conduct by council members can lead to council dysfunction, impairment of local government integrity and performance, and a reduction in community trust and confidence.

State legislation plays an important role in council member conduct. It can set the standards of behaviour, and provide arrangements for dealing with breaches across all areas of conduct.

This is a spectrum of behaviour that ranges from lower-level behavioural matters, such as how council members relate to others, to more serious matters that may affect the integrity of council members' decisions, such as poor

management of conflicts of interest, or the inappropriate acceptance of gifts and benefits. At the highest, or most serious, end of this spectrum is criminal conduct and corruption¹.

The various pieces of legislation that make up the council member conduct framework are intended to operate as an escalating system that addresses the varying levels of seriousness of poor behaviour with increasing levels of sanctions and penalties.

The chief parts of the current council member conduct management framework are set out below.

THE CODE OF CONDUCT FOR COUNCIL MEMBERS

2.1.1

The Act requires council members to observe a Code of Conduct that is set in regulation. When people think about the 'rules' that apply to the conduct of council members, this Code of Conduct is often what comes to mind. The Code of Conduct has several functions. One is to establish the standards of behaviour and integrity that council members should adhere to. Reflecting the spectrum of conduct, the Code has three core 'levels' of standards.

The first of these is a statement of high-level principles of behaviour that council members are expected to demonstrate, such as a commitment to serving the best interests of the community, to discharging duties conscientiously, to work together constructively and to uphold the values of honesty, integrity, accountability and transparency.

The second is to set out the specific behaviours that council members should adhere to, in Part 2 of the Code—the 'Behavioural Code'. These range from more general statements about behavioural standards (such as 'act in a way that generates community trust and confidence in the Council'), to more detailed instructions on particular behaviours (such as 'ensure that personal comments to the media or other public comments on Council decisions and other matters, clearly indicate that it is a private view and not that of Council').

The third level is contained within Part 3 of the Code, 'Misconduct'. This section contains matters that, if breached, could affect the integrity of council decisions, such as the poor management of conflict of interest, or the inappropriate acceptance of gifts and benefits. Many of these matters are also contained within the Act.

An appendix to the Code outlines the most serious conduct matters—those that could be criminal conduct or corruption.

Along with 'setting the standards', the Code also establishes the process by which alleged breaches of these standards are investigated. The high-level principles are not intended to be enforceable, as these express the broader expectations of council members. The Code is clear that breaches of 'behavioural matters' in Part 2 should be dealt with at a council level, but allows each council to determine a process to do so that best fits their own needs.

¹NOTE: This paper does not consider 'corruption' or 'serious and systemic misconduct or maladministration', which is within the jurisdiction of the Independent Commissioner Against Corruption (ICAC) and the Office of Public Integrity (OPI). Any reasonable suspicion of corruption, misconduct or maladministration in public administration should be reported to OPI—which is responsible to ICAC—in the first instance. It is noted that misconduct and maladministration complaints or reports may be referred by the ICAC to the Ombudsman for investigation.

Alleged breaches of Part 3, 'Misconduct', are referred to the Ombudsman, as integrity matters should be investigated by an independent statutory body. The Code of Conduct also allows for repeated breaches of the 'Behavioural Code', or non-co-operation with a council investigation or finding under the Behavioural Code, to be elevated to the Ombudsman.

Any suspected breaches of the most serious criminal matters should, of course, be referred to the Independent Commissioner Against Corruption (ICAC).

Finally, the Code of Conduct and Act set the penalties or sanctions that can apply when it has been breached. Again, these are designed to escalate in accordance with the seriousness of the breach.

IF A COUNCIL FINDS THAT A MEMBER HAS BREACHED PART 2 (THE BEHAVIOURAL CODE) IT MAY—



Pass a censure motion in respect of the council member.



Request a public apology, whether written or verbal.



Request the council member to attend training on the specific topic found to have been breached.



Resolve to remove or suspend the council member from a position within the council (not including the member's elected position on council).



Request the member to repay monies to the council.

IF THE OMBUDSMAN HAS INVESTIGATED A MEMBER, HE MAY MAKE THE FOLLOWING RECOMMENDATIONS TO THE COUNCIL TO—



Reprimand the member (including by means of a public statement).



Require the member to attend a specified course of training or instruction, to issue an apology in a particular form or to take other steps.



Require the member to reimburse the council a specified amount.



Ensure that a complaint is lodged against the member with the South Australian Civil and Administrative Tribunal (SACAT).

If a council member fails to comply with a requirement made by a council on the Ombudsman's recommendation, then the council must lodge a complaint against the member with the South Australian Civil and Administrative Tribunal (SACAT). This could result in stronger sanctions for the member, including their suspension or disqualification from office.

OTHER CONDUCT MATTERS IN THE LOCAL GOVERNMENT ACT

2.1.2

Along with establishing the Code of Conduct, the Act includes a number of specific conduct requirements that apply to council members.

In summary, these requirements are—



To act honestly, and with reasonable care and diligence in the performance of official duties;



Not to disclose information that is confidential;



To declare all financial and non-financial interests in the 'Register of Interests';



To properly manage any conflict of interest.



Not to make improper use of their position, or of information they have gained through this position, for their own advantage or to cause detriment to the council;

OTHER CONDUCT MATTERS IN THE LOCAL GOVERNMENT ACT

2.1.3

Other pieces of legislation that form part of the council member conduct framework include the *Independent Commissioner Against Corruption Act 2012* and the *Ombudsman Act 1972* (which provide for the powers and functions of the integrity agencies in South Australia) and the *Criminal Law Consolidation Act 1935* (which covers serious criminal offences by 'public officers').

ISSUES

2.2

There is general agreement from the local government sector and the community more widely that the current conduct management system is not working as effectively as it should.

One key issue identified is that the use of the Code of Conduct, particularly the 'Behavioural Code', results in an overly formal process that exacerbates conflicts between elected members, and creates a long, difficult and costly process for councils to resolve behavioural matters.

Before the current Code of Conduct was introduced, each council had its own code of conduct for council members that it was required to review within 12 months after each general election. The intent of the uniform, regulated Code of Conduct was to provide consistent standards of behaviour across all councils. However, feedback has been that formally regulating detailed behavioural matters can result in an excessively combative or legalistic approach to these matters.

Both the ICAC and the Ombudsman have raised public concerns about the number of Code of Conduct complaints they receive from council members against each other, particularly when the complaints stem from disagreements or personality clashes between the members.

Recent statistics from the Ombudsman indicate that almost half of the Code of Conduct complaints he receives are from an elected member against another elected member. Both the ICAC and the Ombudsman have been publicly encouraging council members to stop lodging 'trivial' or 'petty' complaints, which are a waste of public money and resources. The Ombudsman has stated that much of his time has been taken up by internal council complaints that have proved to be costly and time-consuming.

Additionally, continual trivial or petty complaints can be very destructive at a council level. It is very difficult for a council to operate effectively if its members are unable to overcome personal differences and are continually lodging Code of Conduct complaints against each other.

These concerns have also been raised by councils, who have noted a lack of deterrence for 'trivial, frivolous and vexatious' complaints. Councils do not feel that they have the right tools to deal with minor behavioural matters quickly, fairly, and effectively.

Another key area of concern is how serious behavioural issues can be dealt with—behaviour that may cause a risk to another person's health and safety. While the current Code of Conduct recognises bullying and harassment, and provides for a mechanism for repeated behavioural breaches to be escalated from council level to the Ombudsman, there is a strong view that this mechanism is not effective; and that the sanctions available to deal with these matters are not adequate.

It is also essential to ensure that the health and safety of council staff and members is properly protected. There may therefore be a need to enable a position (such as a principal member or CEO), or a body (such as a council governance committee) to give immediate, limited directions to council members in circumstances where this health and safety is at risk.

Other concerns have been raised about the overlap and duplication between the Code of Conduct and conduct matters within the Act. These include duplication of expectations of behaviour in the Code of Conduct and in the section of the Act that sets out the 'General Duties' of members, conflict of interest matters, and the management of confidential information.

While the Code of Conduct was intended to create a 'one-stop shop' that described all conduct matters, and therefore included matters also in the Act, the conclusion is that this approach causes confusion and uncertainty as to the appropriate body to investigate alleged breaches.

Councils have also argued that the conflict of interest provisions in the Act, which were introduced in 2016 are considered 'complex' and 'confusing', making it difficult for council members to adhere to the rules.

PROPOSALS FOR REFORM

2.3

It was clear from the response received through the call for reform ideas that the community generally considers that there should be rules of behaviour or conduct that council members should abide by.

It was also clear that there is support for a review of the current system to create a 'clearer', 'simpler', 'stronger', 'well-defined' conduct management framework. Ideas received on how this could be achieved, however, were diverse.

Ideas about how disagreements between council members should be managed ranged from dealing with them 'in-house' within the council to having an external, independent body to manage all complaints.

Other suggestions were that it is the responsibility of the Mayor and/or the elected member body and/or CEO (i.e. the 'leadership' roles) to manage disputes and find appropriate resolutions. A number of submissions advocated for a mechanism to resolve behavioural issues without having to resort to external complaints management bodies.

Many councils endorsed the approach put forward by the Local Government Association (LGA), which stated that "It is important that local government is empowered to self-determine the expectations of acceptable behaviour that align with community expectations."

Following on from this, one of the LGA's proposals is for an "increase in devolution of responsibility to councils to handle behaviour matters internally, with expedient ways to escalate serious misconduct matters as appropriate". The LGA submission also seeks a broadening of the range of penalties so that effective action can be taken commensurate with the circumstance of each case, and clearer classifications of 'misconduct', along with definitions for 'bullying and harassment' and 'sexual harassment'.

The Local Government Reform process provides an opportunity to review the conduct framework to provide clearer roles and responsibilities and a broader (and proportionate) range of tools and sanctions for managing different categories of elected council member conduct.

Noting the complexity of this issue, there are three conduct management framework models proposed in this paper. All of these models, however, contain a number of 'common features' that, like the current system, reflect the spectrum of member conduct.

COMMON FEATURES PROPOSED

2.3.1

A CLEAR 'HIERARCHY' OF CONDUCT

A new conduct management framework will establish a much clearer hierarchy of conduct that clearly separates 'behavioural matters' from 'integrity matters'. This will create clearer responsibilities and pathways and enable council members and members of the community to understand which body is responsible for managing aspects of council member conduct.

The Local Government legislation will continue to be the primary documents that establish the standards of behaviour and of conduct that affects integrity for council members. It is proposed that detailed behavioural matters are removed from a 'Code of Conduct' in favour of setting appropriate standards of behaviour in the legislation.

Councils will be empowered to determine—if they choose to do so and consider it helpful—more detailed examples of these behaviours (in a policy adopted by the council), which supports and is consistent with the standards in the legislation.

The legislation will also clarify which conduct matters are 'integrity matters'. These may include—



A requirement to act honestly in the performance of official functions and duties.



Release and disclosure of confidential information.



Misuse of information to gain benefit or cause detriment.



Misuse of position to gain benefit or cause detriment.



Register of interests.



Conflicts of interest.



Directing or influencing council staff.



Gifts and benefits.



Only using official council communication methods (e.g. e-mails) for official council functions and duties.



Breaching any communication (or other) protocol set up by the council or CEO for staff or council members to address risks to health and safety allegedly caused by a council member.



Misuse of meeting management powers by the presiding member.

COUNCILS WILL CONTINUE TO BE RESPONSIBLE FOR 'BEHAVIOURAL MATTERS'

Councils will continue to be responsible for managing council member behaviour, as they currently are under the Code of Conduct.

The current Code of Conduct enables councils to decide for themselves the most suitable mechanism for dealing with behavioural matters by elected members. Complaints may be investigated and resolved in any manner that a council deems appropriate in its process for handling alleged breaches of the Behavioural Code. This can include, but is not limited to: a mediator or conciliator; the Local Government Governance Panel; a regional governance panel; or an independent investigator. A complaint within this process may be considered trivial, vexatious or frivolous and accordingly not investigated.

It is proposed that councils will continue to be required to have a process for handling complaints and an internal resolution process, but will also continue to have the autonomy to decide on the resolution mechanisms that are most suitable to that council.

Councils will also continue to be able to apply the sanctions for breaches of 'behavioural matters' that are contained within the current Code of Conduct, however, it is proposed that this be strengthened to enable councils to direct or require (rather than 'request') the actions.

It is also proposed that the principal member have enhanced powers to deal with disruptive behaviours at meetings.

AN ESCALATION PROCESS FOR 'SERIOUS BEHAVIOURAL MATTERS'

It is recognised that certain behaviours or circumstances can require escalation to an independent body for investigation or intervention if they are serious enough to be considered as an integrity breach.

The current Code of Conduct recognises this and provides for certain matters to be referred from a council to the Ombudsman for investigation. These matters include—

1. Failure of a council member to cooperate with the council's process for handling alleged breaches.
2. Failure of a council member to comply with a finding of an investigation adopted by the council.
3. Repeated or sustained breaches of the Behavioural Code (Part 2) by the same council member may be referred, by resolution of the council.

These referral mechanisms, however, have rarely been utilised by councils. Feedback has been that it can be difficult to escalate issues about a council member's behaviour where there are factions within the council, or where divided views amongst council members on the conduct in question mean that they are unable to agree to refer the matter to the Ombudsman.

It is proposed that a better process is put in place to escalate serious behavioural matters from a council to an independent body for investigation, where there is a view that these matters are an integrity breach.

The matters which could be considered for escalation to an independent body could include—

1. Repeated and unreasonable behaviour by a council member that creates a risk to health and safety, such as bullying or harassment. This may specifically include 'sexual harassment'.
2. Behaviour that is not repeated, but still creates a risk to health and safety.
3. Behaviour that is repeated and does not create a risk to health and safety, but is serious 'unreasonable' behaviour. This could be circumstances where, despite a council's reasonable, multiple efforts to address behaviour, a council member continues to be unreasonable and unmanageable, necessitating an external 'circuit breaker' to resolve the matter.

It is likely that the independent body receiving complaints about these matters would expect that the relevant council would have taken reasonable actions to address the behavior at a council level, before escalating, where possible. It is also proposed that complaints of this nature would be escalated only following a decision of the council, or by a council's governance committee.

It should be noted that any person affected by behaviour that poses risks to their safety can seek intervention orders (including an interim order) under the *Intervention Orders (Prevention of Abuse) Act 2009* (SA) for their protection. It is proposed that a council member subject to an intervention or interim intervention order relating to a council member or staff could be suspended from office for the duration of this order to properly protect members and staff.

ENSURING THAT 'INTEGRITY MATTERS' ARE DEALT WITH BY AN INDEPENDENT BODY

A new conduct management framework will clarify that breaches of integrity matters should be dealt with by an independent body that has appropriate sanctions available to them.

This body could be the Ombudsman, or the 'Conduct Commissioner' (as discussed in the proposed models). It is also proposed that this body could apply an expanded range of sanctions that would include: the ability to suspend a member; suspend a member's allowance; or to require reimbursement to the council of costs involved in an investigation of a matter.

A number of ideas received requested a greater ability to dismiss council members, and/or prevent them from standing at future elections.

This ability is currently only held by the South Australian Civil and Administrative Tribunal (SACAT). It is appropriate that the ability to disqualify a democratically elected council member from office should be reserved for only the most serious categories of conduct, and can only be applied by a tribunal or court.

It is, however, essential that serious matters can be brought before SACAT when necessary. Accordingly, the new conduct management framework will retain the ability of the independent body investigating integrity breaches to require that complaints to SACAT be made when appropriate.

IMPROVED CONFLICT OF INTEREST PROVISIONS

The conflict of interest provisions in the Act will be reviewed, to—



Simplify the current system by reducing the current three 'categories' of conflict (material actual and perceived) to two—'material conflict of interest' and 'non-material conflicts of interest'



Simplify the process by which council members can be exempt from conflict of interest provisions, or seek approval to participate in a matter. This will include a review of the 'ordinary business matters'.



Clarify the application of conflict of interest rules to council committees and subsidiaries to remove the current complex regulations that deal with this matter.

OPTIONS OF PROPOSED MODELS FOR COUNCIL MEMBER CONDUCT FRAMEWORK

2.3.2

The three models of the conduct management framework that are proposed are detailed below. It is proposed that all of these models would include the common features described above. Additionally, the models are not mutually exclusive. Elements of any of the three could be incorporated into any final model.

MODEL 1 - CLARIFICATION OF CURRENT LEGISLATION

This proposed model would have the common features described above but would require a council resolution to refer 'bullying and harassment' complaints to the Ombudsman. That is, the council as a body has to be satisfied that the definition or threshold for 'bullying and harassment' has been met.

This model would also require the council to report on conduct matters in the annual report.

MODEL 2 - UTILISATION OF GOVERNANCE COMMITTEES

This proposed model utilises a council 'governance committee' (with requisite skillsets) to have a role in relation to council member conduct. The concept of a 'governance committee' is explored in Reform Area 2. In summary, it would be an independent body that is empowered to advise the council on a range of governance issues.

This model would—



Require governance committees to assess complaints of alleged 'bullying and harassment' by council members, and, if determined that alleged behaviour meets the definition/threshold, to lodge the complaint with the Ombudsman.



Enable (but not require) councils to use governance committees to consider behavioural matters.



Require governance committees to report on conduct matters in the annual report.

MODEL 3 - ESTABLISH A LOCAL GOVERNMENT CONDUCT COMMISSIONER

This model would create an additional integrity body with a specific responsibility to oversee all aspects of council member conduct. This body would—



Have a specific role in the prevention of improper conduct through providing training, advice and practice guidelines to council members.



Be able to consider and investigate alleged breaches of behavioural standards at the request of the relevant council.



Have responsibility for considering and investigating bullying and harassment allegations, if the council/governance committee agrees to the referral of this complaint to them.



Have responsibility for the investigation of all alleged breaches of integrity matters (rather than the Ombudsman).



Have appropriate disciplinary or sanction powers except for the powers that will remain with SACAT (e.g. disqualification powers).



At council request, may undertake a range of services on a cost-recovery model including specific training, counselling, mediation and conciliation.

It is expected that this model would be funded by the local government sector, including cost recovery fees for specific services.

While the detail of the operation of a 'Local Government Conduct Commissioner' would be developed in accordance with its potential functions, it is expected that it would—



Require the appointment of a suitably qualified and experienced person as the Commissioner, noting that this role would have similar responsibilities to those currently held by the Ombudsman to investigate members and apply sanctions. This is likely to be a full time, or near full-time position.



Require a core administrative unit to be established to support the Commissioner, and to undertake investigations.



Enable the Commissioner to appoint training facilitators, mediators, and additional investigators as required.

This model would enable the Ombudsman to focus on the administrative acts of councils (not including conduct) as is the case with most other Australian jurisdictions.

3 COUNCIL MEMBER CAPACITY

ROLES WITHIN LOCAL GOVERNMENT - OVERVIEW

A brief overview of the roles of the various components that make up local government is set out below—

THE COUNCIL

A group of members (led by a mayor or chairperson) elected by the community and is the governing body of a local government. Councils are responsible for the governance of their local government's affairs and functions. This includes oversight of the planning and allocation of finances and resources and the determination of local government policies.

CHIEF EXECUTIVE OFFICER (CEO)

Employed by the council to head the administration and manage the day-to-day operations, or executive functions, of the local government and to implement lawful council policies and decisions.

COUNCIL STAFF

Employed by the CEO to perform the functions of the local government.

3.1 ROLE OF COUNCIL MEMBERS

BACKGROUND

3.1.1

Council members are elected to represent the interests of their community through participation in important local decisions and are expected to act with the highest standards of integrity.

To effectively perform this role, council members are also expected to work together constructively and deal with disagreements, conflicts or personality differences in a professional manner, for the best interests of their community. They must also make every effort to ensure that their skills and knowledge enable them to perform their roles, and are continually improved.

The Act recognises the role of council members, and provides some specific details on expectations, that this role is—

AS A MEMBER OF THE GOVERNING BODY OF THE COUNCIL—



Participate in the deliberations and civic activities of the council.



Keep the council's objectives and policies under review to ensure that they are appropriate and effective.



Keep the council's resource allocation, expenditure and activities, and the efficiency and effectiveness of its service delivery, under review.



Ensure, as far as is practicable, that the principles set out in section 8 of the Act are observed.

AS A PERSON ELECTED TO THE COUNCIL—



Represent the interests of residents and ratepayers.



Provide community leadership and guidance.



Facilitate communication between the community and the council.

ISSUES

3.1.2

While the role of a council member details the tasks and responsibilities of a council member's functions and duties, the Act is currently silent on expectations of a council member's behaviour, and on their obligations to promote a good working relationship amongst their council.

Feedback was also received that the importance of mandatory training for council members is not well recognised within the Act. Some concern has been raised within the local government sector that there is a perception in the community, however, that training or ongoing training and development of council members is a waste of public resources

PROPOSALS FOR REFORM

3.1.3

There is an opportunity to strengthen council members' capacity and improve their conduct through better description of their role in the Act.

It is proposed to further clarify the role of council members, in particular, to recognise their responsibility both individually and collectively to ensure (as far as reasonably practicable) good working relationships within the council, and to support the effectiveness of a new conduct management framework.

It is also proposed to clarify that the role of a council member recognise their obligation to complete mandatory training requirements within the required timeframes and have a commitment to the continuous development of knowledge and skills.

The role of a council member in the Act will be clarified to include—



Ensure (as far as is practicable) constructive working relationships within the council including with other council members, the principal member and council employees.



Ensure completion of mandatory training within the specified timeframes and to have a commitment to ongoing training and development of skills relevant to the role of a council member and the roles and functions of the council body.



Act with integrity.



Recognise and support the role of the principal member as specified in the Act.

To better recognise the importance of council member training, it is also proposed to clarify its mandatory nature in the Act, and to revise the presentation of the mandatory training scheme in the regulations (see below for further discussion).

3.2

THE ROLE OF THE PRINCIPAL MEMBER

BACKGROUND

3.2.1

The Act also defines the specific role of the principal member of a council (that is, the Mayor or Chairperson), which is in addition to their role as a council member.

These additional duties and responsibilities are to preside at (chair) council meetings, to perform certain civic and ceremonial duties, to act as the principal spokesperson for the council, and to provide advice to the CEO on the implementation of a decision of a council.

ISSUES

3.2.2

While the role of the principal member as described in the current Act recognises the particular responsibilities of a principal member, it does not sufficiently reflect expectations that Mayors and Chairpersons are a leader of their elected body; and should demonstrate and lead the standards of behaviour and decision making that are critical to the effectiveness and reputation of their council.

Good governance relies on constructive working relations between council members. The principal member, as the leader of the council, is expected to promote and foster positive relationships and to support members in resolving disagreements or conflicts that arise. Promoting and leading good relations between council members before contentious issues arise increases the likelihood that these issues can be dealt with robustly but without becoming divisive in a way that damages the reputation of the council.

It is also recognised that, in addition to these expectations, principal members have limited tools available to them to support behavioural standards and working relationships between elected members. In particular, it has been identified that principal members need greater powers to manage poor behaviour in the context of council meetings.

Currently, under the *Local Government (Procedures at Meetings) Regulations 2013*, a council member can only be excluded (suspended) for part of or the remainder of a meeting by a council resolution. This is unworkable where there are factions within a council or where there are disagreements creating high tensions that result in inappropriate and impeding behaviour.

Finally, a number of concerns have also been voiced about the working relationship between principal members and councils' chief executive officers. For a council to be effective, these two leaders must work together in a complementary way, providing mutual support and ensuring productive interaction between the elected council and its administration.

PROPOSALS FOR REFORM

3.2.3

It is proposed that the Act should clearly state expectations of the role of the principal member as a leader of the council. These could include—



Presiding at meetings of the council and exercising the powers as prescribed under the regulations.



Providing guidance to council members about what is expected of a council member.



Supporting council members' understanding of the separation of responsibilities between the elected and administrative arms of the council.



Promoting and supporting good, constructive working relationships and high standards of behaviour and integrity in the council.



Where necessary, taking a leadership role in resolving differences in the elected member body.

It is also proposed that the presiding member of the council meeting (which is usually the principal member) be given enhanced powers to manage disruptive behaviour by council members in a council meeting, through a power to exclude council members for part of or for the remainder of council meetings.

Any misuse of this power would be considered as an integrity breach, within the new conduct framework.

Mayors cannot vote on most council motions as they are currently restricted to a casting vote only when members' votes are tied. Feedback from Mayors is that this limitation does not reflect community expectations of their leadership role within a council. Therefore, it is proposed to give directly elected Mayors a deliberative vote in council meetings while retaining their ability to make a casting vote.

3.3**MANDATORY TRAINING REQUIREMENTS****BACKGROUND****3.3.1**

Currently, the imposition of mandatory training for council members is through the requirement in section 80A of the Act and Regulation 8AA of the *Local Government (General) Regulations 2013* that councils must prepare and adopt a training and development policy for its members that complies with the *LGA training standards* approved by the Minister. The *LGA training standards* require mandatory training.

ISSUES**3.3.2**

There is a significant amount of support from the community for mandatory training requirements for council members.

However, the LGA, with support from the local government sector, has raised an issue regarding how the mandatory training for council members is currently imposed through the training standards. A number of submissions proposed that there could be more clarity in the legislation on the training that is required, and on the consequences for members that choose not to comply with the mandatory training requirements.

Ideas have been received to change the requirements to a competency-based assessment (rather than attendance-based) and consideration of online training capabilities. Many suggestions were also received in regard to the topics that should be covered in mandatory training.

PROPOSALS FOR REFORM**3.3.3**

It is proposed to amend the Act to replace the requirement for councils to have a training and development policy with a mandatory training scheme established in regulations.

It is also proposed that the requirement for mandatory training for council members to be completed (within a specified timeframe) be prescribed in the legislation and that there be a consequence for non-compliance. Specific sanctions may apply for a failure to comply with these mandatory training requirements, or this failure could be considered as a breach of an 'integrity matter'.

The details of minimum training requirements and standards will be considered as part of the development of a regulation package in a later stage of the reform process.

4 THE ROLES AND RELATIONSHIPS BETWEEN THE COUNCIL ELECTED MEMBER BODY AND THE CEO

BACKGROUND

4.1

The effectiveness of a local government is largely dependent on the relationship that a council (and its individual elected members) has with its administration, primarily the chief executive officer (CEO). The role of the CEO is outlined in the Act—in summary, CEOs must implement council policies and lawful decisions, be responsible for the day-to-day management of the council, and provide good advice and information to the council.

CEOs answer to their council—and it is, therefore, the council's responsibility to properly manage them. However, while the Act includes requirements for appointing (employing) a CEO, and sets some procedures for appointment and grounds for termination, the Act does not have any specific requirements about performance reviews or management.

ISSUES

4.2

Feedback received raised concerns about a perceived imbalance of power in local government in South Australia. There is a view that the council as a governing body and the individual elected members are overly reliant on the administration, particularly the CEO, in their decision making.

Concerns have also been raised that council CEOs have a disproportionate advantage in negotiating their own contractual conditions and that there is insufficient oversight of their performance. Conversely, other feedback argued that CEOs can be vulnerable to poor assessments of their performance, and poor decisions regarding their future employment. The role of a CEO in a council is of critical importance, and therefore, so is their performance. However, council members do not always have the expertise to set performance standards, contractual conditions and appropriate remuneration, or to conduct effective and timely performance monitoring and management.

Further, the review of a CEO's performance can be particularly difficult when relationships between the council and its CEO are not professional—both hostile and overly friendly relationships between a council and its CEO can be equally problematic.

PROPOSALS FOR REFORM

4.3

A number of ideas were received on the performance of the CEO, and the role and relationships between the CEO and the council. These ideas included revising the process by which CEOs' positions are advertised, appointed, renewed and released.

It is proposed that councils be required to involve independent advice in a CEO appointment process. This could be a requirement to receive independent advice or to include independent members on the CEO selection panel that makes recommendations to the council on the appointment and employment of a CEO, including employment conditions. An additional proposal could be to give the responsibility for determining appropriate CEO remuneration to the Remuneration Tribunal of South Australia (which currently sets council members' allowances).

It is also proposed that councils be required to conduct annual performance reviews of their CEO. These could include independent membership (noting that it is common for councils currently to use CEO performance committees), which may be linked to the council's governance committee, if this reform is implemented, or separate independence advice.

Finally, it is proposed that a CEO's contract cannot be extended without the council completing a performance review; and that the CEO's contract cannot be terminated without the council gaining specialist industrial/employment contract advice.

REFORM AREA 1

STRONGER COUNCIL MEMBER CAPACITY AND BETTER CONDUCT SUMMARY OF REFORM PROPOSALS

COUNCIL MEMBER CONDUCT

- 1.1** Clearly separate behavioural matters from integrity matters in the legislation.
 - 1.2** Include standards of behaviour in the legislation, allowing councils to adopt more detailed 'examples of behaviour'.
 - 1.3** Continue to give councils flexibility to deal with behavioural matters.
 - 1.4** Provide principal members with enhanced powers to deal with disruptive behaviour at meetings.
 - 1.5** Enable escalation of serious behavioural matters to an independent body that can suspend members (including suspension of an allowance).
 - 1.6** Simplify the conflict of interest provisions by establishing 'material' and 'non-material' conflicts.
 - 1.7** Simplify the process by which council members can be exempt from conflict of interest provisions, or seek approval to participate in a matter.
 - 1.8** Clarify the application of conflict of interest rules to council committees and subsidiaries.
- Establish a new conduct management framework through—
- 1.9**
 - Model 1 - The clarification of current legislation
 - Model 2 - Using governance committees
 - Model 3 - Establishing a Local Government Conduct Commissioner.

COUNCIL MEMBER CAPACITY

- 1.10** Clarify the role of council members to recognise their responsibility to ensure good working relationships within the council, and to support the conduct management framework.
- 1.11** Clarify the role of council members to recognise their obligation to complete mandatory training.
- 1.12** Clearly state the role of the principal member as a leader of the council, particularly in ensuring good working relationships within the council.
- 1.13** Provide directly elected Mayors with a deliberative vote on motions before council.
- 1.14** Establish a mandatory training scheme within the regulations.
- 1.15** Establish a timeframe for the completion of mandatory training and a penalty for non-compliance.
- 1.16** Require councils to receive independent advice on CEO selection and remuneration.
- 1.17** Give responsibility for determining CEO remuneration to the Remuneration Tribunal of South Australia
- 1.18** Require councils to conduct annual performance reviews of CEOs, with independent oversight.
- 1.19** Require annual performance reviews to be completed before the extension of a CEO contract.
- 1.20** Require councils to receive independent advice before terminating a CEO contract.

REFORM AREA 2



**LOWER COSTS AND
ENHANCED FINANCIAL
ACCOUNTABILITY**



1 INTRODUCTION

Councils in South Australia collectively manage an annual budget in excess of \$2.2 billion and are responsible for more than \$24 billion worth of infrastructure and other assets. To manage these responsibilities, councils can raise tax—council rates—and impose other fees and charges on their communities.

It is essential that councils, as public bodies, meet the right standards of accountability for public sector administration and management of public funds.

The reforms proposed in this paper aim to enhance financial accountability and improve efficiency within the local government sector by delivering greater confidence in council audits, improving council decision making, financial reporting, and making information about council financial performance more accessible.

Many submissions made through the call for ideas argued that a system of benchmarking or service reviews across local government would help councils and communities to better understand the costs of services, and how efficiencies may be achieved.

The South Australian Government has directed the South Australian Productivity Commission (the SAPC) to undertake an inquiry into local government costs and efficiency to identify options to improve efficiency and financial accountability and reduce costs for ratepayers.

The inquiry will involve state-wide consultation with councils, community groups and relevant professionals in the public, private and professional bodies as part of the public engagement process, before the release of a draft report in August 2019, and a final report on 22 November 2019. It is expected that this work will inform future directions on the potential use of benchmarking and other service review mechanisms across local government.

Further information on the SAPC's work is available at—
www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/consultation



2 FINANCIAL ACCOUNTABILITY

BACKGROUND

2.1

The *Local Government Act 1999* (the Act) sets the standards for councils' administrative and financial accountability, largely in Chapter 8 of the Act. This framework reflects the broader local government policy that has been in place for South Australia for some time, that is, that councils have a responsibility to abide by the statutory framework, and are accountable to their communities for doing so, without detailed compliance oversight from the State Government.

However, the State does have a responsibility to ensure that the statutory framework sets appropriate standards. Significant legislative amendments have therefore been made over a number of years to improve the financial management and accountability of councils in South Australia.

In 2007, amendments to the Act improved the accountability of councils as well as strengthening their financial governance, asset management, rating practices and auditing arrangements.

These improvements included the requirement for councils to—



Prepare and adopt long-term financial plans.



Prepare and adopt infrastructure and asset management plans.



Establish audit committees.



Adopt several measures to strengthen the independence of external auditors.



Adopt a consistent and improved reporting format for annual financial statements.

Additional amendments in 2009 further improved the legislative framework for internal and external review of council administration and financial management, including changes to improve council external audits and strengthen internal controls.

These changes included—



New requirements for an auditor to audit a council's internal controls and provide an opinion on whether those internal controls provide a reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law.



Expanding the matters that council auditors must report to the Minister.



Increased guidance about what council policies, procedures and practices must be designed to achieve in key areas such as prudential management and contracts and tendering.

In addition, amendments were made to the *Public Finance and Audit Act 1987* in 2013 to enable the Auditor-General to conduct an examination of a publicly funded body (which includes a council, a subsidiary of a council or a regional subsidiary) and the efficiency, economy and effectiveness of its activities.

The Auditor-General may also examine the accounts relating to a publicly-funded project and the efficiency and cost-effectiveness of the project. The Auditor-General must conduct an examination if requested to do so by the Treasurer or the Independent Commissioner Against Corruption.

COUNCIL AUDITS

2.2

Auditing is the independent examination of the financial report of an organisation. Audits are critical to ensuring confidence in councils' financial position and operations, as they assess compliance with the standards set out in the Act and Regulations.

External audits in the South Australian local government sector have traditionally been focused on an independent assurance that a council's annual financial statements present a true and fair view of the financial position of the council and comply with prescribed requirements.

These audits now also examine and report on the adequacy of a council's internal controls, which are the measures put in place by councils to ensure that a council's resources, operations and risk exposures are effectively managed.

Auditors must undertake an audit on the controls put in place by a council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, and provide a report to the council as to whether these controls are sufficient to provide reasonable assurance that the financial transactions have been conducted properly and in accordance with law.

In forming such an opinion on a council's internal controls, the auditor must assess them according to the criteria in the LGA's *Better Practice Model – Internal Financial Controls*, which is a tool that assists a council to assess, mitigate against and reduce risks in its day-to-day operations.

Organisations commonly undertake an internal audit process to assess and report on internal controls, however, an internal audit function is not prescribed for councils in South Australia. Many councils do have an internal audit function of some kind in place to provide assurance to their audit committee that internal controls are in place and effective.

Along with a requirement to undertake an audit, the Local Government Act also provides some direction on how auditors should be appointed, and how audits should be undertaken.

All councils contract registered company auditors to audit their annual financial statements, applying the relevant Auditing Standards. Under the Act—



Councils are required to appoint an auditor who must either be a registered company auditor or a firm comprising at least one registered company auditor.



Auditors are appointed by councils on the recommendation of a council's audit committee.



The term of an appointment of an auditor must not exceed five years.

As described above, external auditors must undertake annual auditing of a council's financial statements and internal controls exercised by the council, and then provide, to the council, an opinion on the financial statements and the adequacy of the internal financial controls.

In practice, many councils have a majority of independent members on their audit committees, and many also extend the role of their committees to provide independent advice on a range of matters, such as procurement and prudential reporting.

Additionally, a council may request its auditor, or some other person determined by the council to be suitably qualified in the circumstances, to examine and report on any matter relating to financial management, or the efficiency and economy with which the council manages or uses its resources to achieve its objectives.

It is worth noting the critical role that councils' audit committees play in their financial reporting framework, including auditing. South Australia was one of the first States in Australia to require councils to establish an audit committee, as a body that provides independent advice to a council on auditing and related matters.

Currently, audit committees are required to—



Review annual financial statements to ensure that they fairly present the state of affairs of the council.



Propose, and provide information relevant to a review of the council's strategic management plans or annual business plan.



Have a role in an investigation of a council's financial management, or its efficiency and effectiveness, if this investigation is requested by the council.



Liaise with the council's auditor.



Review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

An audit committee must have between three and five members and must include at least one external independent member with financial experience as determined by the council.

ISSUES

2.3

It is critical that audits are an effective financial management tool for councils, and that they generate public confidence in their operation.

Increasingly, there is an expectation for audits to provide improved financial management, fiscal responsibility, public accountability and greater community confidence in a council's administration of public money.

While significant improvements have been made to the provisions in the Act regarding council financial management and audits, there are concerns about the present arrangements for the external audit of councils. While there appears to be a consensus that the legislative framework is sound, questions have been raised about the quality of some audits. There also have been calls for greater external oversight.

A report released by the LGA in 2016, *Who Should Audit Local Governments in South Australia?* identified a number of issues regarding local government audit arrangements.

These issues included the limited scope of many council audits (the depth of an audit performed), lack of audit oversight, inconsistency in the interpretation and application of accounting standards and auditing standards, the thoroughness of audits (in light of the generally low audit fees charged by auditors), and the independence of the relationship between auditor and council.

Additionally, an examination of the District Council of Coober Pedy completed by the Auditor-General in late 2018 concluded that this Council's financial position was unsustainable, the Council's financial performance was inadequate and that the Council's accounting systems and records were significantly deficient and unable to support effective financial management of the Council's operations.

While this examination was of a single council, its results raise the question of why the Council's own external audit process apparently did not reveal any irregularities in the Council's accounting practices or management of its financial affairs, or identify the multiple breaches of the Act that had been occurring.

PROPOSALS FOR REFORM

2.4

It is timely to consider improvements to the Act to ensure that councils' financial management framework is both robust and consistent.

Potential improvements centre on two reform proposals—strengthening the role of audit committees and expanding the role of the Auditor-General.

IMPROVING AUDIT COMMITTEES

2.4.1

As noted above, audit committees play a critical role in the standard of councils' financial management practice and auditing processes.

The value of audit committees is widely recognised in the local government sector. Many councils have taken additional steps, beyond those required by the Act, to improve the independence and standard of audit committee members, and to expand its role.

It is generally acknowledged within the local government sector that having more than one independent member, including an independent chair, is best practice. Many councils also give their audit committees responsibilities and oversight that extend beyond those currently required under the Act, to include risk management and fraud prevention, financial and non-financial performance, and compliance with council policies and legislation.

A simple improvement to audit committees would be to require all committees to have a majority of independent members and an independent chair.

However, it may also be timely to strengthen the role of the audit committee. It is essential to ensure that the relationship between the council and its auditor is independent, and that council audits are not compromised by limited scope and reduced costs.

This could be achieved through establishing a clearer role for audit committees in the appointment of a council's auditor; to ensure that the scope of the council's audit parallels the scope of public sector audits undertaken by the Auditor-General, and clarify an audit committee's role as the council's chief liaison point with the auditor.

Additionally, given the importance of a strong internal control regime in councils, it is proposed that the responsibility of an audit committee to comment on these be strengthened, to form an opinion on the council's internal audit requirements and a recommended course of action, recognising the diversity of councils with regard to size, needs, budget and complexity of operations.

It is critical that the audit committee's membership contains the right skillsets and knowledge, particularly if the role is to be expanded. For example, an audit committee should have at least one member with financial qualifications and experience, in addition to experience in risk management, financial and legal compliance, governance, and a local government background. An appropriate induction should also be provided to committee members.

It is also proposed to amend the Act to clarify the policy intent for an audit committee to be active and carry out its responsibilities. It is therefore suggested that audit and risk committees be mandated to meet regularly, for example, at least four times a year.

It is acknowledged that there are concerns regarding the ability to attract suitably qualified and skilled members to audit committees, particularly in regional areas.

Amendments to the Act in 2009 permitted each council to determine, or allow its committees to determine for themselves that some committee meetings may include participation by telephone or other electronic means, provided that there is still a place that is open to the public where the conduct of the meeting can at least be heard, even when all participants are not physically in that place.

It is proposed that an expansion of audit committees' responsibilities and roles would be accompanied by an ability for councils to establish regional audit committees as they choose.

EXPANDING THE ROLE OF THE AUDITOR-GENERAL

2.4.2

Currently, South Australia is the only Australian state where the Auditor-General does not have some role in the annual council audit process.

In every other jurisdiction (with the exception of the Northern Territory), the Auditor-General is the external auditor for councils. All also enable the Auditor-General, at his or her discretion to undertake a broad scope or performance audit of councils or the local government system.

The council audit process in most interstate jurisdictions has developed in recent years into a mechanism for addressing and improving financial and asset management. This is well illustrated by the reforms in local government seen interstate, in particular in Victoria and New South Wales.

Further, in interstate jurisdictions where the Auditor-General's mandate encompasses the audit of local government authorities, the Auditor-General submits the results of these audits in reports to Parliament. These reports include comparative analysis, including analysis of financial performance and sustainability, and key issues and trends relating to local government. Further information on interstate arrangements is available in a separate document from the Office of Local Government website dpti.sa.gov.au/local_government_reform

The proposal that the South Australian Auditor-General should have a similar role for councils here has been put forward previously, through—

The Economic and Finance Committee of Parliament's 2016 *Final Report on the Inquiry into Local Government Rate Capping Policies*, which recommended that councils be subject to a thorough auditing process under the auspices of the Auditor-General, consistent with section 36 of the *Public Finance and Audit Act 1987*, and that councils be required to publish, on an annual basis, these audits.



The LGA's 2016 *Who Should Audit Local Governments in South Australia?* report, which concluded that transferring local government audits under the auspices of the Auditor-General should be considered as a serious alternative to the current system.

The South Australian Local Excellence Expert Panel's 2013 report *Strengthening South Australian Communities in a Changing World*, which recommended that the Auditor-General assume responsibility for local government auditing on a basis to be agreed between the LGA and State Government, noting that this would add to the legitimacy and autonomy of local government by making it subject to the same scrutiny and accountability to both the community and the Parliament as other spheres of government.



It is acknowledged that, as is the case interstate, the Auditor-General would appoint and oversee councils' external auditors, rather than undertake the audits 'in house'. However, this oversight would ensure that council audits are undertaken to the same standards as the audits of all State government bodies, which would improve the scope and quality of the audit process in many councils.

It would also provide a level of oversight from outside of the council body that is currently lacking. While, as detailed above, audit committees were put in place to ensure that councils' 'self-assessment' scheme under the Act is subject to independent oversight, in order to deliver high quality audits across all councils, this previous reform has not quite achieved that aim. Improving the membership and role of the audit committees, while valuable, may continue to pose a risk that a body that is established by and is subordinate to councils may not deliver the level of independent oversight that is critical for public bodies.

The Auditor-General's involvement in council audits would ensure that all audits are undertaken uniformly and to a high standard. It would also allow for the collection of useful data that can form the basis for further investigations and performance audits.

It is important that councils are aware of what services they provide, the cost of those services, and how they can improve delivery to achieve cost efficiency. Unlike the terms of reference for audits traditionally developed by most councils, an audit by the Auditor-General could routinely assess whether councils are delivering services efficiently and economically.

Finally, establishing a role for the Auditor General in council audits would also provide a consistent approach to the oversight of all public bodies in South Australia, as is already largely the case with the other integrity bodies in the State, the Ombudsman and the Independent Commissioner Against Corruption.

It is recognised that the costs of audits would be likely to increase under the mandate of the Auditor-General. This cost should be weighed, however, against the benefits of improvements to the scope and quality of many council audits, and of better, consistent data and analysis and increased public confidence in councils' financial position, management and decisions.

3 IMPROVING GOVERNANCE STANDARDS AND DECISION MAKING

BACKGROUND

3.1

Councils are established as democratically elected governments to make representative, informed and responsible decisions in the interests of local communities, for which they are ultimately accountable at elections. As local governments, councils must meet the standards of accountability appropriate for public sector administration and management of public funds.

The Act sets out the primary legislative framework for the system of local government and the operation of local governing authorities, including financial governance. For example, the Act requires each council to develop and adopt a number of key documents, including strategic management plans, an annual business plan and budget, and annual report.

ISSUES

3.2

While councils are independent spheres of government that answer to their communities for the decisions that they make, it is critical that these decisions are made within a legislative framework that sets high standards of accountability and transparency.

Concerns have been raised regarding council decision making and accountability. It is essential that the legislative framework supports elected member bodies to make decisions that are well informed and that these decisions are effectively communicated to members of the public. This includes improvements to financial reporting to ensure that information about councils' finances and budget decisions are both accessible and easily understood.

3.3 PROPOSALS FOR REFORM

CREATING 'AUDIT AND RISK COMMITTEES'

3.3.1

As noted above, a number of councils have expanded the role of their audit committees to provide advice to them on a range of matters beyond those detailed within the Act. They do this to ensure that the council has an independent and thorough assessment of various matters to help the council to make good decisions, and to provide assurances to their communities that critical processes and decisions have been subject to independent oversight and assessment.

It is therefore proposed that audit committees be expanded to become 'audit and risk committees' that would play a critical role in improving councils' financial management and performance. An expanded role could include—



Reviewing councils' risk assessments and controls.



Providing comment on councils' rating policies and practices.



Reporting to councils on its use of public resources.



Reporting to councils on prudential matters.



Performance monitoring of councils.

It is also suggested that the chair of each audit and risk committee provide a report or statement in the council's annual report on prescribed matters including compliance with financial governance and related statutory obligations..

The expansion of their current role would assist with increased accountability, improved decision-making, and compliance with legislation, policies and procedures. As highlighted above, it is critical that the committee's membership contains diverse skillsets, particularly if the role is to be expanded.

While councils are required to develop a rating policy, the Act does not require councils to adopt a funding policy that sets out approaches to the funding of services. Some councils, however, have adopted a formal funding policy. The LGA's local government reform agenda highlights that funding policies would create a single point of reference to enable the community to understand how a council proposes to pay for each of its services and infrastructure over a period of time, taking into account rates, grants fees and charges and commercial activities.

An additional proposal is therefore that councils should be required to develop and adopt a funding policy that would be reviewed on an annual basis, as part of a council's annual business plan. Audit and risk committees could also be required to review and report to councils on this policy before its adoption.

In response to concerns regarding the transparency of rating decisions and their impact, it is proposed that councils be required to release a summary with their draft annual business plan each year that details the expected increase in councils' total general rate revenue and the reasons for this increase. If the increase is above a prescribed level, the council's audit and risk committee could be required to report to the council on the necessity for the increase, before a final decision on the matter.

CREATING 'GOVERNANCE COMMITTEES'

3.3.2

Along with audit committees, many councils also establish a range of committees to advise them on critical council business and decisions. These can be governance and corporate management committees, strategic planning committees, policy committees, or committees to assist councils to appoint and manage its chief executive officer (CEO). Often these committees consist entirely of council members, or members and staff.

The advice that independent audit committees provide to councils can be invaluable. They can be a critical source of support for members, to provide additional assessment and assurances to inform their decisions, beyond that which is provided by council administration.

It is proposed to capture the benefits delivered by independent audit committees to apply to other, equally important matters before councils. To undertake their roles properly, councils need good governance standards. This extends beyond their financial management and position to encompass management, policies, processes, guidance and actions that councils rely on to make their decisions. These can be improved and strengthened through independent advice on matters that could include—



Councils' compliance and governance policies.



Councils' policies for improving ethical standards across councils and reducing fraud and corruption risks.



Councils' strategic management plans, and on progress to deliver priorities, particularly on the management of significant council projects.



Council member conduct—both on policies and processes to improve it, and on specific conduct matters (as described in Reform Area 1).



CEO appointment and management (as described in Reform Area 1).

This additional 'governance role' could be incorporated into the overall role of an 'audit and risk committee' (potentially creating an 'audit, risk and improvement committee'), or established as a separate 'governance committee'.

Alternatively, an approach could be to allow councils to decide whether to establish two, smaller committees, or one slightly larger committee to deliver all responsibilities. As with the proposed expansion of the audit committees, enabling councils to establish regional committees could assist regional councils to appoint members with the necessary expertise and experience.

4 ADDITIONAL PROPOSALS

The reform program provides an opportunity to progress a number of other issues that have been identified.

LONG TERM FINANCIAL PLANS — CONTENT

4.1

Section 122(1a) of the Act requires each council to develop and adopt a long-term financial plan covering a period of at least 10 years, along with an infrastructure and asset management plan also covering a period of at least 10 years. These plans form part of a council's strategic management plans. The Act and Regulations set out content requirements for long-term financial plans and the LGA's Financial Sustainability Information Paper includes guidance material.

It is proposed that the requirements in the Act and Regulations should be more detailed. For example, councils should be required to clearly state whether their infrastructure and asset management plan is based on maintaining existing service levels, or whether service level reductions or improvements are planned.

LONG TERM FINANCIAL PLANS — CONSULTATION

4.2

The Act requires councils to review their long-term financial plans, and any other elements of its strategic management plans as soon as practicable after adopting its annual business plan for a particular financial year.

To ensure that long-term financial plans are improved and updated as frequently as practical, it is proposed to amend the Act to clarify that public consultation is not required for a review of a long-term financial plan unless significant changes are being proposed.

It is also proposed to clarify that long-term financial plans must be reviewed at least once a year, rather than the requirement for the review to be undertaken as soon as practicable after the CEO reports on the council's long-term financial performance and position

CEO REPORT ON THE COUNCIL'S LONG TERM FINANCIAL PERFORMANCE AND POSITION 4.3

The Act requires a council CEO to report, each year, on the sustainability of a council's long-term financial performance and position. As the content and quality of such reports vary significantly, it is proposed to strengthen the legislative provisions by ensuring that the report is presented in a manner in which supports council members and the community to understand it.

APPROVAL OF COUNCIL BORROWINGS 4.4

A report released by the Auditor-General in late 2018, concerning the District Council of Coober Pedy, could be interpreted to suggest that councils are required to pass a separate resolution every time a borrowing is undertaken. It is proposed to amend the Act to ensure that a budget adopted by a council may include approval of an amount of new borrowings or other forms of financial accommodation which may be undertaken for the financial year.

ADOPTION OF AN ANNUAL BUSINESS PLAN 4.5

Currently, councils are unable to adopt their annual business plans and budgets before 1 June each year, but must do so before 31 August (except in a case of extraordinary administrative difficulty). It is proposed to simplify this requirement, and recognise that most councils adopt their annual budgets in July, by requiring councils to adopt their annual business plan and budget by 15 August each year.

INTERNAL FINANCIAL CONTROLS 4.6

It is proposed to require all councils to comply with the LGA's *Better Practice Model – Internal Financial Controls*. This would support councils to meet their obligations under the Act to maintain policies, practices and procedures of internal control.

It would also resolve a current inconsistency between the requirements for internal controls under section 125 of the Act, and the scope of internal controls required to be considered by a council's external auditor under section 129(3)(b) of the Act. Unless a council has voluntarily agreed to adopt and comply with the *Better Practice Model – Internal Financial Controls* framework, an external auditor may be put in the position of being required to give an opinion on a council's compliance with a framework that a council is not required to comply with.

REFORM AREA 2LOWER COSTS AND ENHANCED FINANCIAL ACCOUNTABILITY
SUMMARY OF REFORM PROPOSALS**FINANCIAL ACCOUNTABILITY**

- 2.1** Require audit committees to have a majority of independent members, and an independent chair.

- 2.2** Strengthen the role of audit committees in councils' external audits, through a greater role in the appointment of the auditor and determining the scope of the audit, and as the chief liaison point with the auditor

- 2.3** Require audit committees to report on the council's approach to internal audit processes.

- 2.4** Require audit committee members to have specified skills, and an induction process.

- 2.5** Allow councils to form regional audit committees.

- 2.6** Require the Auditor-General to oversight all council audits.

IMPROVING GOVERNANCE STANDARDS AND DECISION MAKING

Create 'audit and risk committees' that play an expanded role in councils' financial management and performance.

This could include—

- 2.7**
- Reviewing councils' risk assessments and controls.
 - Providing comment on councils' rating policies and practices.
 - Reporting to council on its use of public resources.
 - Reporting to councils on prudential matters.
 - Performance monitoring of councils.

- 2.8** Require the chair of the 'audit and risk committee' to provide a report in the council's annual report on governance standards and compliance.

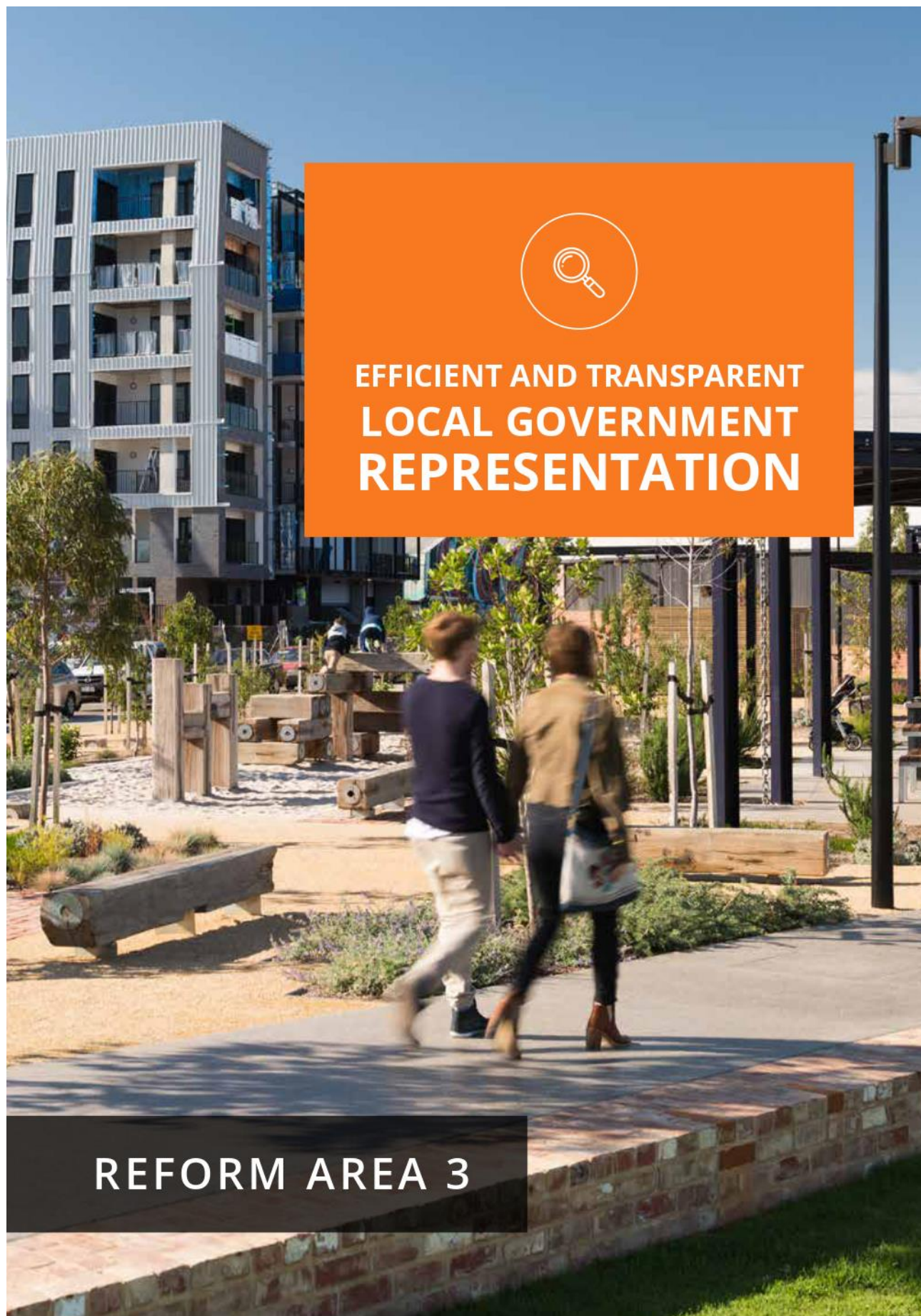
- 2.9** Require councils to develop and adopt a funding policy that would be reviewed by its audit and risk committee.

- 2.10** Require councils to release a summary of their draft annual business plan that states the proposed increase in total general rate revenue, and the reasons for this increase.

- 2.11** If a council's proposed increase in total general rate revenue is above a prescribed level (such as the Local Government Price Index), require its audit and risk committee to provide a report to the council on the reasons for this increase.

Create 'governance committees' to provide independent advice to councils on critical management, policies, processes and actions, potentially—

- 2.12**
- Councils' compliance and governance policies.
 - Councils' policies to improving ethical standards across councils and reduce fraud and corruption risks.
 - Councils' strategic management plans, and on progress to deliver priorities, particularly on the management of significant council projects.
 - Council member conduct—both on policies and processes to improve it, and on specific conduct matters (as described in Reform Area 1).
 - CEO appointment and management (as described in Reform Area 1).



1 INTRODUCTION

Every four years, all councils across South Australia are elected. Just like State and Federal elections, Local Government elections establish our government. They give us the ability to choose who we want to represent us, to lead our communities, and to make decisions about the services that are available to us.

The details of an election process are therefore critically important. Many aspects of council elections are unique, differing from State and Federal elections to reflect their essentially local nature.

It is fair to say that the way in which we vote for our councils is a matter of great importance to all people with an interest in local government. It's critical that this process is fair, transparent, run independently, provides the right information at the right time, and encourages participation from potential council members and voters alike.

IT'S CRITICAL THAT THIS PROCESS IS FAIR, TRANSPARENT, RUN INDEPENDENTLY, PROVIDES THE RIGHT INFORMATION AT THE RIGHT TIME, AND ENCOURAGES PARTICIPATION FROM POTENTIAL COUNCIL MEMBERS AND VOTERS ALIKE.

This Reform Area provides a range of proposals aimed at improving the local government elections in South Australia. As election processes can be technical, this Reform Area breaks this process into smaller parts, that progressively work through the 'stages' of an election; from its basis to its final result, to assist further discussion and debate on these proposals.

This Reform Area also covers matters of representation that sit outside a general council election process—supplementary elections; and the role of representation reviews that consider councils' internal structure.

Finally, a number of additional (technical) amendments to the *Local Government (Elections) Act 1999* are proposed. These have largely been requested by the Electoral Commissioner of South Australia (ECSA) to remove inconsistencies and address technical issues that have arisen during previous Local Government elections.

Note: Many aspects of Local Government elections are the responsibility of the 'returning officer'. The returning officer is currently ECSA. References to ECSA throughout this paper should, therefore, be read in this context.

2 BASIS OF ELECTIONS

BACKGROUND

2.1

Local Government elections are held in November every four years. Currently, local government elections are held in the same year as State elections. In 2018, the State election was held in March and Local Government Elections were held in November.

Unlike State and Federal elections where voting is compulsory, voting for your council is voluntary in South Australia.

Voting is postal. Ballot papers are sent to voters, and, if they are choosing to vote, voters complete the ballot papers, and return them via post or to a council office.

The voting franchise extends beyond residents, to include property owners.

It should be noted that these elements of Local Government elections vary across Australian jurisdictions. For example, voting for your council is compulsory in New South Wales, and voting there is also by 'attendance'—that is, at a polling booth.

ISSUES

2.2

While many ideas and suggestions to improve local government elections have been made, the chief issue that is raised is voter turnout. A statewide average of 32.94% of enrolled voters chose to vote in their council elections in the 2018 elections. This is a proportion that has been fairly consistent since the introduction of postal voting for the 2000 Local Government elections.

PROPOSALS FOR REFORM

2.3

During the call for reform ideas, the most popular idea received was to introduce electronic—online—voting for councils. However, there are a range of technological challenges that must be overcome before online voting can be introduced. For this reason, it is not proposed to change the current postal voting system.

ECSA has, however, requested an ability to provide ballot papers to electors electronically in some instances (with them returned electronically) to avoid delays in receiving the completed votes.

It is also not proposed to move to compulsory voting. Enforcing compulsory voting in a postal voting system is difficult and resource intensive. This may be a reform best explored at a time when online voting is possible.

However, it may be timely to consider changing the timing of council elections, to move them away from a State election year. If this proposal is to proceed, it is suggested that Local Government elections would be held the following year from State elections. If this is the desired change, the next local government elections will be held as scheduled in November 2022, followed by the next periodic elections in November 2027 (ie a five-year term), then reverting to four-year terms.

It is also proposed to clarify the respective roles that ECSA and the local government sector play in promoting local government elections. To allow for clear and timely messages to be provided to both encourage people to nominate for councils and to encourage people to vote, it is suggested that councils are responsible for information sessions about their role and opportunities for potential members; and that ECSA is solely responsible for the promotion of the election.

3 ENROLMENT

BACKGROUND

3.1

Before receiving ballot papers, voters must be on their council's voters roll.

In South Australia, voters who are already on the State Electoral roll in their council area to vote in State elections are automatically included on the Council voters roll and receive ballot papers in the post. However, landlords, business lessees or resident non-Australian citizens who wish to vote in Local Government elections must enrol for each council election by completing an enrolment form. The application for enrolment on a voters roll must be made to the CEO of the council, who is responsible for the maintenance of the voters roll for the council area.

This was a change made after an extensive review of local government elections in 2008. From 2000-2008, property owners—like residents—automatically received ballot papers in the post, without having to 'self-enrol'.

However, the 2008 *Review of Local Government Elections* found that the costs of maintaining a separate council voters roll, comprising those voters who are landlords, business lessee or resident non-Australian citizens, was high. Councils at that time were spending around \$1 million across the sector to maintain the roll. Additionally, the voter turnout from property franchise holders was very poor. Slightly less than 19% of these voters chose to exercise their vote in the 2006 local government elections, dropping as low as 10.2% in previous elections.

ISSUES

3.2

When the requirement to automatically enrol property franchise holders was removed, councils were required to notify people who were not on the House of Assembly roll in their areas of the need to self-enrol if they wished to receive ballot papers. It has become apparent, however, that many people are not aware of this requirement, and are unhappy when they do not receive ballot papers in the post.

There have therefore been a number of requests from councils and from members of the public to re-introduce the requirement to automatically enrol property franchise holders.

However, some councils have also expressed concerns that this could have significant resource implications. Additionally, ECSA have advised that the re-introduction of the automatic enrolment of property franchise holders must include a requirement for groups and body corporates to nominate a natural person to exercise its vote, before receiving ballot papers. This will enable councils to ensure that a person is not voting twice in a council election, but will add to the costs of managing the roll.

PROPOSALS FOR REFORM

3.3

Two proposals are suggested to improve participation in local government elections by property franchise holders—

1. Require councils to undertake specific activities to inform property franchise holders of their need to self-enrol before an election (and introduce a penalty for non-compliance).
2. Re-introduce automatic enrolment of property franchisees, with each body corporate and group required to nominate an eligible natural person as a 'designated person' in order to receive ballot papers.

4 NOMINATIONS

BACKGROUND

4.1

Nomination is the process that enables a person who wishes to be elected to their council to put themselves forward as a candidate.

Before making this decision, people can attend information sessions and obtain nomination kits, which are made available by ECSA two weeks before nominations open.

Once they have decided to nominate, that person must complete a form declaring their eligibility to stand as a candidate in their nominated election. Their nomination is then lodged with the council in which the individual is standing for election. The nomination must be accompanied by a 'candidate profile' that includes a short (150 word) description of themselves and the reasons why people should vote for them.

Prior to the close of nominations, those nominations that are accepted (ie not rejected by ECSA) are displayed in council offices for the public's information. The front page of this form includes the candidate's enrolled address, and address of the rateable property, if different from their enrolled address.

Within five business days of the close of nominations, a candidate may also provide a 'candidate's statement', which is subsequently published on the Local Government Association's website. This differs from the candidate profile as candidates are allowed to make direct statements about the council and its members in this statement.

Candidate profiles are also provided to all voters with their ballot papers.

ISSUES

4.2

A number of councils have expressed concerns regarding their involvement in receiving and publishing nominations. This can place pressure on council staff, and give rise to an impression that staff are assisting or benefiting some candidates over others.

There was also some confusion expressed about the intent of the candidate profile and the candidate statement. It was also noted that the need to provide a platform for candidates to promote their candidature has been largely superseded by the accessibility of social media, which allows candidates to communicate information to voters in a dynamic, responsive manner, which the website is unable to achieve.

A specific issue regarding nominations for the position of Lord Mayor has also been raised. The *City of Adelaide Act 1998* prevents any person from holding office as Lord Mayor for more than two consecutive terms. No other council office—and no office within State or Commonwealth Parliament—has a similar limit.

PROPOSALS FOR REFORM

4.3

It is proposed that ECSA, as the returning officer, take a clearer and more centralised role in receiving nominations and publishing candidate profiles—

- ECSA will be responsible for the nominations process, will manage an online nomination process and provide councils (and publish online) a list of accepted nominations relevant to their council area within 24 hours after close of nominations.
- ECSA will publish candidates' profiles, including the profile statements on its website. The maximum length of the profile statements will be amended from 150 words to 1000 characters, to provide a more consistent and accurate count. These 1000 characters may include directions to find further information about a candidate (such as social media).
- The provisions relating to the candidate's statement will be removed, along with the corresponding requirement for the LGA to subsequently publish these on a website.

It is also proposed that the term limit on holding the office of Lord Mayor be removed.

5 CANDIDATES

BACKGROUND

5.1

Once a person has had their nomination accepted, they become a candidate standing for election. At this point, a candidate can commence campaigning.

Many candidates in the 2018 local government elections campaigned via social media. Others used more traditional methods of campaigning, such as door-knocking and letterbox drops. 'Meet the candidates sessions' run by councils also help voters to learn who is running for their council, and what their views are.

Candidates may place election signs on road infrastructure (eg light poles and stobie poles) during the campaign, but these signs must comply with legislated guidelines. Election signs may be put in place no earlier than four weeks before the close of voting, and must be removed within 48 hours of the close of voting.

Council resources such as offices, staff, equipment or stationery must not be used during any candidates' campaign.

ISSUES

5.2

A range of issues and ideas about requirements placed on candidates were raised in the call for reform ideas.

A number of these centred on the information that is required to be provided by candidates to voters. As described above, candidates currently must provide a 150-word profile (which is included with the ballot papers posted to voters), and may make a candidate statement.

A number of people also raised concerns that candidates who are members of political parties can access a copy of the voters roll in electronic form, which is not available to candidates who are not political party members.

There was also a range of views expressed on whether or not candidates should be required to have a particular qualification, or undergo training relevant to being a council member, to improve the quality of candidates and better prepare candidates to becoming a council member.

While it was widely agreed that council resources should not be used to advantage any candidate for election—whether they be an incumbent member or not—there was also a strong view that the requirements within councils' caretaker policies do not express this obligation well.

PROPOSALS FOR REFORM

5.3

It is proposed that candidates be required to state—

- Whether they live within the ward or council area that they are contesting. This would be a simple 'yes/no' or tickbox, to avoid risks associated with the release of candidate addresses.
- Their membership of any political party, or any association or body formed for political purposes, of which the candidate is a member or has been a member within the past 12 months.

It is also proposed that the responsibility for receiving information on donations received by candidates, and enforcing candidates' compliance with campaign donations returns requirements, is transferred from council CEOs to ECSA, which will publish all returns online.

This will include a requirement for candidates to report to ECSA any single donations above a prescribed amount (for example, \$2000), or donations totalling above a prescribed amount from a single person or entity, or gifts worth above a prescribed amount, within five business days of receipt. ECSA must publish a report of these donations within two business days of receipt on its website.

It is proposed that all candidates be entitled to an electronic copy of the voters roll on request to their council, with significant penalties (\$10 000) for use of the roll for any purpose other than campaigning in the local government election for which the candidate has nominated.

While views about candidate training and qualifications were considered, it is not proposed that these will be required, given concerns about enforcement and the impact requirements may have on the range and number of people choosing to stand for their council.

Finally, it is proposed that the requirement for councils to make a 'designated decision' within their caretaker policies regarding the use of council resources for the advantage of a particular candidate or group of candidates be removed. It is more appropriate for this requirement to be simply stated within the general caretaker responsibilities of councils.

6 RECEIVING AND COUNTING VOTES

BACKGROUND

6.1

Voting packs are distributed to enrolled voters in the mail at least two weeks prior to the close of voting. In addition to ballot papers, each pack includes information about the candidates standing for election. Votes must be received by ECSA no later than the day and time noted on the postal voting guide included in the ballot package.

This guide explains how voters need to complete their ballot papers. In the South Australian system, voters must mark numerical preference for at least the number of candidates to be elected, and can continue to number if desired. This voting system is called 'partial preferential voting'.

When counting votes, ECSA use a system called 'Proportional Representation'. This system requires candidates to reach a determined quota, calculated by dividing the number of formal ballot papers (votes) by the number of vacancies to be filled.

It is a counting method designed to ensure that vacant positions are allocated as nearly as possible in proportion to the votes received. A candidate is elected after obtaining a quota or proportion of the formal vote.

ECSA must then declare the provisional result of the poll once the result becomes apparent. The election result must be finalised following a period of 72 hours for any recount requests, and results published within one month of the close of voting.

ISSUES

6.2

For the November 2018 local government elections, there were additional expense and delays in the posting of ballot papers as a result of changes to Australia Post fees and delivery policies. This raised some concerns about the voting period (2 weeks), and voters' ability to post a vote that would be received by ECSA before the end of this period.

There have also been some requests for changes to the system of voting, particularly to change to optional preferential voting in Local Government elections, to encourage voter participation. A number of requests were also received to accelerate the counting process, so that results can be known sooner after the close of voting.

PROPOSALS FOR REFORM

6.3

It is proposed that the voting period be extended by an additional week to accommodate Australia Post delivery timeframes. This will assist in bringing forward the current date for reissue of voting material and to provide for its return before the close of voting.

Changes to the voting method were considered, particularly the proposal to move to optional preferential voting. However, it should be noted that a large proportion of voters in elections where optional preferential voting applies only put a number '1'. If a voter's preferred candidate is not elected, but excluded, their ballot paper cannot be distributed as they have no further preferences marked—their vote is exhausted. Therefore, the partial preferential voting method should be retained.

It is, however, proposed to change the counting method. While the current method is assessed as a 'fair' system for counting votes, it is also recognised as a more complex counting process than other systems, and one that takes considerably longer to finalise. A simpler, faster method of counting is the exclusion method. This excludes at each count the candidate who has received the fewest votes until the number of candidates continuing in the count is equal to the number of vacancies to be filled.

The more simplified counting method will remove the requirement for complex counting software, and reduces the risk posed by any lack of access to this software.

To determine the potential effects on election results from this proposed reform, ECSA conducted recounts of ballot papers from six council elections using the simpler exclusion count method. The only change to any of the elected candidates was one case, where the final position in a ward that had six nominations for three positions, was changed. In this instance, the candidate elected through the exclusion method obtained significantly more first preference votes than the candidate elected through the current method.

7 SUPPLEMENTARY ELECTIONS

BACKGROUND

7.1

If an elected member resigns or passes away, a casual vacancy arises in the council. Supplementary elections are held when it is necessary to fill a casual vacancy on a council.

ECSA must begin a supplementary election, once advised by a council's CEO that their council has a vacancy, unless this vacancy has occurred on or after 1 January in a periodic election year, or within seven months before polling day of a general election.

Where a council does not have wards, they may adopt a policy to not fill a single vacancy until the next periodic election. However, if a subsequent vacancy occurs, a supplementary election must be held to fill all vacancies. These provisions do not extend to mayoral vacancies which must be filled as soon as practicable.

ISSUES

7.2

Supplementary elections must be funded by councils and can involve substantial expense. Where a supplementary election is required more than once during a term of the council, costs for a council can be significant. Notably, voter participation in supplementary elections is in the range of 5–7% lower than at periodic elections.

VOTER TURNOUT AT SUPPLEMENTARY ELECTIONS		
YEAR	NUMBER OF SUPPLEMENTARY ELECTIONS	AVERAGE PARTICIPATION RATE
2015–16	10 supplementary elections to fill 12 vacancies ¹	24.32%
2016–17	11 supplementary elections	27.9%
2017–18	10 supplementary elections	25.7%
2018	November 2018 Local Government elections	32.94%

Seven months after the conclusion of the November 2018 Local Government elections, three supplementary elections have been held, or will be held, for four elected member positions.

¹As no nominations were received for the vacancy of councillor for Flinders Ward, in the District Council of Streaky Bay, the election failed. Accordingly, the council was required to appoint an eligible person to fill the position, under the provisions of section 8(1) of the *Local Government (Elections) Act 1999*, following the failure of the supplementary election. Source: ECSA Annual Report 2015–16.

PROPOSALS FOR REFORM

7.3

It is proposed to reduce the impact of supplementary elections on councils and their communities by allowing the last excluded candidate at the most recent periodic election to be elected, if the vacancy they are filling was created within twelve months of this periodic election. Of course, the candidate would still need to meet the eligibility criteria and be willing to accept the position. This may apply to all positions, or exclude directly elected mayoral positions.

It is also proposed that the period in which a vacancy does not need to be filled be extended to twelve months prior to the next periodic election or a general election.

It may also be possible to allow councils to 'carry' greater numbers of vacancies. It is, however, important to balance the cost of supplementary elections against the cost of under-representation of the community during council decision making processes. And, as councils have varying numbers of elected members, the impact of reduced numbers is felt differently.

For those councils that have relatively small numbers of members (6–7) allowing two vacancies would result in a very small number of elected members carrying responsibility for all council decisions. For example, some councils have a total of six elected members, and can carry one vacancy under the current provisions. If allowed to carry an additional vacancy, council decisions would be voted on by four elected members. This may also make it difficult for councils to form a quorum when members are absent.

With this in mind, it is proposed to allow a council without wards to carry a maximum of two vacancies where that council has a total of nine or more elected members, not including a directly elected mayor.

QUORUM REQUIRED FOR REDUCED NUMBER OF ELECTED MEMBERS

If councils were allowed to carry an additional vacancy, it is possible that a council could end up carrying more than two vacancies if an elected member resigned during the prescribed period leading up to a periodic or general election.

ORIGINAL NUMBER OF ELECTED MEMBERS	NUMBER OF ELECTED MEMBERS AFTER 2 VACANCIES	QUORUM REQUIRED
8	6	4
9	7	4
10	8	5
11	9	5

8 REPRESENTATION REVIEWS

BACKGROUND

8.1

Representation reviews require councils to regularly consider their composition—essentially its number of council members—and their structure—primarily whether or not it has wards.

Section 12 of the *Local Government Act 1999* sets out requirements that all councils must follow when conducting a representation review, including how councils must undertake and consider public consultation.

Councils must release a 'representation options paper' that examines the advantages and disadvantages of the various options to alter the composition of the council or its ward structure and, in particular, if the council is divided into wards, consider whether this should be the case.

The council must then invite submissions on this paper. After the public consultation period, the council must prepare a report that provides information on the public consultation, responds to issues arising from the submissions it has received, and sets out a proposal. If the council has decided not to adopt any change under consideration that was part of the representation options paper, the council must set out the reason for its decision. This report must then be made available for a 'second round' of public consultation.

Before any changes can be made to a council's composition, ECSA must determine that the requirements of the Act have been satisfied, and provide the council with a certificate. Once a council has this certificate, it can gazette the change to its composition or wards.

ISSUES

8.2

Over the last two council terms (2010–2018), all councils have completed representation reviews. Following this, there has been a request to review and simplify the requirements in the Act that apply to this important process.

In particular, there is a view that the process guiding councils' public consultation on their representation reviews is unnecessarily prescriptive, and prevents councils from properly responding to—or adopting—changes to proposals that may arise through this consultation.

On a more fundamental level, there is also a view that council members have—or are seen to have—an inherent conflict of interest when making a decision on the right representative structure for their council. Elected members may be reluctant to make any changes which would affect them and their chance to be re-elected at the next election, or may be perceived to be acting in their own interests rather than that of the council and its community.

PROPOSALS FOR REFORM

8.3

There are two proposals for reform of representation reviews—

1. Review the current provisions, to make the public consultation requirements more flexible, and to make other simplifications and improvements that may be identified, or
2. Give responsibility to the Boundaries Commission to regularly review the internal structure of councils, including council representation (eg the number of elected members) and nature of representation (eg ward vs area councillors) as is appropriate for each community. This would be done on a cost-recovery basis for each council.

9

ELECTED MEMBERS CONTESTING STATE ELECTIONS

BACKGROUND

9.1

From time to time, members of councils may choose to run for political office in another sphere of government. These candidates continue in their role as a council member throughout the campaign for State or Federal Parliament.

ISSUES

9.2

The issue that has been raised is whether it is appropriate for these candidates to be in a position as a council member if they are running for another office, or whether they should be required to take a leave of absence.

The principal argument for requiring council members to take a leave of absence while campaigning is that it is not appropriate for council members to use their position in local government to promote their candidacy for another sphere of government. It is argued that this raises perceptions that these members have a conflict of interest, or that the interests of their campaign takes precedence over their role as a council member.

While existing rules prevent council members from using council resources for their personal benefit (which would include a campaign), there may also be a perception that the resources available to council members do in fact give them an advantage in this campaign against other candidates who are not council members.

PROPOSALS FOR REFORM

9.3

It is proposed that council members standing for election to State Parliament are suspended from their position as council members during the election period. This would mean that the members would not—



Undertake any official functions or duties over this time, including attending council meetings.



Be provided with council meeting agendas or other materials as a council member.



Have any access to council facilities or services that is not available to members of the public.



Receive their allowance for this period.

This proposal only applies to State elections, as Commonwealth legislation prevents its application to elections to the Commonwealth parliament².

10 ADDITIONAL PROPOSALS

The Local Government Reform program provides an opportunity to make a range of other amendments to the *Local Government (Elections) Act 1999*.

Other proposals for reform are—

SUPPLEMENTARY ELECTIONS

10.1

Allow for the close of voting for supplementary elections to be at a time determined by the Returning Officer, allowing the Returning Officer to set both polling day [under section 6(6)] and the time for the close of voting on that day. Such a determination would be made by the Returning Officer when setting all other dates for the supplementary election including the Close of Rolls and Close of Nominations.

COUNCILS HOLDING POLLS UNDER THE LOCAL GOVERNMENT ELECTIONS ACT

10.2

Require councils to provide notice of a polling day on its website, and allow for the close of voting for a council poll to be 5 pm on polling day.

²Section 327(3) of the *Commonwealth Electoral Act 1918* provides that state or territory laws that discriminate against local government members in Federal elections have no effect.

THE VOTERS ROLL **10.3**

Remove the reference to 'purchase' of the voters roll, to provide consistency with section 15(14).

PUBLICATION OF MISLEADING MATERIAL **10.4**

Require the publication of a retraction to be prominently placed in the early pages of *The Advertiser* and other local press.

BALLOT PAPERS **10.5**

Allow for drawing of lots as soon as practicable after noon (rather than waiting for 4 pm).

ISSUE OF POSTAL VOTING PAPERS **10.6**

Align the cut-off for both an application by post and in person to be by 5 pm on the fourth business day before polling day.

ARRANGING POSTAL PAPERS **10.7**

Remove the reference to the close of voting at noon for an election or poll (consist with amendments to the close of voting).

METHOD OF COUNTING AND PROVISIONAL DECLARATIONS **10.8**

Alter the method to that used when conducting an optional preferential count.

DISPUTED RETURNS **10.9**

Allow the Electoral Commissioner as returning officer to petition the Court of Disputed Returns in circumstances where the validity of the result must be challenged due to error.

REFORM AREA 3**EFFICIENT AND TRANSPARENT LOCAL GOVERNMENT REPRESENTATION
SUMMARY OF REFORM PROPOSALS**

- 3.1** Change the timing of periodic council elections to the year following a state election.
- 3.2** Enable ECSA to provide ballot papers electronically.
- 3.3** Clarify that councils are responsible for information sessions about the role of a council member, and that ECSA is responsible for election promotion.
- 3.4** Require councils to undertake specific activities to inform property franchise holders of their need to self-enrol, OR re-introduce the automatic enrolment of property franchise holders.
- 3.5** Require ECSA to receive all nominations and publish candidate profiles.
- 3.6** Remove the term limit on holding the office of Lord Mayor.
- 3.7** Require candidates to 'tick a box' stating whether they live in the area they are contesting.
- 3.8** Require candidates to state whether they are a member of a political party or any association or body formed for political purposes, or have been within the past 12 months.
- 3.9** Require ECSA to host all information on donations received by candidates.
- 3.10** Require candidates to report to ECSA any single donations above a prescribed amount (for example, \$2,000) within five business days of receipt.

3.11 Enable all candidates to request an electronic copy of the voters roll from the relevant council.

3.12 Remove the requirement for councils to make a 'designated decision' within their caretaker policies on the use of council resources, in favour of a statement within general caretaker responsibilities that council resources must not be used to advantage particular candidates.

3.13 Extend the voting period by one week to better allow for postal delays.

3.14 Change the counting method to the 'exclusion method'.

3.15 If a vacancy on a council is created within 12 months of a periodic election, allow this to be filled through a 'countback' of candidates.

3.16 Extend the period of time in which a vacancy does not need to be filled to 12 months before a periodic election.

3.17 Enable councils without wards, and with at least nine members, to 'carry' two vacancies.

3.18 Simplify representation reviews, and make public consultation requirements more flexible.

3.19 Transfer the responsibility for representation reviews to the Local Government Boundaries Commission.

3.20 Suspend council members running for State Parliament for the duration of the election campaign.



1 INTRODUCTION

Councils play an important role in our local communities and make many decisions that have a real impact on our day to day life. While councils are independent governments in their own right, their operations and decisions must comply with broader rules. These are the various pieces of legislation that apply to councils, that set out the processes by which they make decisions; consult with their communities and release information.

These rules and regulations seek to protect the interests of the community, by making sure that councils operate with transparency and accountability, and that their decisions and actions are, and are seen to be, in the public interest.

However, we must always be aware that compliance with these rules costs councils time and money. If regulation is inefficient, or ineffectively designed or administered, it imposes unnecessary costs on councils, businesses and the community. That is why regulation must be regularly reviewed, to ensure that the rules are justified by the benefits they deliver.

The Local Government Reform process provides an opportunity to look at improvements to the regulations that apply to councils, with the intention to better enable councils to focus on the services their communities value most.

Opportunities for simpler regulation include—



Modernising and streamlining requirements for consulting with communities.



Clarifying the provision and publication of information that is relevant and informative to our communities.



Clarifying obligations around informal gatherings.



Simplifying community land and road management requirements to assist State and Local Government, as well as reducing red tape for businesses.

2 PUBLIC CONSULTATION

BACKGROUND

2.1

Community consultation is an important channel for governments to engage with their community. They can exchange information and ideas, and make sure that councils hear views on projects, policies, issues and plans.

Perhaps most importantly, strong and effective engagement gives communities confidence in the decisions

that their councils make. They know that their council has used the insights, skills, knowledge and experience to understand the impact of their decisions, and how services can be improved.

Since its commencement, the Local Government Act 1999 (the Act) has recognised the importance of community consultation, as it stipulates that councils must prepare and adopt a public consultation policy.

The Act also lists 19 decisions, actions and policies that councils must consult on, in accordance with their community consultation policy. These range from critical annual decisions, such as determining the annual business plan and budget, to decisions that happen less regularly, such as a decision to remove the community land status from council land.

When councils are consulting on these matters, they must publish a notice on their website, and in a newspaper circulating within the area of the council, and allow at least 21 days for people to make a submission. Councils may also choose to follow their public consultation policies whenever they are of the view that it is of value to their decisions and actions.

EXAMPLES OF MATTERS THAT REQUIRE COUNCILS TO UNDERTAKE COMMUNITY CONSULTATION



Representation reviews, including the composition and wards of the Council



Status of Council or change of name.



Principal office of the Council (places and times the office is open to the public).



Prudential requirements for certain activities.



Public consultation policy.



Access to meetings and documents code of practice.



Strategic management plans.



Annual Business Plans and Budgets.



Basis of rating.



Basis of differential rates.



Passing by-laws.



Order making policies.



Planting of vegetation on roads.



Community land: classification; revocation of classification; proposed management plans; amendment or revocation of Management plans; alienation by lease or licence.



Certain authorisations for the alteration of public roads and permits for business purposes on public roads.

ISSUES

2.2

The current legislative requirements for councils' community consultation are now 20 years old. There is a clear view that these provisions are outdated; excessively prescriptive; and can lead councils to take a 'tick the box' approach to consultation, rather than thinking creatively about engagement that best suits their community.

The Act also assumes that one process for community consultation fits all needs. Whether it is a critical decision such as a council's rating policies that affects all people in a council area, or a decision that has more impact on a local level, such as a permit for working on a council road, the process is the same. Councils are only required to publish the notice for 21 days—not to determine how best to reach the people that these decisions affect.

PROPOSALS FOR REFORM

2.3

A lot has changed over the past two decades—how we communicate, hear ideas, and provide our views to each other. It is time for the Act to 'catch up with the times', and support councils to develop flexible, contemporary public engagement practices.

It is proposed that the current, prescriptive public consultation obligations in the Act are replaced with a contemporary approach that sets minimum notification and consultation standards in the Regulations but also enables councils to design and deliver the engagement that is the 'best fit' for their decisions and actions. This approach could be to develop a Community Engagement Charter, similar to the Charter now in place within the *Planning, Development and Infrastructure Act 2016*, to deliver a consistent but flexible platform for community consultation for all councils.

3 INTERNAL REVIEWS OF COUNCIL DECISIONS

BACKGROUND

3.1

The decisions that councils make can have a great impact on our everyday lives. It's important that people in the community have confidence in these decisions, and know that they can question them at any time.

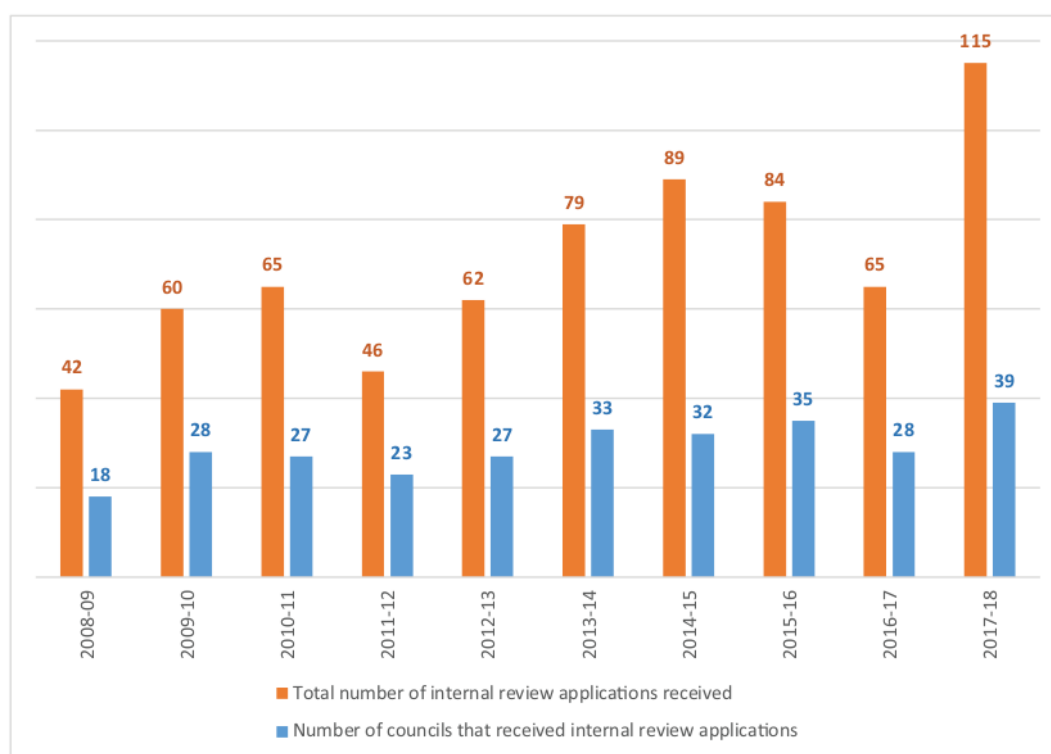
For this reason, section 270 of the Act requires all councils to have a process in place for any community member to apply for an internal review of any council decision. When requested, councils should consider the process by which it made a decision, and the various factors and views that informed it.

This process should not only give communities surety that councils are making well-considered decisions, but also enable councils to identify improvements in their own processes and practices.

This obligation is part of the broader set of requirements to have policies, practices and procedures in place for dealing with requests for services, and also for responding to complaints about the actions of the council, employees of the council, or other people acting on behalf of the council.

Councils are currently required to consider, on an annual basis, a report relating to applications for internal reviews. This report is required to be included in the council's annual report and also to be published on the council's website.

INTERNAL REVIEW APPLICATIONS, 2008-09 TO 2017-18



Source: SA Local Government Grants Commission.

ISSUES

3.2

There is a general consensus that a review of council internal review provisions is required. A number of councils commented that the current system does not provide sufficient benefits to their communities to justify the high level of costs and other resources that are necessary to undertake the reviews.

There is also a view that the system is open to exploitation by people who refuse to accept a reasonable decision of council, but use large amounts of council time and resources to question and challenge it. There is some evidence to support this view as while the total number of internal review applications received by councils fluctuates each year, the number of councils that receive applications has remained more consistent.

Over the past decade, the State Ombudsman has undertaken a number of reviews of councils' internal review processes.

Most recently, the Ombudsman published *Right of Review: An Audit of Local Government Internal Review of Council Decisions Procedures* in November 2016. This examined some of the key issues for councils in delivering a fair internal review of decision process. It also explored how councils can use internal reviews to drive their administrative improvement and service excellence. In summary, the Ombudsman recommended that all councils—

- Highlight a direct link on their website homepage to a plain English description of the procedure available for making an application for internal review of a council decision.
- Ensure that their internal review of decisions procedure is fully compliant with the requirements of the Act.
- Include a reference to a six-month time limit for accepting internal review of council decision applications in a revised version of their internal review of decisions procedure. Consideration should also be given to the exercise of discretion by councils to allow a longer time limit to apply in particular cases.
- Revise the part of their internal review of decision procedure that deals with matters outside the scope of the policy and procedures to explicitly state that matters that fall outside statutory appeals procedures will be considered for the conduct of a section 270 review on the merits of the individual application.
- Consider developing regional panels of independent reviewers who can assist councils with complex review matters.
- Periodically evaluate their section 270 review investigations and document learning outcomes relevant to their administrative practices and functional responsibilities.

PROPOSALS FOR REFORM

3.3

It is proposed to extend the Act's current allowance for councils to refuse an internal review of decisions if the request is vexatious or frivolous, to situations where the request is substantially similar to a matter that has already been reviewed or is under review, by the council or by other means.

It is also proposed to allow councils to charge a prescribed fee to undertake an internal review. It is anticipated that this fee would be small (in the order of the current \$35 cost for a Freedom of Information enquiry) to deter vexatious complaints, rather than be a 'cost recovery' mechanism. Councils would not be required to charge this fee, and would also be able to waive it at their discretion.

It is also proposed to set a time limit in which requests for internal review of decisions can be made—potentially within six months of the relevant decision (councils would have the discretion to extend this on a case-by-case basis).

To ensure that councils continue to analyse internal review outcomes, it is proposed that the annual internal review of decisions report that councils are required to consider should include recommendations to improve its administrative practices.

4 INFORMAL GATHERINGS AND DISCUSSIONS

BACKGROUND

4.1

For communities to have confidence in their councils' decisions, they need to understand why these decisions are made, and what their council members' views are. That is why the Act makes it clear that all council meetings are to be open to the public, except in 'special circumstances'.

A number of these 'special circumstances' refer to particular matters that should be discussed in confidence. These include matters that include confidential commercial information, or matters that can affect the security of the council, or its members or employees.

The Act also recognises that council members often get together to discuss council business and other matters outside of council meetings, such as having planning sessions, or briefing and training sessions. These 'informal gatherings' can help council members be better informed on important matters, and enable them to properly plan for the conduct of council business. However, the Act also makes it clear that these meetings should not be used to effectively make a decision outside of a council meeting.

ISSUES

4.2

Some years ago, it became apparent that a number of councils were using their ability to hold informal gatherings in a way that gave rise to concerns that they were, in fact, making council decisions outside of formal council meetings.

For example, some councils were holding regular closed meetings to go through their agenda papers immediately before a council meeting. While these meetings may have simply been 'information sessions' the fact that they were held behind closed doors gave the perception at least that they were being used to avoid public debate on council decisions.

In response to these concerns, the Act was amended in 2015 to require councils to have policies to guide their informal gatherings. These policies must comply with the regulations, which currently include detailed instructions to councils on how they may hold informal gatherings, when they should be open to the public and how councils should release information about them.

While these reforms were intended to provide a clearer framework for councils, and assure communities that councils are not making decisions behind closed doors, feedback from some councils has been that the regulations are onerous, difficult to understand, and place an administrative burden on councils that is not justified.

It has also been reported that the legislation gives rise to a view that it is not appropriate for council members to discuss council business between themselves; or cannot hold social gatherings. This has never been the intent of the legislation.

PROPOSALS FOR REFORM

4.3

The Local Government Reform process provides an opportunity to re-think how the Act should guide councils when they are holding information, training or briefing sessions for council members.

It is proposed to establish a new category of council 'meeting' (possibly calling these 'information' or 'briefing' sessions) within the Act. These would be sessions called by the council or CEO, inviting any number of council members, for the purpose of providing information on council matters, or to undertake training on any aspect of the members' official functions and duties.

The Act will continue to state that these sessions should not replace open discussion and decision making at formal council meetings. Sessions discussing matters that are on a council or council committee agenda must only be discussed at a session open to the public, subject to the meeting confidentiality provisions of the Act.

Councils will also be required to publicly release information about these sessions, where practical before the session, detailing when the session will be/was held, what will be/was discussed, attendees, and whether the session was/will be open to the public. If the session was/will be closed to the public, this record would state the reasons why the council consider that it is appropriate to close the meeting.

5 REGISTER OF INTERESTS (PRIMARY AND ORDINARY RETURNS)

BACKGROUND

5.1

It is critically important that all of the decisions that council members make are made in the public interest, and not to benefit or affect them personally in any way. This requirement is largely managed through the conflict of interest processes (discussed in Reform Area 1 of this paper).

Along with managing conflicts of interest that may arise, council members are also required to provide a 'Register of Interests' that lists a range of information about themselves and their interests. These interests include things such as property ownership, sources of income, and membership of political organisations and associations.

Similar requirements also apply to council CEOs and other council staff members.

Council members' Registers of Interest are made available to members of the public at council offices; and large parts are also required to be published on a council website. Council members are also required to let their CEO know when the information on the Register changes or needs to be added to, so that the Register is kept updated at all times.

There are also requirements for council members to complete a Register of Interests under other legislation, for example, council members that sit on Development Assessment Panels under the *Planning, Development and Infrastructure Act 2016*.

ISSUES

5.2

A number of comments have been received saying that the current returns forms are lengthy and confusing to complete. Additionally, the requirement to extract some of the information for publication on the council's website is seen as an administrative burden.

Some people also noted that the requirement to complete several different Registers of Interest to capture essentially the same information is unnecessarily burdensome for council members.

PROPOSALS FOR REFORM

5.3

While the Register of Interests is an important mechanism for ensuring the veracity of council decisions, there may be scope to streamline and standardise the form and method of returns used to maintain them.

It is proposed that the various requirements and forms are compiled into one simple, plain English document that meets a suitable standard (potentially the Australian Accounting Standards)

It is also proposed that councils be required to publish council members' Register of Interests in full on their website (with the removal of any specific residential address information in the interests of safety).

6 PUBLICATION OF INFORMATION

BACKGROUND

6.1

Having full and easy access to a range of important council information means that communities are informed about their council's actions, decisions and policies; and encourages them to engage more fully with their council's work.

The Act lists a range of documents that must be made available to the public—



Documents listed in section 132(3) of the Act are required to be made available on the council website.



Documents listed in Schedule 5 of the Act are only required to be made available at the council office.

However, councils generally go well past these legislative requirements and do a good job in providing full and complete information on policies, decisions, meetings, current consultations and a range of other matters, generally on their website.

ISSUES

6.2

Councils have advised that having two lists within the Act is confusing to both councils and members of the public, as it is not clear what needs to be provided on a website and/or in paper form. The Act creates an unnecessary burden on local government to navigate the separate requirements.

Additionally, the requirement to have material available at a council office does meet current community expectations that information should be available on a website, enabling access at all hours of the day. Councils must spend time and money printing material that is now rarely accessed in this form.

PROPOSALS FOR REFORM

6.3

There is an opportunity to simplify and improve the requirements that apply to the release of information by councils.

It is proposed that any document that is required to be made public must be published on council websites (a council's Assessment Record would be exempt from this requirement for commercial and safety reasons).

This would remove the requirement to have physical documents available at a council's principal office, and the requirement to fix and pay a fee for documents. Councils may be required to print a copy of any document and allowed to charge a fee for this service.

It is also proposed that the Act include a single list of the documentation required to be available on a council's website.

This list will include all documentation/reports associated with agendas or minutes of council or council committee meetings, subject to the related motion's confidentiality orders (noting that the vast majority of councils make this information available already).

REGISTERS OR ANNUAL REPORT? HOW COUNCILS RELEASE INFORMATION

Councils are required to record some information on registers that are updated on a continual basis. This is information that may have an impact on council members' decision making, or is not available in other council material.

These registers include—



The register of remuneration, salaries and benefits—containing information about salaries and employment benefits paid by the council. This includes details of the chief executive officer's salary package.



The register of interests for council members and the council's chief executive officer and identified senior officers.



The register of allowances and benefits paid to council members.



The register of community land in the council area.



A register recording gifts and benefits received by council members above a prescribed amount (currently \$50).



The register of the council's by-laws.

It is proposed to amend the Act to require council registers to be placed on the council's website. Councils must also publish an annual report at the end of the financial year. This annual report is required to include a range of information such as—



The council's audited financial statement.



A report on freedom of information requests received by the council.



A report on the council's performance in implementing its strategic management plans, and its performance against its annual business plan.



Training and development activities for members of the council during the year.

Annual reports are easily found on council websites, and are therefore a convenient source of information about council activities, processes and expenditure. They ensure transparency without the administrative burden of constantly updating and maintaining multiple registers.

It is proposed to increase the material required to be included in a council's annual report to include—



A summary of travel undertaken by council members and staff over the year and the relevant costs.



A summary of credit card expenditure by council members and council staff, and remunerations claimed by members and staff.



A report from the Chair of the council's audit/governance committee on the governance standards of the council.

7 COMMUNITY LAND REVOCATIONS

BACKGROUND

7.1

The Act establishes a framework for the classification of most land owned by a council or under a council's care, control and management as 'community land'.

The community land framework aims to ensure a consistent, strategic and flexible approach to the administration and management of local government land, with the objective of protecting community interests in land for current and future generations.

Once classified as community land the land—



Cannot be disposed of, except in prescribed cases.



May require the preparation and adoption of a management plan.



Can be leased or licensed but only in accordance with prescribed requirements.



Can be used for business or commercial purposes, subject to the use being authorised in an approved management plan for the land.

Section 194 of the Act sets out the process for the revocation of community land classification. Councils must prepare a report outlining the reasons for the proposal, stating their intention in regard to the future use of the land, and capturing any implications of the decision. Councils must also consult on the proposal, in line with the council's public consultation policy.

This report, and any matters that arose during public consultation, must be submitted to the Minister responsible for the Act for approval. Once this approval is received, the council makes the final decision to revoke community land classification.

The Act also safeguards the community land classification of certain land of significant community value. Schedule 8 of the Act contains provisions relating to specific pieces of land where the land's community land classification is irrevocable. These provisions also often include site-specific land use and management requirements that must remain in place for the benefit of the community. These can be as specific as caring for a particular tree, or requirement to maintain a caravan park or other community facility.

ISSUES

7.2

The process outlined above is a 'one size fits all' approach to revoking community land classification. It does not consider the level of impact on a community that a revocation would have, but requires all proposals to undergo the same process before requesting ministerial approval.

In some cases, the cost and effort of the revocation process outweighs the benefit of the outcome, as a proposal may have little to no impact on the community. For example, a proposal may be to revoke the community land status of an unmade road that passes through private property, or of a small portion of land purely used for operational reasons. However, in other circumstances, the revocation of community land is contentious.

In more significant proposals, the future use of land may be a relevant consideration before a council's proposal is approved by the Minister. Currently, there is no general ability to impose conditions on an approval (unless State Government financial assistance was previously given to the council to acquire the land).

Concerns were also raised that the Act prevents councils changing the management of a piece of land where the owner of the land cannot be found, particularly given that councils can take actions to sell land for unpaid rates when this is the case.

Ideas were also submitted that the requirements set out in Schedule 8 of the Act that apply to specific pieces of land are too restrictive, and do not allow councils to modify their management of this land to meet modern community expectations.

PROPOSALS FOR REFORM

7.3

It is proposed to introduce a streamlined process for the revocation of community land status, by establishing two 'categories' of proposals within the Act. Administrative, or minor, proposals would not require ministerial approval. General, or more significant, proposals would continue to require ministerial approval. The Minister would also be provided with the ability to attach conditions to the approval of a general proposal.

It is proposed to enable limited amendments to Schedule 8 to allow minor changes to the management of prescribed land. These amendments would be made by regulation, however, regulations would not be able to change the community land status, or the chief use of these pieces of land.

It is proposed to clarify that a council does not need to undertake the process to revoke the community land classification of Crown land where the council's care, control and management of the land has been withdrawn under the *Crown Land Management Act 2009*.

It is proposed to enable a council to revoke the classification of land as community land where owners cannot reasonably be found.

Finally, it is proposed to provide a mechanism to allow councils to acquire private roads where the owner consents, where the owner is deceased or where the owner cannot reasonably be found and to allow the council to retain or transfer the land to another party.



AUTHORISATIONS AND PERMITS FOR USE OF COUNCIL ROADS

BACKGROUND

8.1

Councils manage most of the roads across our State—they are a core service that councils provide to their community. While roads, and infrastructure associated with a road, such as footpaths and stormwater drainage, are provided for the public's use, there are times when people or businesses need access to them, or need to make changes to them for their own purposes.

Accordingly, the Act allows councils to provide authorisations for the alteration of a public road, and permits for the use of a public road for business purposes.

Authorisations for road alterations are commonly provided for activities such as building driveway crossovers; landscaping a road verge; and laying stormwater and other pipes under roads.

Permits for the use of a road for business purposes enables activities such as footpath dining; food trucks; flower sales and ride-sharing operations. Permits and authorisations are also provided to enable property development, such as the use of a crane or concrete truck when needed.

Councils have a free hand to decide whether or not they should grant an authorisation or permit and, if they do, they can apply conditions as they see fit. One exception to this is the permits that are provided to food trucks. Following changes to the Act in 2017, councils must issue permits to food trucks, and are required to establish policies and guidelines that comply with the regulations.

ISSUES

8.2

Issues raised by councils in regard to these sections of the Act focused on what they perceive to be a heavy-handed approach, particularly in regard to the requirement that councils must consult with their communities before issuing permits or authorisations for activities that would impede traffic on the road to 'a material degree'.

This consultation must include a notification in a newspaper circulating in the council area; notification on the council's website; and allow at least 21 days for submissions. While this may be appropriate for significant works, councils have raised concerns that it this process may be required in circumstances where works are minimal, such as the need to block a road for a short period of time. The consultation period is seen as both excessive and impractical in these instances.

Councils have also raised concerns regarding the current rules about food trucks, and have sought more flexibility for councils to determine whether or not to provide permits to food trucks, and to apply conditions freely.

However, other comments about permits and authorisations reflect a view that councils' ability to grant permits and authorisations as they see fit, and to apply whatever conditions they wish, results in inconsistent approaches across councils that can be onerous, and subject to change at short notice. This can result in additional costs for businesses and their customers, and, in some instances, place the future of a business at risk.

PROPOSALS FOR REFORM

8.3

It is proposed that the consultation requirements for issuing permits and authorisations be reviewed in accordance with a review of councils' public consultation more widely (as discussed earlier in this Reform Area).

It is also proposed that the specific provisions relating to mobile food vendors be removed. These would be replaced by a general 'right of appeal' where a council has unreasonably issued or refused to issue a permit or authorisation to a business (including food trucks), or a council's use of permits or authorisations has unreasonably impacted business. This appeal could be made to the Small Business Commissioner, who has an existing role to manage any conflicts between food trucks and other businesses.

9 MISCELLANEOUS REFORMS

The Local Government Reform process also allows for a number of inconsistencies within the Act to be addressed, and for provisions to be updated where necessary.

Other proposals to simplify regulations are therefore to—

1. Repeal section 269 of the Act that requires a report to be prepared between 30 June 2002 and 31 August 2002 and tabled in Parliament.
2. Clarify that certain documents may be served on or by a council by electronic communication when indicated or agreed by a party. Remove references to 'facsimile transmission' and 'facilities of a document exchange' (for example, sections 83(6), 279 and 280 of the Act).
3. Amend the meeting regulations to achieve better integration between Regulation 12(3) and Regulation 21. This will clarify that a council's CEO can submit a report to a council meeting recommending revocation or amendment of a previous council resolution.
4. Standardise the requirement of a council to review its optional meeting code of practice to match the review requirements of its Access to meetings and documents—code of practice (section 92 of the Act).

REFORM AREA 3

SIMPLER REGULATION SUMMARY OF REFORM PROPOSALS

COMMUNITY ENGAGEMENT

- 4.1** Replace the prescriptive community engagement requirements in the Local Government Act with a more flexible 'Community Engagement Charter'.

- 4.2** Review the requirements for councils to publish notices.

INTERNAL REVIEW OF COUNCIL DECISIONS

- 4.3** Allow councils to refuse a request for an internal review of a council decision where the request is substantially similar to a matter that has been reviewed, or is under review through another process.

- 4.4** Enable councils to charge a small fee for internal review requests.

- 4.5** Set a time limit on which requests for internal review of decisions can be made.

- 4.6** Require councils to consider recommendations for improved administrative practices in their annual report on internal reviews.

INFORMAL GATHERINGS AND DISCUSSIONS

- 4.7** Remove the 'informal gatherings' provisions in the Act, in favour of establishing a new category of meetings, such as 'information or briefing sessions'.

- 4.8** Require councils to publish details of information sessions held, what was discussed, who attended, and whether the session was open or not.

REGISTER OF INTERESTS

- 4.9** Compile all council members' registers of interest into one, simple plain English form.

- 4.10** Publish council members' Register of Interests in full on the council website (with the exception of specific residential address information)

PUBLICATION OF INFORMATION

- 4.11** Require councils to publish any document that is currently available at a council office on its website (with the exception of the Assessment Record)
- 4.12** Remove the requirement for councils to have documents 'available for inspection', but require them to print a copy at request (for a fee).
- 4.13** Include a single list of all material to be published on a council's website in the legislation.

COMMUNITY LAND REVOCATIONS

- 4.14** Create two categories of community land revocation proposals within the Act ('administrative' and 'significant') and require Ministerial approval only for 'significant' proposals.
- 4.15** Enable limited amendments to Schedule 8 to allow minor changes to the management of prescribed land.
- 4.16** Clarify that councils do not need to undertake community land revocation proposal where the council's care, control and management of the land has been withdrawn under the *Crown Land Management Act 2009*.
- 4.17** Enable a council to revoke the classification of land as community land where owners cannot reasonably be found.
- 4.18** Provide a mechanism to allow councils to acquire private roads where the owner consents, where the owner is deceased or where the owner cannot reasonably be found and to allow the council to retain or transfer the land to another party.

AUTHORISATIONS AND PERMITS FOR USE OF COUNCIL ROADS

- 4.19** Review the public consultation requirements that apply to permits and authorisations, in line with a new community engagement approach.
- 4.20** Remove specific provisions regarding mobile food vendors, in favour of a 'general right of appeal' where a council has unreasonably affected a business.

REFORMING LOCAL GOVERNMENT

IDEAS FOR REFORM CONSULTATION SUMMARY

WHAT WE RECEIVED



Over 80 submissions received



170 yourSAy surveys completed



37 ideas shared through yourSAy online discussion



Over 700 ideas for reform

WHO WE HEARD FROM



51%
Public



31%
Councils



11%
Elected Members



7%
Professional Body

WHAT AREAS INTERESTED YOU MOST



24%
Council member capacity and conduct



19%
Lower costs and enhanced financial accountability



29%
Local Government representation



28%
Simpler regulation

WHAT YOUR IDEAS WERE ABOUT

REFORM AREA ONE	48%	Code of conduct	15%	Council member training
	24%	Conflict of interest	13%	Council member performance
REFORM AREA TWO	23%	Financial management	20%	Benchmarking
	21%	Audit committees	16%	Auditing
	20%	Rating		
REFORM AREA THREE	31%	Voting method	9%	Representation reviews
	19%	Candidate disclosure	8%	Elections
	15%	Nominations	8%	Supplementary elections
	10%	Candidacy		
REFORM AREA FOUR	25%	Council meetings	19%	Section 270 reviews
	23%	Consultation/ engagement	11%	Transparency
	22%	Informal gatherings		

TIMELINE FOR REFORM

STAGE ONE

MARCH — APRIL

Call for ideas consultation

STAGE TWO

JULY — AUGUST — NOVEMBER — 2020

Release of discussion paper

Engagement on proposals

Release of Draft Bill



Government of South Australia
Department of Planning,
Transport and Infrastructure

PROPOSALS FOR LOCAL GOVERNMENT REFORM
AUGUST 2019 - DISCUSSION PAPER

Local Government Reform Program 2019

List of ideas generated from public consultation

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The ideas contained in submissions have been summarised below for succinctness and clarity.

REFORM AREA 1 — COUNCIL MEMBER CAPACITY AND CONDUCT

- Add to 'Ordinary Business Matters' where a council is voting to send an elected member to an event, conference or seminar in their capacity as a Councillor to officially represent the Council.
- Amend the Regulations to ensure that elected members only deal with the CEO, not with staff
- Consider mechanisms to support councils to develop shared 'visions and values' to improve culture and conduct
- Ensure that council members are covered by OHS regulations
- Establish a scheme for the performance management of elected members
- Establish an independent organisation to provide mentoring, advice and assistance to councillors
- Mandate annual training for elected members
- Prevent elected members with a conflict of interest in a matter from receiving any material on this matter, as far as practicable
- Provide council members with staff that are independent of the council administration
- Require all council members to acknowledge and answer all correspondence
- Require council employee performance reporting
- Require council employees to implement council decisions
- Require greater transparency on council member and employee performance
- Require mediation between elected members before a formal complaint and investigation under the Code of Conduct
- Review of the management of conflicts for elected members and senior staff, particularly in regard to development decisions
- Simplify conflict of interest provisions, and delete or refine 'material conflicts'
- Require council members to respond to questions
- Review the Code of Conduct to provide councils with greater scope for enforcement (more appropriate measures for penalties), but to remove the possibility of charges being laid that are trivial and/or vexatious
- Provide greater clarity on what a material conflict of interest consists of
- Cap CEO and Director salaries
- Enable greater oversight of councils by State Government
- Enable elected members to speak freely to the media and the community
- Consider better resourcing for the Ombudsman
- Clarify the obligation to report a breach of Part 3 of the current Code
- Clarify the confidentiality provisions that apply to Code of Conduct investigations conducted by the Ombudsman and the ICAC
- Simplify conflict of interest provisions
- Review the Code of Conduct for Council Members to provide greater clarity

- Review the Code of Conduct for Council Employees to include additional matters
- Introduce a simple code of conduct for Independent Members
- Introduce a simple code of conduct for Volunteers
- Introduce a simple code of conduct for contractors or those engaged in official partnerships with council
- Review the Procedures at Meetings Regulations
- Simplify the Conflict of Interest provisions
- Improve information provided to council members
- Require a basic literacy standard for council members
- Reform meeting regulations to allow for a greater spirit of debate
- Strengthen the Code of Conduct for Council Members, but allow councils to develop preventative strategies individually
- Include the 'general duties of a council member' in the Code of Conduct
- Strengthen mandatory induction of elected members
- Use legislation to support councils assess performance and decision making
- Review mandatory training requirements
- Review conflict of interest provisions
- Increase penalties and sanctions for misconduct, including financial penalties
- Review mandatory training requirements
- Increase sanctions for misconduct, including financial penalties
- Consider establishing a Register of Lobbyists
- Create a publicly available register of interests for staff
- Pay councillors and mayors as employees
- Simplify the definitions of Material v Actual and Perceived in the conflict of interest provisions
- Review council member training, particularly that provided to members in their first six months in office
- Require councils to have a Statement of Duties and a Selection Criteria to assist in the appointment and management of their CEO
- Define 'operational matters'
- Create one Code of Conduct that applies to elected members and staff that includes unacceptable behaviour (bullying and harassment), and mandates reporting of suspected breaches
- Require councils' executive staff to complete a register of interests that must be published
- Increase and strengthen penalties for breaches of the Code of Conduct, which could include:
 - A three strikes approach – where any individual member could be dismissed as an elected member for three proven breaches of the Behavioural Code within any 12 month period, and be prevented from standing for re-election for a specified period.
 - Suspension of Member from attendance at formal Meetings of Council, and suspension of Allowance for a determined period
 - Public Register naming those members that have breached the Code
- Clarify the application of ordinary business exemptions to conflicts of interest that apply to subsidiaries and committees
- Increase delegations to CEO under Act
- Review and simplify conflict of interest provisions
- Review Code of Conduct to better support council members
- Introduce a Mandatory Grievance Procedure as the first step in resolving Code of Conduct complaints
- Clarify definitions within the Code of Conduct
- Ensure council members undertake mandatory training early in their terms
- Ensure that frivolous and vexatious complaints can not be investigated
- Formalise work health safety protection for elected members
- Give Mayors better formalised supports when dealing with complaints
- Impose specific limits on CEO remuneration
- Increase penalties for breaches of the Code of Conduct
- Make Mayors a full time position
- Mandatory police checks of all councillors to be made public knowledge

- Introduce a system for managing elected member behaviour that is the same as staff management (written warnings, and potential terminations)
- Remove impediments to council candidates and members from meeting with stakeholders
- Review Register of Interests requirements
- Reconsider council member allowances to encourage as many people as possible to participate
- Provide greater legal protection for council members
- Insert general duties of members into Code of Conduct [LGA idea]
- Better enable councils and council members to deal with lower level Code of Conduct breaches [LGA idea]
- Better enable councils and council members to deal with lower level conduct issues [LGA idea]
- Place General Duties of Council Members within Code of Conduct [LGA idea]
- Review mandatory training [LGA idea] and base it on competency rather than attendance
- Include specific mandatory training requirements in the Regulations [LGA idea]
- Review General Duties of Council members (s 62) of the Act [LGA idea]
- Remove 'Perceived Conflict of Interest' provisions as this is confusing and open to too many different opinions
- Remove the 'Actual Conflict of Interest' provisions and just keep the 'Material Conflict of Interest' provisions as there really is no difference between the two
- Review Conflicts of Interest process
- Create a stronger and clearer and well defined Code of Conduct to improve the management of councillor conduct
- There needs to be a mechanism to resolve behavioural issues without having to resort to outside external complaints resolution
- Councillor training should be mandated through regulation
- There should be skills-based training for councillors (eg financial; legislative requirement; relationship building and team development; conflict management and mediation)
- Require council members to report on 'activity outcomes', setting specific questions about their activities for them to answer (in regard to meetings, questions asked and answered, information provided etc.)
- Enable the Minister to intervene directly in councils (without a report from the ICAC or the Ombudsman)
- Establish a mechanism to check conflicts of interest, completion of returns etc., rather than rely on complaints lodged with the Ombudsman
- Make any breach of the Council Member Code of Conduct a breach of the LG Act (s 62 or s 63)
- Require all elected members to undertake a police check during their term on council
- If a complaint under the Code of Conduct is found to be frivolous, the complainant should bear the costs of the investigation
- Enable councils to dismiss council employees more easily
- Review Code of Conduct for Council Members [LGA idea]. Tighten council powers to better deal with minor matters, but do not empower council member to punish their peers
- Review conflicts of Interest provisions, to provide greater clarification on actual and perceived conflicts
- Require two elected members from each council to attend LGA meetings and report back to council
- Amend section 102(b) to have an Acting CEO be appointed by the Council
- Strengthen the recommendations that the Ombudsman can make following an investigation into an alleged breach of the Code of Conduct by a council member
- Consider penalties for non-compliance with mandatory training requirements, or remove the mandatory training requirements and replace it with a requirement for councils to conduct an elected member induction session after a general council election
- Give the Minister greater powers to undertake investigations and take actions on councils that have given cause for significant concerns
- Change the method by which divisions are called at council meetings-councils should choose whether to have divisions for all decisions or not to have them at all
- Review Code of Conduct for Council Members [LGA idea]

- Review and simplify conflict of interest provisions [LGA idea] and enable members with an interest to participate in debates but not vote
- Review and simplify conflict of interest provisions, and clarify penalties for breaches
- Review conflict of interest provisions to better recognise connections between council members and their communities, particularly in regional areas
- Enable elected members to engage with the operation of council, not only setting strategic directions
- Review mandatory training [LGA idea], and consider removing requirement for returning members to undertake training
- Improve the framework for managing behaviour and conduct, including development of a Code of Conduct consistent with LGA's work with the sector
- Review section 73(2)(a) and its application, e.g. being a shareholder of a publicly listed organisation and the application of "substantial proportion of ratepayers of the council area" exemption
- Review section 73(c) material conflicts and membership of community boards (body corporate governing body membership)
- Review section 73(h) - material conflict - fees received for professional services from a person as it is not always possible for the Member to know in the event of high volume or online transactions e.g. through online business
- Strengthen the Elected Member Register of Interest to ensure company details as well as entities operated by companies, including trading names, are also listed
- Reform the complaint framework and oversight arrangements in Local Government it is too complex, utilised to stifle progress, has too many avenues and no accountability for those laying complaints when they are found to be unfounded
- Develop corporate governance principles for Local Government in line with accepted best practice standards aligned with the Australian Institute of Company Directors
- Develop support systems for Mayors and Elected Members through the enactment of skills and abilities akin to a Position Description and require assessment of training needs tailored to each member
- Amend the Code of Conduct to provide penalties that are commensurate with the circumstances of each complaint, and that are simple for a council to implement (and are cost effective)
- Provide for an alternative mechanism to address behavioural matters between councillors
- Consideration of alternate approaches to CEO Remuneration such as 'banding' of salaries set by an independent tribunal
- Support greater recognition of the extent and importance of the role of councils members through a review of remuneration. Consider removing 'council tier' system and providing consistent sitting fees for additional committees and boards
- Simplify conflict of interest provisions - reduce to two 'classes' (material and perceived), and allow for members that are part of outside bodies to be able to vote and make informed decisions in a matter
- Incorporate mandatory training requirements into the Code of Conduct
- Review role of council CEO's in resolution of conduct (behavioural) matters, and make resources available to elected members in investigation of these matters
- Create an independent body (funded by State Government) to manage Code of Conduct complaints about elected members, with the power to suspend or remove a member when the misconduct is considered to be a serious WHS matter
- Enable but not require complaints of Code of Conduct breaches to be independently investigated
- Expand the role of the Local Government Grants Commission to investigate complaints about elected member behaviour
- Give the principal member more discretionary power to management complaints, and the ability to determine breaches of the Code of Conduct and apply penalties
- Provide further guidance regarding Part 2 in the Code of Conduct to support councils to expedite handling of complaints
- Principal member needs more powers to manage and support Members as the leader of the EM group
- Require councillors to attend a required number of council meetings of other councils within their region
- Revise the process by which CEO contracts are advertised, appointed, renewed and released

- Require all complaints of bullying and harassment allegedly carried out by elected members, CEO and Deputy CEO to be investigated externally
- Appoint a number of training development officers/mentors be appointed to provide ongoing mentoring services to elected members within South Australia
- Require council members to complete training equivalent to the Australian Institute of Company Directors course
- Review conflict of interest provisions to clarify that elected members do not have an interest in a matter has publicly expressed a policy position on that matter
- Review the Code of Conduct for Council Members [LGA idea], but add a requirement that mediation/conciliation is considered/appropriate before a formal Code of Conduct complaint is considered
- Review mandatory training [LGA idea] and establish a contemporary and compulsory training system that incorporates competency testing for each module
- Expand training for council members to have a broader and less legalistic focus
- Give councils tools at the local level to deal with conduct matters, such as council panels, and greater powers to exclude or suspend members
- Reconsider council member allowances to remove the different amount between large/small councils as this does not reflect any difference in workload
- Review conflict of interest provisions to allow council members in regional areas to participate in more decisions
- Strengthen the Code of Conduct for Council Members [LGA idea] and include a requirement that costs attributed to the actions of the Council Member subject to a determination against them, may be recovered by Council
- Strengthen council and council members capacity to deal with conduct matters [LGA idea], include appropriate team building and difficult conversations as Mandatory Training for all council members
- Review regulations regarding mandatory training of elected members [LGA idea], but remove the requirement for members who have served previously to be trained again.

REFORM AREA 2 — LOWER COSTS AND ENHANCED FINANCIAL ACCOUNTABILITY

- Consider zero-based budgeting processes, and revenue policies
- Control council expenditure
- Council rates need to be capped to a CPI increase
- Develop an online platform to support council benchmarking
- Do not allow the use of capital values as the basis of rating
- Enable business improvement districts
- Ensure a more independent appraisal of council finances
- Ensure that council audit committees undertake financial audits
- Establish rate capping
- Give the Auditor-General more involvement with council financial management and auditing
- Introduce rate capping
- Introduce revenue policies for councils
- Prohibit council (administrative) departments from managing all financial and auditing requirements
- Review mandatory rate rebates
- There needs to be rate capping and concession rates for pensioners and low income residents
- There should be an Ombudsman for Local Government complaints
- Improvements to the system of rating
- Review non-rateable land and mandatory rate rebates
- Expand service rates and charges (s155), and review to remove reference to ESCOSA
- Fund councils more from State Government and stop cost shifting
- Centralise and streamline council administrative functions
- Create consistent wages across councils
- Overhaul councils' financial accountability requirements
- Create more structure and legislation around how councils can borrow and spend money
- Consider councils' differing rate bases

- Exclude Mayors from audit committees
- Review the long term financial plan arrangements for local government to reflect State Government estimates periods
- Revise audit committee responsibilities
- Remove property valuations as the basis of rating
- Introduce state-wide guidance in consistent approach to performance and identify cost-shifting trends
- Do not allow the audit committee Chair to make public statements
- Develop standards for external auditors (as opposed to requiring the Auditor General to undertake audits)
- Consider a benchmarking system that is not a 'one size fits all' for all councils
- Develop a prescribed format for asset and infrastructure management plans
- Allow councils to levy appropriate and equitable rates on electricity generators
- Reform council industrial relations
- Encourage shared services
- Encourage councils to work across boundaries
- Consider sector-wide benchmarking
- Consider standardising long term financial and asset management plans, but not as a 'one size fits all' approach
- Enable councils to apply a differential rate to additional land uses, and to apply rates to the full capital value of electricity generators
- Require the Auditor-General to oversight council audits
- Improved shared services by councils
- Require councils to report on financial indicators
- Place limits on council borrowings
- Require councils to consider alternative revenue raising mechanisms
- Link rate increases to CPI, existing rates and the financial circumstances of the local community
- Standardise councils' Financial Budget Reports to include clearer detail and more accountability
- Consider cost implications of an online benchmarking system
- Do not introduce standardised audit standards
- Maintain current approach to audit committees
- Require the Auditor-General to establish a list of persons who may be selected as Audit Committee members
- Review the legislation to remove barriers to commercial operations within local government
- The State Government should work with Local Government to explore the extension of the Australasian LG Performance Excellence Program across all councils
- Link other statutory plans into the 4 year management plan
- Keep employment contracts and personal information of staff confidential
- Maintain elected members on audit committees
- Require audit committee members to be appointed from a list approved by the Auditor General
- Invest in faster analysis of Grants Commission data as the basis of benchmarking
- No further accountability is necessary
- Review differential rating to allow for a differential rate to be applied to intensive primary production
- Allow or require the Auditor-General to issue binding interpretations of auditing standards [LGA idea]
- Consider introducing sector-wide benchmarking
- Create minimum standards for long term financial plans and asset management plans
- Clarify that councils are not required to accept assets from developers [LGA idea]
- Review audit committees [LGA idea] to require majority independent members
- Introduce a requirement for councils to have a revenue policy [LGA idea]
- Review role and membership of audit committees [LGA idea]
- Improve role and membership of audit committees [LGA idea] but do not allow chairs to make public comments
- Expand differential rating provisions to allow a differential rate for intensive primary production and electricity generation [LGA idea]
- Consider benchmarking that recognises significant differences across councils

- Consider clarifying that councils are not required to accept assets from developers, or mandate council involvement in the development of assets where this transfer is expected
- Highlight minimum requirements for asset management plans and long term financial plans, but do not prescribe a standard format
- Review Chapter 10 (Rates and Charges) to simplify rating processes, minimise the choices that councils have in determining their basis of rating, and to provide a greater level of consistency across all local government
- Standardise Strategic Management Plans, Long Term Financial Plans, Asset Management Plans, an Annual Business Plan & Budget, and other strategic documents as required
- Review audit committees [LGA idea] but ensure role remains as oversight
- Do not support Auditor-General oversight of all council audits, but supports additional targeted reviews undertaken by the Auditor-General
- Consider clarifying that councils are not required to accept assets from developers [LGA idea]
- Introduce standard formats for Asset Management Plans and Long Term financial Plans [LGA idea]
- Improve financial accountability within the sector for council rate decisions
- Enable councils to impose higher rates on long-term vacant properties (as a disincentive to 'land banking')
- Enable councils to impose higher rates on heritage properties which are neglected over lengthy periods sometimes resulting in the loss of heritage values and missed opportunities for adaptive re-use
- Provide councils with flexibility to provide rate rebates for certain models of social and affordable housing providers during construction/development, rather than on occupancy
- Create a partnership agreement with State and possibly the Federal Governments to clearly articulate responsibilities and stop cost shifting
- Replace Asset Management Plans with a 10 year annually reviewed program supported by an Asset Management Policy
- Review regional representation models to reflect areas of interest and efficient delivery of services, long term strategic planning and strategy delivery within the Local Government framework
- Reform planning requirements - councils should only be required to have a strategic plan of at least 4 years duration and all other plans are required to integrate
- Require service level statements for all services, including assets, as a replacement for current reporting framework
- Audit committees should only provide advice to councils, and audit committee chairs should not be able to make public statements
- Consider costs of benchmarking, challenges in allowing a 'like for like' comparison, ensuring that benchmarking is used to improve services, and consider whether a benchmarking system needs to be legislated
- Simplify Annual Business Plan and budgeting processes, including a review of consultation requirements
- Introduce Across Local Government Performance Excellence Programs to allow for comparison, innovation and improvements in practice that are driven by councils based on the unique circumstances of each council and the feedback of each councils community feedback
- Remove requirement for council to produce and consult on a business plan and budget annually - make it every 3-4 years
- Review audit committees as the LGA has suggested, but ensure that 'best practice' does not set unrealistic standards for country areas
- Consider reforms of audit committee, including requirements for independent members/chair
- Introduce council benchmarking, including the development of a set of performance metrics to measure success
- Consider requiring the Auditor-General to oversee council audits to create greater consistency if this is more efficient
- Benchmarking across the sector is needed
- Require councils to release details of proposed significant projects in their annual business plans
- Require clearly identified benchmarks for the provision of council services within required timeframes to be publicised and annually reported on

- Review and expand the role of audit committees
- Ensure consistency across councils in the application of differential rates
- Do not enable audit committees chairs to make public statements
- Ensure that Audit Committees can give good guidance to all councils, including regional and remote councils, but ensure that Committees are limited to oversight
- Consider reforms to improve the consistent interpretation of auditing standards, but without creating a compliance burden
- Re-introduce low-cost sector-wide community satisfaction surveys, however, not through legislative reform means
- Allowing Local Government powers to grant rate rebates to property owners who have a significant/regulated tree on their private property
- Remove the requirement to hold a mandatory 1-hour public meeting to discuss the annual business plan and budget in place of improved consultation.

REFORM AREA 3 — LOCAL GOVERNMENT REPRESENTATION

- Change the election cycle to elect half of each council every three years
- Directly elect all Mayors
- Enable candidates to nominate for mayor and councillor elections simultaneously.
- Establish a "pre-selection process" for Local Government candidates to be eligible to nominate.
- Establish online elections
- Establish online voting
- Establish penalties for the provision of misleading information by candidates
- Make more information about candidates available online
- Make voting compulsory
- Mandate training and/or information to potential candidates prior to nomination
- Prevent council members from being a member of a political party
- Prevent non-Australian citizens from voting in council elections
- Publish nominations for council on a web page
- Re-introduce automatic enrolment of property franchise holders
- Replace wards with portfolios held by individual members (e.g. environment, Finance, Heritage).
- Require all candidates to undertake a police check
- Require all candidates to undertake training
- Require all councils to have wards and council members to live in the ward that they represent
- Increase requirements for candidate disclosure
- Consider making ballot paper envelopes a bright colour to stand out
- Provide more information on candidates with ballot papers
- Provide all candidate information on the internet
- Introduce online voting
- Reduce council terms to three years
- Enable the filling of vacancies by countback
- Provide all candidates with electronic copies of the roll
- Enable optional preferential voting
- Change to proportional representation
- Change the voting age to 16
- Undertake more publicity for council elections
- Change the representation review process so that it is undertaken (and the final decision made) by a body or person separate to councils - possibly the Local Government Boundaries Commission
- Increase candidacy from young people
- Remove requirement to have printers name and address on electoral material
- Remove obligation for candidates to disclose physical addresses on electoral material
- Remove expiration of the voters roll on 1 January in each year of a periodic election
- Consider introducing compulsory voting
- Reduce the overall timeframe of local government elections
- Allow for candidates to withdraw their nominations

- Enable online nomination directly to ECSA
- Consider online voting (noting security concerns)
- Allow for a mechanism for early voting
- Allow for vacancies to be filled with reference to periodic election results within a certain time from a periodic election rather than requiring a supplementary election
- Suspend council members' allowance if they are running in a State or Federal election
- Simplification of Representation Review processes including the potential for standardised "banding" of Elected Member numbers per resident (representation quotas)
- Introduce electronic and on-line voting
- Require candidates to attend a mandatory number of council meetings and a relevant information session
- Require nominations to meet pre-determined content standards
- Review voting quotas
- Agree with LGA Discussion Paper on elections
- Require councils to write to eligible land owners, groups and corporations to ensure that all ratepayers are informed of the opportunity and requirement to get onto the voters roll
- Review the legislation for supplementary elections and consider an alternative system
- Review the caretaker policy, in particular breaches
- Require members standing for State and Federal elections to take leave
- Require candidates to undertake a police clearance and provide a CV when nominating
- Keep voluntary voting
- Review candidate disclosure requirements
- Consider the introduction of online voting
- Extend the period between nomination for local government and the election
- Require all nominating candidates and councillors to attend all council meetings and briefings during the period of nomination and through to the election
- Introduce compulsory voting
- Elections also should not be held in November also as there isn't enough time before the Christmas holidays to induct the members and commence business of the council
- If an elected candidate resigns, dies or is disqualified from office within 12 months of the election date, the candidate with the next highest amount of votes from the election count should be elected if they still meet the eligibility criteria and are willing to accept the position
- Make ECSA solely responsible for the conduct of the elections with no council staff support – freeing up council resources to continue with normal operations
- Remove the supplementary voters roll - change the entitlement to vote in council elections to House of Assembly roll only
- Review the criteria for candidates standing for election
- Investigate making voting compulsory
- Return to having polling booths and an election day where everyone votes (and enable pre-polling)
- Make ESCA responsible for the collation and receipt of all campaign donations returns
- Make the completion of a ballot paper the same as for state and federal election – number all boxes on the ballot paper
- Create a provision on how to deal with candidates who are not council members using council resources (contact number) in their campaign materials
- Introduce 'first past the post' voting
- Consider introduction of online voting
- Require councils to hold an information evening for candidates that also enables members of the public to ask questions
- Provide electronic roll to all candidates
- Require candidates to disclose political party membership
- Require disclosure of political affiliations and any financial contributions at the time of nomination for a Local Government Election
- Require council members to live in the ward they represent
- Remove requirement to purge voters roll
- Consider online voting

- Give responsibility for all postal ballots and campaign donation return to ECSA
- Introduce optional preferential voting
- Compulsory disclosure of political party membership
- Compulsory disclosure of political party memberships and donations by candidates prior to elections rather than afterwards
- Remove the restriction on Lord Mayors serving more than two consecutive terms
- Restrict council member terms
- Make voting compulsory and online
- Require members standing for State and Federal elections to take leave, but continue to provide their allowance
- Introduce limited terms for elected members
- Require ECSA to receive and publish all campaign donations information, more visibly
- Review penalties and enforcement processes for breaches by candidates during election
- Review penalties for non-compliance with requirements to disclose campaign donations
- Review voting to enable voters to cast their vote such that each of their votes has equal value in relation to the number of positions available
- Require council Members to take leave of absence and have allowances suspended if standing in a State or Federal election, from nomination with the AEC or ECSA until conclusion of the election
- Do not support council members being suspended if standing in State or Federal elections
- Progress 2017 Elections Bill [LGA idea]
- Require greater disclosure of information by candidates (location of residence) [LGA idea] but not political interests
- Remove reference to Code of Conduct in Caretaker provisions [LGA idea]
- Introduce amendments proposed in Local Government (Elections) Amendment Bill 2017 [LGA idea]
- Suspend members standing for State or Federal Parliament while campaigning [LGA idea]
- Review Representation Reviews [LGA idea]
- Review the application of Code of Conduct in Caretaker Policies [LGA idea]
- Implement amendments proposed in 2017 Elections Bill [LGA idea]
- Require council members standing for State and Federal elections to be suspended while campaigning [LGA idea]
- Remove requirement for all vacant positions to be filled through a supplementary election process [LGA idea]
- Remove requirement for supplementary election for all casual vacancies [LGA idea]
- Review reference to Code of Conduct in caretaker policies [LGA idea]
- Allow for different method of filling casual vacancies [LGA idea]
- Review the application of Code of Conduct in Caretaker Policies [LGA idea], and make this provision apply to all candidates
- Investigate alternative method of filling a casual vacancy rather than holding a supplementary election [LGA idea]
- Review elections legislation [LGA idea]
- Review supplementary elections [LGA idea]
- Review automatic enrolment of property franchise holders
- Candidate should be required to disclose political affiliations and financial contributions
- Require the publishing of candidate campaign donation returns
- Require candidates to disclose political affiliations, experience, qualifications and skills
- Remove the requirement for councils to purge rolls prior to an election
- Police and Department of Human Service check should be required before candidates can stand
- Run an independently convened candidate platform information night for the public
- Allow for optional preferential voting in local government elections
- Restrict elected members' and mayors' terms to no longer than 3 terms of 4 years
- Reform the representation review process, and require a postal ballot as part of the consultation on the final proposed changes
- Require specific targets for nominations to ensure better representation from women, youth, indigenous people and other minorities

- Elected members who ceases to be a ratepayer and/or resident during a council term, should immediately stand down from office
- Require candidates to have business skills
- Require candidates to disclose how long they have resided in the community and previous service
- Do not introduce electronic voting but consider allowing for postal and attendance voting
- Require candidates to disclose membership of a political party
- Return all ballot papers to a location within the council area (such as the council administration centre) to prevent postal delays
- Undertake all counting in regional areas to improve timeliness of results
- Include information on the ballot paper of the need to "vote in the order of preference"
- Consider providing a 'random generated order of candidates' on ballot papers
- Review Representation Reviews to reconsider consultation requirements, or to require ECSA to undertake them
- Extend eligibility to vote in the City of Adelaide to businesses and people working in the city
- Review and simplify representation reviews
- Review representation reviews - councils keep the decision whether to have wards, but numbers of members are determined by a Tribunal (similar to remuneration) in bands, according to size
- Councils should hold candidate forums to enable voters to hear from and question candidates. These could be organised by ECSA or the LGA
- Require candidates to state which suburb they live in
- Require all members to be elected at large, or ensure that all wards have a minimum of three candidates
- Explore alternative voting methods to increase youth participation
- Review the Local Government (Elections) Act 1999 with a key focus on improving processes, reducing extensive administrative burden, reducing costs and increasing community participation in Elections
- Ensure that candidates who are not incumbent members cannot use council resources in their campaign
- Allow councils to apply to the Minister for permission to retain a matter in confidence either in perpetuity (with a 5-10 year review requirement)
- Provide for a mechanism of disqualification to stand for an election based on a similar determination by an external review body
- Simplify representation reviews to enable councils to undertake them at a local level internally
- Require council members to be suspended if standing in State/Federal elections [LGA idea]
- Require mandatory training/police clearance before nomination
- Keep requirement for a supplementary election to fill casual vacancies, this works well for councils with area councillors
- Allow candidates to withdraw their nomination up to 14 days before voting starts
- Council elections should be held in a year where the state election is not held
- Review Representation Reviews - councils prepare an options paper and consults with the community and this information is provided to an external party (such as the Boundaries Commission) to consider which option is the best fit for the community considering the representation quotas, area size etc.
- Change the method of voting to straight preferential voting which would simplify each count and make the election results quicker to receive
- That candidates marketing campaign must not include promises or give undertakings they may not be able to keep, thereby raising community expectations and votes to which they may not be entitled to
- Consider enrolment of property franchise holders
- Require elected members to have formal qualifications and/or demonstrated work/life experience in relevant sectors (business, finance, community etc.)
- Allow candidates to provide multiple contact details on their nomination profiles
- Remove requirement for councils to promote enrolment of property franchise holders
- Review Representation reviews, and consider a new approach that ensures representation is fair and reasonable while removing the requirement for all councils to conduct regular scheduled reviews
- Council agrees with the LGA's preliminary comments; the Reform should also be clear regarding a consistent start date for the suspension (pre-selection or writs)

- Review requirement for supplementary elections, allow councils to have their own policy on whether to hold them or not.

REFORM AREA 4 — SIMPLER REGULATION

- Amend Section 106 so as to only require contributions for long service leave to be made upon an employee attaining 7 years continuous service in local government; and to delete any requirement to transfer contributions for sick leave from past employers
- Amend section 131 so as to enable provision of copy of annual reports via electronic means
- Enable the Minister to direct a council in relation to its role as a member of a regional subsidiary at the request of the majority of the subsidiary membership
- Establish fines for councils' non-compliance with legislation
- Establish mandatory council services in the legislation
- Remove regulations that apply to informal gatherings of councils
- Remove requirement to invite applications for employment in a newspaper (s98)
- Review Primary/Ordinary Return Forms to align with information that is required to be published
- Review s50 of the Local Government Act - public consultation policies, to enable greater flexibility and more modern approaches
- Review the ability of councils to make items confidential
- Support councils to develop community engagement frameworks
- The legislation should detail mandatory services and require councils to disclose details of non-mandatory services provided
- Remove restrictions on informal gatherings
- Streamline, centralise and standardise regulation that applies to local government
- Simplify informal gathering regulations and allow working groups
- Review public consultation requirements on the Act
- Review requirements for publication of notices
- Improve arrangements around informal gatherings of councils
- Overall review and improvement of transparency and reporting requirements, which may include additional disclosure of information in a uniform format to allow comparison
- Simplification of Bylaw introduction or review
- Review informal gathering rules to be more flexible
- Review requirements that apply to s41 Committees
- Review by-law processes to be more flexible
- Review informal gathering rules to allow for working groups or learning sessions to be held in confidence
- Enable flexibility for councils to deal with food trucks
- Review public consultation requirements in the Act
- Maintain the requirement for councils to publish notices in newspapers
- Review and increase the maximum penalty for a breach of a by-law
- Review informal gathering requirements
- Remove requirements for publication of notices in newspapers
- Increase maximum by-law expiation
- Improve disclosure requirements on councils
- Ensure that council meetings are held when members of the public are more likely to be able to attend them. There needs to be sufficient room for the media and public gallery where council meetings take place. Where possible council meetings should take place in different locations within councils' boundaries to better engage local communities
- Ensure that council workshops are open to the public, make documentation available to the public and ensure that minutes record member attendance
- Disclose all salaries and employment conditions of council staff
- Ensure that councils consult on the review of council policies and processes
- Ensure that public statements by councils are accurate
- Review councils' consultation requirements
- Create a register of bequests to councils, and report on the use of these bequests annually

- Remove requirement to have documents available at the Principal Office of the council if they are published on the council's website
- If a document is available on the councils webpage – remove the requirement to make a copy available by payment of a fee fixed by the council
- Amend the act to allow the Mayor or Deputy CEO to call a special meeting if it involves a matter in which the CEO has an interest
- Remove the requirement for a council to maintain a register of all notices of meetings
- Add in a Ministerial Review Mechanism to s90 (confidential items) which allows that these items be exempted from an annual review and grants them permanent confidential status or confidential status for 100 years
- Provide a mechanism that s 270 reviews may be refused as they are trivial, vexatious or frivolous
- Council need to include in each review the costs involved including external advice, consultants and staff time to demonstrate the costs involved in completing these reviews
- Reviews in full when determined should be published in full on council's website for community information
- Informal gatherings – requirements need to be simplified
- Needs to make it clear to the public that informal gatherings are not a forum for them to participate
- Require council members to only use council email for council business
- Require all council meetings to include Community Question Time
- Require ordinary council meeting agendas to be released 8-10 days prior to a meeting
- Require councils to consider confidential items in a 'block' to avoid inconvenience for meeting attendees
- Review informal gatherings provisions
- Require councils to use post as well as email for consultation
- Amend s90 to allow councils to keep award recipients confidential
- Remove requirement for councils to prepare code of practice for meetings
- Remove requirement for councils to publish notices in newspapers
- Remove requirement for presiding member to initial each page of the minutes and sign
- Review food truck regulations
- Amend the food truck regulations to allow councils to consider seasonal impacts
- Carefully consider any review of food truck regulations to avoid restricting competition
- Increase fees and expiations for by-laws
- Review informal gatherings provision to clarify number of council members present to trigger a designated informal gathering
- Maintain current confidentiality provisions
- Review informal gatherings provisions
- Review Informal Gatherings provisions to better allow council members to discuss matters outside of council meetings
- Improve councils' engagement with commercial and retail ratepayers
- Review regulation of election signs
- Review requirements for councils to maintain public registers
- Review controls over council workshops
- Review food truck legislation
- Make it simpler for councils to dispose of unused road reserves
- Continue to require councils to publish notices in newspapers
- Increase the maximum penalty for breach of a by-law
- Review informal gatherings
- Review requirements to publish notices
- Enable councils to deal with unreasonable customer complaints
- Impose a penalty if councils do not meet legislated timeframes for Freedom of information requests
- Review public consultation requirements in the Local Government Act [LGA idea] and ensure greater consistency across the Act
- Enable councils to close a road to all, or some classes of vehicles [LGA idea]
- Review informal gatherings provisions [LGA idea], clarify that member training is not a designated informal gathering

- Review requirement for councils to consult on permits for alteration of or use of road for business purposes [LGA idea]
- Increase maximum expiation for by-law [LGA idea]
- Enable councils to close a road to all, or some classes of vehicles on unmade roads [LGA idea]
- Remove requirement for councils to publish notices in newspapers [LGA idea]
- Review the requirement for councils to consult on permits for alteration of or use of roads for business purposes [LGA idea]
- Enable councils to eliminate section 270 review requests that are trivial, frivolous or vexatious
- Enable councils to charge fees for section 270 reviews
- Review section 270 requirements, and the relationships between the bodies to which councils are required to report regarding complaint management
- Allow councils to charge a fee for section 270 reviews
- Review public consultation provisions [LGA idea]
- Review food truck regulations [LGA idea]
- Review informal gathering provisions [LGA idea]
- Review informal gatherings provisions [LGA idea], open them to members of the public and have the CEO Chair them (not the Mayor)
- Enable a lodgement fee to be charged for s 270 reviews [LGA idea]
- Require councils to appoint independent reviewers for section 270 reviews
- Introduce fees similar to those in the Freedom of Information Fees Regulations for section 270 reviews
- Allow for greater review of council decisions
- Create regulations under s 245A to enable councils to apply bonds to developers to cover the cost of potential damage to council property [LGA idea]
- Introduce a fee for section 270 reviews
- Review public consultation necessary for s 221 and s 222 permits [LGA idea]
- Create regulations under s 245A of the LG Act to allow councils to apply development bonds [LGA idea]
- Review meeting procedures to allow a CEO to recommend the revocation or amendment of a council decision [LGA idea]
- Give councils better powers to deal with unmade roads [LGA idea]
- Review community land in Schedule 8
- Simplify regulation to improve the ability for councils to collaborate without impact from other legislation
- Remove the requirement to review the operation of a code of practice for meeting procedures annually
- Council need to be transparent Meeting minutes tell next to nothing
- Require councils to utilise email as well as postal mail for consultation
- Require councils to include information received in a public hearing on an annual business plan into the plan
- Review Schedule 8 of the Local Government Act to enable councils to make some changes to the use of these pieces of land, without changing its general use or status as community land
- Amend the Local Government (Procedures at Meetings) Regulations 2013, section 10, to allow for petitions to be received electronically
- Require councils to disclose funding provided to sports organisations in their budgets
- Amend Local Government (Procedures at Meetings) Regulations 2013 to clarify that a CEO may submit a report to the council recommending the revocation or amendment of a resolution passed since the last general election of the council [LGA idea]
- Consider clarifying that councils are not required to accept assets from developers, or mandate council involvement in the development of assets where this transfer is expected
- Support councils to improve the communication of their decisions, particularly decisions in regard to financial management and budgeting, including publication of expenditure decisions
- Amend the Act to include an exemption for permission to be sought from the Minister (or Crown) when issuing licences or leases on Community Land, subject to the Community Land Management Plan being approved by the Minister (or Crown)

- Review annual business plan consultation requirements
- Do not introduce a fee for section 270 reviews, but strengthen grounds on which one can be requested, and allow councils to refuse trivial, frivolous and vexatious requests
- Review public consultation requirements in the Local Government Act [LGA idea] to create a more flexible and contemporary system
- Undertake a cost benefit analysis on any new reporting requirements or associated timeframes
- Allow presiding members to have a deliberative vote (not just a casting vote)
- Consider councils' role in the provision of permits for alteration and use of roads for business purposes, particularly in relation to developments where the council may not be the development authority
- Remove Community Land Management Plan - simply have the register and declaring the primary purpose of the land and defining the uses in the Ac
- Create consistent policies and service costs across the State
- Remove the maximum expiation for a breach of by-laws
- Strengthen the grounds on which an internal review can be requested, requiring applicants to substantiate reasonable grounds for their request
- Simplify the local government legislation overall
- Improved and simplified Community Land Management arrangements
- Simplified mandatory consultation and publication requirements which reflect the expectations of the community and reduce the financial burden on Council with increased use of technology to promote consultation
- Support the ability of councils to manage/close certain roads where their use represents a public risk
- Ensure that Procedures at Meetings Regulations allow the CEO to recommend the revocation/amendment of a decision
- Create regulations under s 245A of the LG Act [LGA idea]
- Enable Principal Members to ensure proper meeting conduct, but also ensure that there are safeguards against misuse of these measures
- Review public consultation for permits under s 221 and s222 [LGA idea]
- Ensure that discussion and debates on council matters occurs at public meetings
- Include council committee minutes in council agenda papers in a timely fashion
- Include papers presented, tabled or referred to at council meetings in the minutes of council meetings
- Place council agendas on a screen, identify items by name, and read recommendations and amendments to them to assist people in the public gallery
- Record ordinary and special council meetings
- Review deputation processes
- Review requirements for calling special council meetings to require a reason to be stated, and who has called it
- Make regulation more consistent across councils wherever reasonable and possible
- Streamline the process by which councils move items in and out of confidence
- Allow each council to determine in accordance with its policy the appropriate ways to engage with the community over the Annual Business Plan and Budget
- Obligate councils to comply with State Information Privacy Principles (IPPs)
- Primary and Ordinary Returns for Council Members and Staff - Simplify the form published in the regulations and have it written in plain English so it is easier to understand
- Remove requirement to review the Annual Review of Codes of Practice - Meeting Regulations code of practice annually
- Amend s 83 (5) to clarify that ordinary council meetings cannot be held on a Saturday
- Require council meetings to be recorded
- Require ordinary council meetings to be held no less than 6 weeks apart
- Improve customer service in councils
- Review s 221 (alteration of public roads) to avoid delays of developments
- Simplify requirements for register of interests across LG Act, PDI Act and Model Financial Statements
- Review annual business plan consultation requirements to simplify the requirements

- Review informal gatherings provisions to maintain councils' ability to set parameters for this mechanism through policy, to apply only to informal gatherings called by the CEO/Mayor with all Elected Members invited and where there requirement to open all informal gatherings to the public
- Review public consultation requirements in Act [LGA idea], and reconsider requirement to hold public meetings on the draft annual business plan
- Support regional collaboration of councils
- Remove Community Land Management Plans
- Improve the community consultation framework
- Remove the process requirement before a council can revocation community land status
- Review the requirement for councils to consult on permits for alteration of or use of roads for business purposes [LGA idea].

ATTACHMENT — INTERSTATE AUDIT ARRANGEMENTS**VICTORIA****EXTERNAL AUDITS**

The Victorian Auditor-General is mandated to be the external auditor for local governments in the State. In addition to financial audits, the Auditor-General can also undertake performance audits. The Auditor-General's Office provides the Victorian Parliament with an annual report which outlines the results of the financial audits and observations for each financial year and comments on the outcomes of the audits of council performance reports. An assessment is also made of the sector's financial performance and councils' financial sustainability.

AUDIT COMMITTEES

Councils are required to establish an audit committee as an advisory committee under the *Local Government Act 1989* (VIC). Local Government Victoria has undertaken a comprehensive review of the Act, including consideration of options to strengthen the role of audit committees.

A Bill was introduced into Parliament in May 2018 that, amongst other things, requires councils to establish an audit and risk committee with an expanded oversight of financial and performance reporting, risk management and fraud prevention, internal and external audit, and compliance with council policies and legislation. The Bill requires the committee to include a majority of independent members who collectively have expertise in financial management and risk, and experience in public sector management, and councillors. The Committee must not include a member of council staff and the chairperson must not be a councillor. The Bill also requires audit and risk committees to prepare a biannual audit and risk report.

NEW SOUTH WALES**EXTERNAL AUDITS**

In 2016, the New South Wales Auditor-General's mandate was extended to conduct financial and performance audits of councils in the State. Performance audits are conducted to determine the effectiveness, economy, efficiency and compliance of NSW local entities, specific programs or broad sector issues.

The Audit Office of New South Wales provides the NSW Parliament with a 'Local Government Sector Report' to summarise broad insights and key findings from across the sector covering financial reporting, financial performance and sustainability, asset management, internal controls (including information technology) and governance, and service delivery.

AUDIT COMMITTEES

The *Local Government Amendment (Governance and Planning) Act 2016* (NSW), which passed Parliament in August 2016, requires councils to appoint an Audit, Risk and Improvement Committee. Councils may enter into an arrangement with another council to jointly appoint an Audit, Risk and Improvement Committee to exercise functions for more than one council, reducing costs. The Committee must keep under review the following aspects of a council's operations—



Compliance, risk management, fraud control.



Financial management, governance.



Implementation of the strategic plan, delivery program and strategies.



Service reviews.



Collection of performance management data.

Committees will also be required to provide information to the council for the purpose of improving the council's performance of its functions.

The internal audit provisions will be supported by a regulatory framework that is likely to comprise of prescription by regulation and operational guidance through guidelines. The regulatory framework will be designed to ensure that internal audit operates effectively as an internal assurance mechanism and business improvement tool, conforms with standards and best practice, is deliverable by all councils regardless of size and capacity, and is cost-effective and adds value

QUEENSLAND

EXTERNAL AUDITS

The Queensland Auditor-General is mandated to be the external auditor for councils in Queensland under the *Auditor-General Act 2009* (QLD). The Auditor-General may also conduct performance audits to examine the efficiency, effectiveness and economy of a range of important aspects of public services. The Queensland Audit Office reports on the results of local government financial audits. The report analyses the performance, position and sustainability of Queensland's local governments and evaluates the timeliness and quality of financial reporting.

The Queensland Auditor-General sets and tables in Parliament standards by which audits of public sector entities are performed. These standards are to be applied to all audits, reviews and assurance engagements undertaken by, or on behalf of, the Auditor-General. The standards set out the general standards to be applied to the conduct of audits, the selection, engagement and quality of control of the work of contract auditors, and also the extent to which auditing standards made by relevant professional or statutory bodies are to be applied in conducting audits.

AUDIT COMMITTEES

All local governments in Queensland are required to establish an efficient and effective internal audit function and establish an Audit Committee. For each financial year, a local government must—



Prepare an internal audit plan.



Carry out an internal audit.



Prepare a progress report for the internal audit.



Assess compliance with the internal audit plan.

A council's audit committee must comprise at least three but no more than six members, including at least one member who has significant experience and skills in financial matters. The audit committee of the City of Brisbane may also include up to two councillors. For all other councils, it must include a minimum of one councillor, and a maximum of two councillors.

The CEO cannot be a member of the audit committee but can attend meetings of the committee. It is also inappropriate for any person who is responsible for, or involved in, council's financial or internal audit functions to be a member. The Department recommends that at least one independent member, with relevant financial skills, is appointed to the audit committee.

Audit committees must meet at least twice each financial year and review each of the following matters—



The internal audit plan for the year.



The internal audit progress report.



The local government's draft financial statements, before they are certified and given to the Auditor-General for auditing.



The Auditor-General's audit report and observation report about the local government's financial statements.

WESTERN AUSTRALIA

EXTERNAL AUDITS

By the financial year 2020-21, all local governments will be audited by the Auditor-General. The Auditor-General will report to Parliament on the results of all local government financial audits, including details of the audits completed, information about significant accounting, control and information technology issues identified, and relevant financial ratios and other statistics.

AUDIT COMMITTEES

The *Local Government Act 1995* (WA) requires all councils to establish an audit committee to undertake the following functions—



Guide and assist the local government in carrying out its financial management functions, including audits.



Review a report given by the CEO relating to the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control, and legislative compliance—and report to the council the results of that review.



Support the auditor to conduct an audit and carry out the auditor's duties.



Oversee the implementation of any action identified in the audit report and prepare a report addressing any matters identified as significant by the auditor, and stating what action has been taken or intends to take with respect to those matters.

The Act requires that an audit committee is to consist of a minimum of 3 members and in that situation all must be council members. Where a committee consists of more than 3 members then a majority of those members must be council members. Local governments may decide to appoint a committee involving only elected members or they may appoint one or more persons who are external to the council. If a council considers it appropriate, the whole council can be appointed to the audit committee. If the local government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.

TASMANIA

EXTERNAL AUDITS

The Auditor-General is mandated to be the external auditor for councils in Tasmania under *the Audit Act 2008* (TAS). The Auditor-General may also conduct performance audits and compliance audits. Performance audits examine whether local government entities are carrying out its

activities effectively and doing so economically and efficiently and complaint audits are aimed at ensuring compliant with directives, regulations and appropriate internal control procedures. The Tasmanian Audit Office reports to Parliament on the outcomes of financial audits, including an analysis of council aggregated financial results and key sustainability indicators, an assessment of cash balances held and a comparison of actual capital expenditure against budgeted amounts.

AUDIT COMMITTEES

The *Local Government Act 1993* (TAS) requires councils to establish an audit panel. The *Local Government (Audit Panels) Order 2014* (the Audit Panel Order) sets out the minim requirements of an audit panel to consider in a review of a council's performance, including—



Whether the annual financial statements of the council accurately represent the state of affairs of the council.



Whether and how a council's strategic plan, annual plan, long-term financial management plan or a long-term strategic asset management plan, are integrated and the processes by which assumptions under which, those plans were prepared.



The accounting, internal control, anti-fraud, anti-corruption and risk management policies, systems and controls that the council has in relation to safeguarding its long-term financial position.



Whether the council is complying with the provisions of the Act and any other relevant legislation.



Whether the council has taken any action in relation to previous recommendations provided by the audit panel to the council and, if it has so taken action, what that action was and its effectiveness.

The Order prescribes a range of functions of an audit panel that extend well beyond the financial aspects of a council. It is necessary for an audit panel to review council performance with respect to corporate governance, legislative and policy compliance, procurement activities, risk management and internal control and decision making.

Membership of an audit panel must comprise between three and five members. If the panel has 4 or 5 members, at least 2 must be independent; or if the panel has 3 members, at least one must

be independent. The Chair must be an independent person, and members may be appointed for a period of one to four years, and can be reappointed once their term expires. In appointing an independent person as a member, the council is to ensure that the person possesses good business acumen and sound management and communication skills, and may take into account other relevant knowledge, abilities and skills of the person including, but not limited to knowledge and expertise in the areas of audit practices and financial management, knowledge and experience in relevant industries, and experience with governance processes including, but not limited to, risk management.

Audit panels must meet a minimum of four times each financial year.

NORTHERN TERRITORY

EXTERNAL AUDITS

Like South Australia, councils are audited by private sector auditors in the Northern Territory.




AUDIT COMMITTEES











The *Local Government (Accounting) Regulations* require councils to establish an audit committee to monitor compliance by the council with proper standards of financial management and compliance by the council with those regulations and the Accounting Standards. The Department of Local Government and Regions issues general instructions pursuant to regulation 7 of the Regulations. The Audit Committees General Instruction provides that the composition of an audit committee should ideally comprise of at least three members and that the chairperson must not be a member of the council or a member of the council's staff. The audit committee should have the relevant skills and knowledge of council and an understanding of its finance and governance arrangements, however, there is no mandated requirement for audit committee members to be formally qualified in accounting or a related field.

Local Government Reform

Discussion Paper

September 2019

-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.




OLG Ref No.	OLG Proposal	Traffic Light	LGA discussion notes	Traffic Light	Town of Gawler Proposed position
	Reform Area 1: Stronger Council Member Capacity And Better Conduct				
1.1	Clearly separate behavioural matters from integrity matters in the legislation.		The Ombudsman and ICAC are the appropriate bodies to deal with serious integrity issues. However, their processes take time and councils need fair and efficient processes to quickly resolve behavioural issues (eg bullying & harassment).		Council supports additional clarity and separation between behavioural and integrity matters.
1.2	Include standards of behaviour in the legislation, allowing councils to adopt more detailed 'examples of behaviour'		The legislation should contain clear standards and expectations. There should also be real and speedy consequences, for councillors who breach the rules. Q: Should the same standards of behaviour apply state-wide or should councils set their own standards?		Council supports the provision of clear behavioural standards and expectations being disclosed, but also with the ability for a Council to adopt more detailed examples of behaviour.
1.3	Continue to give councils flexibility to deal with behavioural matters		The LGA agrees that councils should have clear behaviour policies and should try to resolve matters internally, before they are referred to an external conduct tribunal.		Support
1.4	Provide principal members with enhanced powers to deal with disruptive behaviour at meetings		There is strong (but not unanimous) support across the sector for clarifying the role of Mayors and ensuring they have the powers necessary to chair meetings effectively. There is a wider spread of views, on the role of Mayors, more generally. Q: Should Mayors have the power to temporarily exclude elected members from council meetings? In what circumstances should these powers be exercised?		Council supports this proposal in principle.
1.5	Enable escalation of serious behavioural matters to an independent body		Agree. The LGA supports 'Prevention to intervention' strategies. Whilst councils should try to resolve disputes/issues at first instance, there need to be real consequences for elected members whose conduct does not meet behavioural standards. Q: Should a council be able to refer less-serious matters to the independent body if (for example): <ul style="list-style-type: none">• the behaviour is on-going; or• internal council processes have failed to resolve it? Q: How should the Act deal with trivial or vexatious complaints made by elected members?		Concur with the comments made by the LGA. A Council should be able to escalate a less-serious matter to an independent body if the behaviour is ongoing or the Council's internal processes have failed to resolve it. How the Act should deal with trivial or vexatious complaints made by elected members is less clear, as an opinion of what is trivial or vexatious can at times be subjective.









- Generally opposed.
- Will depend on the detail.
- Generally supported.

1.6	Simplify the conflict of interest provisions by establishing 'material and 'non- material' conflicts	●	<p>The 'conflict of interest' model in the Local Government Act is unnecessarily complicated and confusing. As a result, many councillors do not participate in debates, when their expertise would be valuable.</p> <p>Simplification is supported. However, a distinction between 'material' and 'non-material' conflicts may not be useful.</p> <p>NB Many elected members have ongoing roles in other community organisations.</p> <p>Q: How can we manage conflict of interest issues without deterring community-minded people from running for council and legitimately participating in debates?</p>	●	Further clarity and simplification of the conflict of interest provisions would be welcomed.
1.7	Simplify the process by which council members can be exempt from conflict of interest provisions, or seek approval to participate in a matter	●	Conflict of interest rules should ensure that all relevant relationships are declared but should not prohibit participation in debate where duties owed to two organisations do not actually 'conflict'.	●	Any clarity and simplification in this regard is welcomed.
1.8	Clarify the application of conflict of interest rules to council committees and subsidiaries	●	One set of conflict of interest rules should apply, whether at a council meeting, a committee or at a council subsidiary.	●	Support
1.9	<p>Establish a new conduct management framework through</p> <p>Model 1 - The clarification of current legislation</p> <p>Model 2 - Using governance committees</p> <p>Model 3 - Establishing a Local Government Conduct Commissioner</p>	●	<p>Whilst councils should make efforts to resolve behavioural issues at first instance, there will be times when these processes fail. At present, there are few real consequences for poor behaviour.</p> <p>In those cases, where council processes have not succeeded, there is a need for an independent body that can make a speedy decision, with the ability to impose appropriate sanctions, enabling the council to move past the issues and to get on with business.</p> <p>Q: Which is the preferred model for managing conduct?</p> <p>Q: Could the existing arrangements work if the legislation was clearer or governance committees were created?</p> <p>Q: If an independent body is created (Model 3), what would an ideal model look like? eg: Who should appoint Commissioners? Who should pay for it?</p>	●	<p>Any clarity and simplification of legislation in this regard is welcomed.</p> <p>Council would support the development of an independent body or Commissioner if the intent is that individual Councils don't need to conduct their own investigations, and thus not incur significant costs (legal costs) then such a commission would be supported.</p> <p>The model would provide for consistency across the sector and would provide a simpler and more cost effective approach.</p> <p>The establishment of a Governance Committee (i.e. Model 2) would create yet another level of administrative and legislative compliance for a Council, without additional powers this model would not provide any change to the current system and is consequently not supported.</p> <p>The creation of a 'Commissioner', funded by the local government sector as suggested in the Discussion Paper, would appear to be a matter of 'cost-shifting' to Local Government, given the Ombudsman's Office is separately funded by the State Government. On this basis, and given the existing role of the Ombudsman Office, it is not supported.</p>

- Generally opposed.
- Will depend on the detail.
- Generally supported.




1.10	Clarify the role of council members to recognise their responsibility to ensure good working relationships within the council, and to support the conduct management framework	●	Q: How should the role of council members be expressed? General principles? Black-and-white rules? Both? Q: Should the duties of members continue to be expressed in the Act, Code of Conduct? Or should these be consolidated?	●	Support
1.11	Clarify the role of council members to recognise their obligation to complete mandatory training	●	Mandatory training for elected members is supported by the LGA. Qs: <ul style="list-style-type: none"> How can mandatory training be improved? What penalties should apply, for members failing to complete the training? Is it 'Misconduct'? 	●	Mandatory training should be a clear obligation for all Members. Failure to complete training, for established and new Members should have consequences.
1.12	Clearly state the role of the principal member as a leader of the council, particularly in ensuring good working relationships within the council	●	There is widespread support for clarifying the role of Mayors and ensuring they have the powers necessary to chair meetings effectively. Q: What level of prescription should the Act contain, about Mayoral powers?	●	Support. Greater clarity and powers for the Principal Member in chairing meetings would support more productive and effective decision making at Council meeting.
1.13	Provide directly elected Mayors with a deliberative vote on motions before council.	●	This idea has not been previously considered by the LGA. At present Mayors receive <i>either</i> a deliberative vote (along with all of the elected members) <i>or</i> a casting vote (only used if a vote is tied). Q: Should <i>all</i> Mayors have a deliberative vote but no casting vote (so, if there is no majority, the motion fails)? Q: Should Mayors have two votes (a deliberative <i>and</i> casting vote)?	●	Providing the Mayor with a Deliberative vote, Casting vote, or both, is a decision for direct consideration by Council Members. Clear consideration needs to be given to the responsibility and influence the chair has when providing oversight of a meeting and a particular matter and then also having the capacity to vote.
1.14	Establish a mandatory training scheme within the regulations	●	There are some council issues that all councillors should receive training in. However, different councils have different priorities and different training needs. These change over time. Q: What training components should be specified as mandatory?	●	Mandatory training currently comprises four modules as enshrined in the <i>LGA Training Standards for Council Members</i> , including: <ul style="list-style-type: none"> Module 1 – Introduction to Local Government Module 2 – Legal Responsibilities Module 3 – Council and Committee meetings Module 4 – Financial Management and Reporting The retention of these elements as mandatory items is deemed appropriate.
1.15	Establish a timeframe for the completion of mandatory training and a penalty for non-compliance	●	Whilst a deadline can be a useful spur to action, any requirement should have some flexibility built in (eg in cases of illness or exceptional circumstances).	●	Support. Currently the <i>LGA Training Standards for Council Members</i> allows 12 months (i.e. the first year of the four year term of office) for mandatory training to be completed, which is deemed sufficient. Ideally, in practice, it is envisaged that the Mandatory training would be completed as


-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.




					soon as practicable after each Council election.
1.16	Require councils to include independent advice on CEO selection and remuneration.		<p>Independent advice can add value to recruitment and remuneration processes and is relatively common in councils:</p> <p>Q: Is there currently a problem, requiring a legislative remedy?</p> <p>Q: Will independent advice prevent the recurrence of these problems?</p> <p>Whilst members of the public are sometimes aggrieved about their councils the CEO an salary levels, it does not necessarily follow that (i) the CEO is sub-standard; (ii) they make poor decisions or that (iii) problems are so acute that legislative intervention is required.</p>		<p>Do not support</p> <p>The appointment of the CEO should remain with the Council Members and Council as Elected. It is the Members of Council who best understand their communities and the credentials of a CEO needed to ensure the best person is appointed to then succeed in the CEO role. Council as a whole needs to own the decision when appointing a CEO to ensure constructive relationships are in place throughout the term of the CEO's contracted employment.</p>
1.17	Give responsibility for determining CEO remuneration to the Remuneration Tribunal of SA.		<p>The state government has not previously raised this issue with the LGA and more information is sought about the potential benefits compared with the costs to the sector.</p> <p>Q: Should the Remuneration Tribunal make mandatory determinations?</p>		<p>Support.</p> <p>The establishment of such a model in other distinctions throughout Australia has shown to establish independent benchmarks for salaries to be applied and thus removes scope for significant variations between comparable councils based on budgets, employee numbers and other related matters.</p>
1.18	Require councils to conduct annual performance reviews of CEOs, with independent oversight.		<p>Annual performance reviews are generally a good idea but there can be good reasons for not conducting these. More information is sought about the potential benefits compared with the costs to the sector.</p> <p>Q: Should it be mandatory for councils to annually review their CEO's performance?</p>		<p>CEOs performance should be an ongoing discussion and reference point for Councils. Scheduled performance discussions should occur once a quarter with whole of year reviews occurring on an annual basis. Independent oversight on a ongoing basis is not supported. However, independent involvement on say a bi-yearly basis is encouraged to provide a different perspective and market input.</p>
1.19	Require annual performance reviews to be completed before the extension of a CEO contract.		<p>Annual performance reviews are generally a good idea but there can be good reasons for not conducting these.</p> <p>More information is sought about the potential benefits compared with the costs to the sector.</p> <p>Q: Should a performance review be mandatory, before a CEO contract is extended?</p>		<p>Support.</p> <p>Councils should have a contemporary understanding of the CEOs performance and be satisfied that satisfactory performance levels are being achieved before a contract extension is approved.</p>





- Generally opposed.
- Will depend on the detail.
- Generally supported.




1.20	Require councils to receive independent advice before terminating a CEO contract.	●	In some cases, independent advice would be useful. In uncontroversial cases, the expense might not be justified. More information is sought about the potential benefits compared with the costs to the sector. Q: Should it be mandatory to seek independent advice, before a CEO contract is extended?	●	Support Particularly legal advice relative to ensuring the contractual obligations are met and decisions are made based on actual performance concerns as opposed to perceived matters.
Reform Area 2: Lower Costs And Enhanced Financial Accountability					
2.1	Require audit committees to have a majority of independent members, and an independent chair.	●	This change is prudent but many regional councils struggle to find qualified audit committee members. So, some flexibility is required.	●	The increase in the number of independent members on Audit Committee's at the expense of Council Member representation is not supported. Local knowledge and representation is vital to ensure considerations and decisions occur within a local context. It is widely accepted that appropriately qualified and experienced independent Audit Committee Members are of considerable value to a Council, relative to the myriad of key matters that fall within the statutory terms of reference of an Audit Committee. Currently, the Town of Gawler Audit Committee is comprised of two Independent Members and three Elected Members (including the Mayor). Naturally, should the number of Independent Members be increased there will be a nominal increase required in the budget to fund the additional fees payable.
2.2	Strengthen the role of audit committees in councils' external audits, through oversight of the appointment of the auditor and determining the scope of the audit, and as the chief liaison point with the auditor.	●	Q: Feedback is sought from councils on the implications of these proposals.	●	<ul style="list-style-type: none"> Given the external audit contract with Dean Newbery & Partners expires at the completion of the 2018/19 external audit, Council has recently tendered for this service. The external audit tender specification was considered and reviewed by the Audit Committee at its meeting held on 8 August 2019. The two independent members of the Audit Committee have been







-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.

					<p>included in the Tender Assessment Panel for the appointment of Council's external auditor.</p> <ul style="list-style-type: none"> The Audit Committee currently receives all Management letters from the external auditors and meets with the External Auditors on an annual basis. <p>On this basis, the proposal as outlined is supported.</p>
2.3	Require audit committees to report on the council's approach to internal audit processes		<p>SA councils have very different levels of size, complexity and business activities. These require differing levels of internal controls and audit reporting.</p> <p>Q: Feedback is sought from councils on the implications of these proposals.</p>		<p>Since 2016, the external auditors of a Council have also been required to provide an audit opinion relative to the financial internal controls (i.e. not simply the annual financial statements). Given the increasing level of focus in this space, the proposal as outlined is supported.</p>
2.4	Require audit committee members to have specified skills, and an induction process.		<p>This is broadly consistent with the LGA's approved position. Whilst a useful aim, it is not always possible to attract a diverse range of experienced skill sets, to some councils.</p>		<p>In principle support, however noting the need to acknowledge the importance of Council Member skill sets and experiences ensuring local knowledge and representation is incorporated and respected as a key contributing factor to the operations of the Audit Committee. Ultimately the scope to further consider this variation is dependent on the detail specified within the proposed legislation.</p>
2.5	Allow councils to form regional audit committees		<p>Opportunities to share resources and expertise across a number of councils should be explored.</p>		<p>Supported.</p>

-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.

2.6	Require the Auditor-General to oversight all council audits.	 <p>The LGA understands that the Auditor-General could not take on this extra work without extra resourcing. So, this proposal would significantly increase costs to councils, as demonstrated by interstate experiences.</p> <p>It is also very likely that the Auditor-General would out-source this extra work. In effect, the work may end up being done by the same external auditors who currently audit councils.</p> <p>The Auditor-General already has existing broad powers to audit councils and a broad discretion, as to the use of these powers. They can perform spot checks and can pursue the expenditure of any public monies.</p> <p>The standard of existing council audits is generally high and improving.</p> <p>Councils are already overseen by audit committees, auditors, ICAC, the Ombudsman, the OLG, the Minister, the Parliament and their ratepayers.</p> <p>It would more valuable to focus on enhancing the quality of existing audit processes.</p>	 <p>Concur with the comments made by the LGA.</p> <p>Given the quality of existing external audits is high, and the other factors outlined by the LGA, this proposal would only lead to additional costs being incurred by Councils', for no material or tangible additional benefit, which would at face value appear to be at odds with the recent State Government and industry focus on achieving efficiencies for the Local Government sector.</p> <p>Council's external auditors are required to conduct their audits in accordance with Australian Auditing Standards.</p>
2.7	<p>Create 'audit and risk committees' that play an expanded role in councils' financial management and performance. This could include-</p> <p>Reviewing councils' risk assessments and controls.</p> <p>Providing comment on councils' rating policies and practices.</p> <p>Reporting to council on its use of public resources.</p> <p>Reporting to councils on prudential matters.</p> <p>Performance monitoring of councils</p>	 <p>Councils already have rigorous risk management controls and extensive reporting obligations. Previous LGA papers have contemplated the expansion of the role of audit committees.</p> <p>Q: Would expanding the focus of audit committees dilute the current focus on financial management and integrity?</p> <p>Q: Are there any new/additional areas of focus for an audit committee that should be mandatory?</p>	 <p>The Terms of Reference for the Town of Gawler's Audit Committee already encapsulates the effectiveness review of Council's risk management systems, with regular periodic reports already being tabled to the Audit Committee.</p> <p>The scope to further expand the role of the Audit Committee as proposed should not be at the expense of Council's Elected Member body who have been appointed on behalf of the community to provide oversight and direction relative to resource allocation and prudent governance.</p> <p>The Administration is of the view that expanding the focus of Audit Committees should not dilute the current focus on financial management and integrity. It is noted that this has certainly not been the experience for Town of Gawler, given that our Audit Committee is already providing key oversight and review of areas outside of financial management (e.g. risk management, policy review, review of</p>

-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.




					Local Government Performance Excellence Program results, review of Asset Management Plans, etc.)
2.8	Require the chair of the 'audit and risk committee' to provide a report in the council's annual report on governance standards and compliance.		The additional reporting requirement is probably unnecessary and a duplication of the existing report provided by audit committees. Q: Should it be mandatory for audit committees to focus on 'governance standards and compliance' and, if so, how should this be reported?		Concur with the comment of the LGA. The role of the Audit Committee is already considerably extensive, and the Administration is of the view that the focus of the Committee (i.e. financial management, risk management, review of various documents incorporated within Council's Strategic Management Plans, etc.) should ideally remain as is.
2.9	Require councils to develop and adopt a funding policy that would be reviewed by its audit and risk committee.		The LGA's May 2019 submission on LG Reform recommends councils have a 'revenue policy'. Q: Should a funding or revenue policy be mandatory?		The LGA's <i>Financial Sustainability Information Paper 20 – Rating and Other Funding Policy Options</i> indicates that each Council should have a Funding Policy. Council already has a <i>Funding Policy</i> in place, which was first adopted in October 2013 and replaced the previous <i>Funding & Debt Management Policy</i> . Consequently, should the legislation ultimately dictate that a Funding Policy is required, it is envisaged that there would be no impact on Council.
2.10	Require councils to release a summary of their draft annual business plan that states the proposed increase in total general rate revenue, and the reasons for this increase		'Total general rate revenue' is influenced by many factors, such as growth in the number of ratepayers. A council could increase their rates by less than CPI but nevertheless generate increased revenue greater than CPI, e.g. because of population increases. A more important aim, is for each council to have a robust Long-term Financial Plan, which should focus councils on longer term planning and reduce the pressures imposed by the electoral cycle. The local government sector wishes to avoid pointless reporting and 'doubling-up'. The sector hopes to have discussions with the state government about cutting some of the ever-increasing red tape, so we balance the need for transparency and accountability, on the one hand, with council priorities of efficiently providing services to our communities.		Concur with the comments of the LGA. It is already an existing legislative requirement for each Council to consult with its community on its draft Annual Budget / Business Plan. Further, Section 123 <i>Annual Business Plans and Budgets of the Local Government Act 1999</i> , already prescribes that, inter alia, the Budget/Business Plan must: <ul style="list-style-type: none"> • Set out the rates structure and policies for the financial year; and • Assess the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the Council. Consequently, the Council is of the view that this proposal would simply create additional 'red tape' and further legislative compliance

- ✿ Generally opposed.
- ✿ Will depend on the detail.
- ✿ Generally supported.




					issues, of no tangible benefit whatsoever, for each Council.
2.11	If a council's proposed increase in total general rate revenue is above a prescribed level (such as the Local Government Price Index), require its audit and risk committee to provide a report to the council on the reasons for this increase.	✿	<p>'Total general rate revenue' is influenced by many factors, such as growth in the number of ratepayers.</p> <p>The focus and resources of auditors should not be needlessly diverted to irrelevant or non-productive tasks.</p>	✿	<p>Concur with the comments of the LGA.</p> <p>With Town of Gawler being a major growth Council, annual increases in the value of <u>total</u> General Rate revenue levied will invariably always be above relevant industry indices (e.g. LGPI, CPI, etc.)</p> <p>The Town of Gawler has continually, and deliberately, separated and reported any annual percentage increase in total General Rate revenue between the base increase from existing ratepayers and any percentage increase from growth (i.e. new ratepayers).</p> <p>Consequently, the Administration is of the view that this proposal would simply create additional 'red tape' and further legislative compliance issues, of no tangible benefit whatsoever, for each Council.</p>
2.12	<p>Create 'governance committees' to provide independent advice to councils on critical management policies, processes and actions, potentially:</p> <ul style="list-style-type: none"> • Councils' compliance and governance policies. • Councils' policies to improving ethical standards across councils and reduce fraud and corruption risks. • Councils' strategic management plans, and on progress to deliver priorities, particularly on the management of significant council projects. • Council member conduct-both on policies and processes to improve it, and on specific conduct matters (as described in Reform Area 1). • CEO appointment and management (as described in Reform Area 1). 	✿	<p>Councils already have a significant range of mandatory policies, processes, reporting obligations, committees and auditing requirements. They devote enormous and increasing resources to 'governance' and are already under multiple layers of scrutiny.</p> <p>Councils already receive advice on governance from their administrations and through their membership of the LGA.</p> <p>As part of their LGA membership, councils are provided with a comprehensive suite of model policies, guidelines and resources to assist them to meet their legislated governance responsibilities.</p> <p>An additional council committee would add a further level of red tape, adding little extra value.</p>	✿	<p>Concur with the comments of the LGA.</p> <p>Council already has appropriate systems in place to manage its governance responsibilities.</p> <p>As part of an ongoing continuous improvement ethos, the Administration has recently established a Project Management Governance Group, to improve and enhance the oversight and delivery of key projects.</p>











- Generally opposed.
- Will depend on the detail.
- Generally supported.

	Reform Area 3: Efficient And Transparent Local Government Representation				
3.1	Change the timing of periodic council elections to the year following a state election.	●	A Notice of Motion at LGA AGM October 2018 to move the timing of local government elections was lost (but similar motions have carried in past). Discussion focused on the benefits of building relationships with State Government during aligned terms. Q: Should the timing of local government elections be changed?	●	The Town of Gawler does not have a position on this matter
3.2	Enable ECSA to provide ballot papers electronically.	●	Note, the OLG proposal is only to replace long-distance postal voting with a secure system for the online delivery and return of ballot papers (which will require the printing, signing and scanning of ballot paper in order to vote). The LGA position advocates for the Act to enable <u>full</u> electronic voting when a suitable model is approved by ECSA. The Act should be amended, to enable electronic voting, when that approval is given.	●	Support. Any initiative to facilitate increased voter participation is warranted.
3.3	Clarify that councils are responsible for information sessions about the role of a council member, and that ECSA is responsible for election promotion.	●	Q: Should the Act make clear that councils are not responsible for election promotion? Q: Should ECSA have an obligation to consult the LGA on its election promotions?	●	There is currently a lot of cross over between Councils, the LGA and the Electoral Commission. Allowing one body to have carriage of the process would provide for a simpler process for the Community, and remove the confusion as to who should be contacted at varying stages of the elections process. It is noted that for the 2018 election Council paid the Electoral commission \$105,000 (gst inclusive) to conduct the election on Council's behalf. This is a considerable investment to which it is considered appropriate that the Commission take full responsibility for the election including promotion and awareness training for candidates. Councils should be encouraged to facilitate and participate in an advisory role.
3.4	Require councils to undertake specific activities to inform property franchise holders of their need to self-enrol, OR re-introduce the automatic enrolment of property franchise holders.	●	The sector's submissions on this issue have changed on a number of occasions. The automatic enrolment of property franchise holders is a considerable administrative burden for councils. Figures show that this measure has only a small impact on voter turn-out (<2%). Nevertheless, this measure has been popular with elected members. Q: Should the requirements be reinstated?	●	In previous Local Government elections, Council has communicated the need for property franchise holders to self-enrol. This has included rates notice inserts, direct letter, website, social media, email signatures banners, Display of LGA promotional Material and notification to Gawler Business Development Group.

-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.




3.5	Require ECSA to receive all nominations and publish candidate profiles.		The Electoral Commission is the independent body conducting elections. ECSA should remain in control of the integrity of the electoral roll, handling of nominations and the promotion of elections, generally.		Support Council would also support the requirement for Candidates to provide a Working with Children Check at the time of nomination. This is a current requirement for Council staff and volunteers and would be deemed appropriate to be provided at the time of nominating.
3.6	Remove the term limit on holding the office of Lord Mayor.		The LGA will seek the views of the City of Adelaide in relation to this proposal.		Support – this was requested by Adelaide City Council
3.7	Require candidates to 'tick a box' stating whether they live in the area they are contesting.		This proposal is supported by LGA policy.		Support
3.8	Require candidates to state whether they are a member of a political party or any association or body formed for political purposes, or have been within the past 12 months.		This proposal is supported by LGA policy.		Support
3.9	Require ECSA to host all information on donations received by candidates.		The Electoral Commission of SA is the independent body best able to collect and disclose candidate information.		Support
3.10	Require candidates to report to ECSA any single donations above a prescribed amount (for example, \$2,000) within five business days of receipt.		LGA policy supports the transparent and timely reporting of campaign donations. Q: Advice is sought from members about whether 5 business days is a reasonable timeframe. Q: What should be the consequences for a breach?		Support. Five (5) business days is a reasonable timeframe for compliance.
3.11	Enable all candidates to request an electronic copy of the voters roll from the relevant council.		The LGA position strongly supports this change. Currently the Act only allows for the supply of a printed copy, but some candidates who have connections to political parties are able to gain access to the electronic roll for the House of Representatives. The ability for some candidates to access a digital copy of the voters roll is perceived as an advantage over those candidates who are not connected to political parties. The LGA's policy position supports a level playing field for all candidates. Any provision of the roll should include a limitation that it only be used for the purpose for which it is provided.		Support
3.12	Remove the requirement for councils to make a 'designated decision' within their caretaker policies on the use of council resources, in favour of a statement within general caretaker responsibilities that council resources must not be used to advantage particular candidates.		LGA policy supports this proposal. It should help councils get on with their business, most of which has little impact on election campaigns for councillors.		Support
3.13	Extend the voting period by one week to better allow for postal delays.		The LGA supports methods for reducing the number of late postal votes received by ECSA. It is arguable whether extending the voting period is the right solution, so further consultation is needed about other solutions.		Support













-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.




3.14	Change the counting method to the 'exclusion method'.		<p>The LGA does not have a policy on changes to the vote counting method and is seeking member views on this proposal.</p> <p>The 'Exclusion method' means that where candidates receive more than a quota of votes, or they are eliminated, their preferences are not distributed. Rather, the candidates with the least amount of votes are always eliminated until there are the same number of candidates as positions. This may lead to unfair results: eg: The first candidate on a 'ticket' receives two or three quotas (ie enough votes to elect two or three councillors). However, in the exclusion method, these votes over quota are ignored. The people who are second and third on the ticket do not get elected, as they receive fewer (first preference) votes than other candidates.</p> <p>Q: What issues are associated with using/not using the exclusion method?</p> <p>Q: Is reform warranted?</p>		<p>Support.</p> <p>As noted in the Discussion Paper, the Electoral Commission of SA conducted recounts of ballot papers from six Council elections to determine the potential effect of this reform proposal.</p> <p>Across the six Councils, this recount identified only one instance of where a candidate, who was elected, would not have been elected under the proposed 'exclusion method'.</p> <p>On the basis that the 'exclusion method' is a simpler and faster method of counting votes, then its introduction would appear warranted.</p>
3.15	If a vacancy on a council is created within 12 months of a periodic election, allow this to be filled through a 'countback' of candidates.		By-elections to fill casual vacancies take up a lot of time and cost ratepayers large sums. Councils are generally supportive of any measure designed to reduce supplementary elections, while maintaining democratic integrity.		Support. The cost of supplementary Council elections to a Council is significant (e.g. the 2011/12 Supplementary Council election cost over \$28k).
3.16	Extend the period of time in which a vacancy does not need to be filled to 12 months before a periodic election.		By-elections to fill casual vacancies take up a lot of time and cost ratepayers large sums. Councils are generally supportive of any measure designed to reduce supplementary elections, while maintaining democratic integrity.		Support
3.17	Enable councils without wards, and with at least nine members, to 'carry' two vacancies.		By-elections to fill casual vacancies take up a lot of time and cost ratepayers large sums. Councils are generally supportive of any measure designed to reduce supplementary elections, while maintaining democratic integrity.		Support
3.18	Simplify representation reviews, and make public consultation requirements more flexible		The current arrangements are prescriptive and expensive. In particular, the current processes often result in councils having to undertake multiple rounds of time-consuming and expensive community consultation.		Support
3.19	Transfer the responsibility for representation reviews to the Local Government Boundaries Commission.		<p>The LGA has (Feb 2018) called on the state government to work with ECSA, the LGA and councils to review the technical and process issues and decision-making structures for representation reviews.</p> <p>Q: Should representative review decisions remain the responsibility of council?</p>		Support













- ✖ Generally opposed.
- ⚡ Will depend on the detail.
- ✔ Generally supported.




3.20	Suspend council members running for State Parliament for the duration of the election campaign.	✔	The LGA position (October 2018 OGM) is: "Any local government elected member on nomination, endorsement or declaration of candidacy for any position in State or Federal Parliament shall for the period of suspension to only be from when the nominations are lodged and accepted to the election outcome and that the elected member take leave of absence during this time and have all allowances suspended. This should include provision of motor vehicle and other support. The LGA will liaise with the Minister for Local Government to determine any further detail that makes the intent of this motion acceptable and enforceable"	✔	Support
Reform Area 4: Simpler Regulation					
Community Engagement					
4.1	Replace the prescriptive community engagement requirements in the Local Government Act with a more flexible 'Community Engagement Charter'.	✔	We look forward to working with the state government on a complete overhaul of the complex and prescriptive consultation requirements, in favour of a more flexible best-practice approach where the type of consultation undertaken can be tailored to the scope and complexity of the issues involved.	✔	Any simplification in this regard is welcomed. Clarification is sought regarding the interface between the formulation of community engagement charters to be prescribed under the provisions in the Local Government Act to the need for Councils to comply with the community engagement charter as prescribed by the Development Act.
4.2	Review the requirements for councils to publish notices	✔	There are a wide range of ways that information can be provided to the community. More flexibility is welcomed.	✔	Any simplification in this regard is welcomed.
Internal Review of Council Decisions					
4.3	Allow councils to refuse a request for an internal review of a council decision where the request is substantially similar to a matter that has been reviewed, or is under review through another process.	✔	The legislation requires councils to devote considerable resources each time a council decision is reviewed. There is no point wasting ratepayers' dollars, to repeat a process that has already been undertaken. Q: Should this flexibility be extended to trivial and vexatious requests?	✔	Concur with LGA comments. Given the costly and time consuming process of undertaking internal reviews for a Council, the proposal should also be extended to trivial and vexatious requests.
4.4	Enable councils to charge a small fee for internal review requests.	✔	The official LGA position (OGM October 2018) supports this change. This reflects the costs to councils, when following the requirements in the legislation, each time a review of a council decision is requested. Q: Where a complaint is upheld, should the fee be refunded?	✔	Concur with LGA comments. The introduction of a nominal fee is supported to deter trivial and vexatious requests. However, if a legitimate complaint is upheld, it is appropriate that the fee be refunded.
4.5	Set a time limit in which requests for internal review of decisions can be made.	✔	In a democratic environment, not everyone will agree with every decision. We note that all courts have time limits for making appeals and this provides certainty, for all involved, even those who disagree. Similarly, councils need to make decisions and move forward in implementing those decisions with a reasonable degree of certainty.	✔	Concur with LGA comments. A six month time limit, as suggested in the Discussion Paper, would be appropriate.
4.6	Require councils to consider recommendations for improved administrative practices in their annual report on internal reviews.	✖	Q: What are the benefits of this change and do these outweigh the further additions to councils' regulatory 'red tape' burden?	✖	This proposal would simply increase the legislative compliance burden for a Council, for no immediate tangible benefit.





-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.

	Informal Gatherings and Discussions			
4.7	Remove the 'informal gatherings' provisions in the Local Government Act, in favour of establishing a new category of meetings, such as 'information or briefing sessions'.		The existing sections of the Act and the Regulations are confusing. Councillors worry that legitimate conversations about the business of the council, will land them in trouble. We need to find a way to promote transparency in councils without criminalising legitimate conversations. Q: Does changing 'informal gathering' to 'information or briefing session' address the issues that have been experienced and identified by councils?	 The provision of additional clarity in this regard is welcomed.
4.8	Require councils to publish details of information sessions held, what was discussed, who attended, and whether the session was open or not.		Councils and councillors take part in many 'information sessions and other discussions caught by s90 of the Act. Requiring a report to be made of each would create a significant additional administrative burden, which would put an upward pressure on rates. Q: What are the benefits of this change and do these outweigh the further additions to councils' regulatory 'red tape' burden?	 Concur with LGA comments. This proposal would simply add to a Council's already considerable legislative burden, for little or no material tangible benefit.
	Register of Interests			
4.9	Compile all council members' registers of interest into one, simple plain English form.		The local government sector is eager to work with the state government on clarifying and simplifying the register of interests and many other reporting requirements.	 As Members will be aware, there is already a considerable number of registers that they are required to complete. Further, it is acknowledged that the existing registers are lengthy and can be confusing to complete. The reform proposal to consolidate such registers into one simple, plain English, document is supported, and would reduce the amount of staff time facilitating and managing existing requirements.
4.10	Publish council members' Register of Interests in full on the council website (with the exception of specific residential address information).		Q: What are the benefits of this change and do these outweigh the further additions to councils' regulatory 'red tape' burden?	 Concur with the LGA comments.
	Publication of Information			
4.11	Require councils to publish any document that is currently available at a council office on its website (with the exception of the Assessment Record)		This proposal should be part of a general conversation about the information a council is required to place on their website. The costs of administering these changes should be fully understood, before proceeding.	 Concur with the LGA comments. Councils already have to publish a vast array of documents on their websites.
4.12	Remove the requirement for councils to have documents 'available for inspection', but require them to print a copy at request (for a fee).		This proposal should be part of a general conversation about the information a council is required to place on their website and/or have available for inspection.	 Maintaining current 'hard-copy' versions of multiple registers and documents at the front counter is time consuming and inefficient, particularly given the very limited number of requests. In many instances, to ensure appropriate version control, the Administration now only maintains the registers in Council's electronic Records Management system, which can readily be produced in 'hard-copy' at the









-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.




				front counter if requested.
				The need for Council's to provide hardcopies of Councils Annual report should be removed. The State Library has advised that they do not wish to received hardcopies only softcopies. The Act should be updated to reflect the changing environment allow greater flexibility in the provision of such documents. This change would be cost saving for Council and reduce the impact on the Environment.
4.13	Include a single list of all material to be published on a council's website in the legislation.		Throughout the Act there are many individual requirements to publish material on a council's website. A consolidated list of all these requirements could be very useful.	 Supported
	Community Land Revocations			
4.14	Create two categories of community land revocation proposals within the Act ('administrative' and 'significant') and require Ministerial approval only for 'significant' proposals.		The local government sector agrees that the current arrangements are complex and in need of reform. Councils shouldn't need to go to the Minister every time they propose a minor change to the way they use land under their care and control. Q: Would it be preferable to create two categories of community land: 'administrative' and 'significant'?	 The existing 'one size fits all' approach is not appropriate, noting that the process for seeking the revocation of community land status is very time consuming, complex, and costly. Consequently, the creation of two separate categories (e.g. minor and major), with appropriate different legislative requirements, is welcomed.
4.15	Enable limited amendments to Schedule 8 to allow minor changes to the management of prescribed land.		Councils should be able to make minor changes to the management of prescribed land, without embarking on a complicated approval process.	 Concur with the LGA comments.
4.16	Clarify that councils do not need to undertake community land revocation proposal where the council's care, control and management of the land has been withdrawn under the <i>Crown Land Management Act 2009</i> .		This appears to be a sensible proposal to cut red tape.	 Concur with the LGA comments.
4.17	Enable a council to revoke the classification of land as community land where owners cannot reasonably be found.		This appears to be a sensible proposal to cut unnecessary red tape.	 Concur with the LGA comments.
4.18	Provide a mechanism to allow councils to acquire private roads where the owner consents, where the owner is deceased or where the owner cannot reasonably be found and to allow the council to retain or transfer the land to another party.		This appears to be a sensible proposal to cut unnecessary red tape.	 Concur with the LGA comments.
	Authorisations and Permits for Use of Council Roads			










-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.




4.19	Review the public consultation requirements that apply to permits and authorisations, in line with a new community engagement approach.		Councils support reform of community consultation arrangements, in particular, to enable councils to take advantage of new technology. Councils also need flexibility in the way they consult: not every issue requires the same approach.		Recognition that the 'one size fits all' approach relative to the provision of road permits is not appropriate and efficient is welcomed.
4.20	Remove specific provisions regarding mobile food vendors, in favour of a 'general right of appeal' where a council has unreasonably affected a business.		The approved LGA position opposes a uniform approach across the State and supports greater council discretion/flexibility in regional areas.		Council is in support of the need and desire to have mobile food vendor businesses operating that add to the experiences in the community particularly at community events and such other opportunities. However, the presence of such mobile businesses should not be at the expense and operating sustainability of conventional 'brick and mortar' businesses.







Other areas for Reform (further discussion items put forward by the LGA)

LGA1	Increase the maximum penalty under a council by-law.		The current maximum of \$750 has not increased since 1999. This means the maximum permissible expiation fee (at 25%) is only \$187.50.		Supported
LGA2	Performance Management		<p>The SA Productivity Commission are considering recommendations on mandatory performance management systems, to enable councils to compare performance and identify areas for improvement. Whilst there are risks, a carefully constructed performance management system could add value to the sector, eg if:</p> <ul style="list-style-type: none"> Information is gathered automatically from existing council systems. Information is collected centrally and then used to report to government departments (in accordance with myriad Acts). This can reduce duplication of council reporting requirements. Information is systematically analysed (eg by LGA) to provide insights and advice to councils. 		Council Administration acknowledges the benefits of implementing a consistent performance management system across the sector. Any standardised performance management system meets the requirements of all councils.
LGA3	Prescribed format for Asset Management Plans and Long-Term Financial Plans		There is currently no standard format prescribed in the LG Act for a consistent approach to asset management planning and long-term financial planning. This makes it difficult to synthesise information from different councils or to apply a minimum standard for these documents.		Any clarity and simplification in this regard would be welcomed. However it will be important to ensure that formats are commensurate to the size and scale of councils so that smaller councils are not burdened with additional administrative requirements.
LGA4	Developer contributed assets		There is a perception that councils have to accept an asset when it is offered for free from a developer, but councils do not have to accept an asset and may undertake a prudential report to ensure it is up to standard and financially viable for council to maintain. Accepting an asset has long-term financial implications for a council and prudential management issues should be considered prior to a council accepting an asset. Section 48 of the Local Government Act 1999 could clarify the right of council to undertake a prudential report and/or decline an asset.		Further clarification relative to Councils being able to not accept a developer contributed asset would be welcomed.

-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.

LGA5	Rating equity for commercial and/or industrial land uses		Currently South Australian councils face considerable rating constraints for selected major developments (e.g. wind farms, feedlots, solar farms and mines) and exempt properties, resulting in local communities paying more than their fair share to subsidise the cost of servicing certain land uses. These constraints include: <ul style="list-style-type: none"> the inability to levy appropriate and equitable rates on electricity generators (including wind farms and solar farms) as a result of the exclusion of improvements such as electricity generating plant and equipment from capital valuations under legislation; and the inability to effectively categorise intensive land uses for differential rating purposes, given the limited permitted rating categories available under legislation 		Concur with the LGA comments.
LGA6	Regulations for section 245A of the Local Government Act 1999 (Development Bonds)		Regulations would safeguard council's infrastructure and enable councils to recoup the cost of repairs, related to development damage.		Supported.
LGA7	Regulation 21 of the Local Government (Procedures at Meetings) Regulations 2013		The LGA requests amendment to regulation 21 to ensure proper integration between regulation 21 and regulation 12(3) so that a written notice of motion by a council member is not required. Thus, upon council consideration of a CEO recommendation a motion without notice by a member could action that recommendation at the same meeting.		A motion to revoke a council decision should be provided on Notice to allow Council Member time to consider the implication of the revocation. A Motion without Notice does not allow Member due time to consider the Motion. A CEO report to revoke a Motion is always included as part of the agenda allowing Members time to consider the Motion and supporting information.
LGA8	Management of unmade roads		The Local Government Act 1999 and the Road Traffic Act 1961 do not give councils appropriate powers to manage unmade public roads, especially in rural areas. There are many 'public roads' laid out in old rural subdivisions which have never been formed, or are no longer used, and over time have been occupied by adjacent landowners. Clearer statutory provisions are needed so council can effectively close a road to all, or certain classes of vehicles, and be able to effectively enforce the road closures		Supported.
LGA9	Community housing		The State Government is transferring public housing properties to Community Housing Providers to facilitate their upgrade and renewal. This transfer makes properties eligible for a mandatory 75% rebate on council rates, whereas the State Government previously paid full rates on these properties. The LGA advocates for legislative change to remove the 75% rebate on council rates for community housing providers and that this portion of rates continues to be paid for in full by the State Government.		Concur with the LGA comments. The financial impact for Council in this regard has been significant, with the level of mandatory rate rebates increasing from \$299k in 2014/15 to \$393k in 2019/20 (31% increase in 5 years).

-  Generally opposed.
-  Will depend on the detail.
-  Generally supported.

LGA10	Fees and charges		The LGA advocates for review of local government fees and charges regulated by the state government to establish modern price setting principles which promote efficiency, flexibility and fairness in service delivery.		Many fees prescribed by State Government do not keep pace with increased costs incurred (included increased costs as a direct result of increasing legislative compliance measures). Consequently, ratepayers are increasingly subsidising the net cost of such services.
LGA11	Review the information required to be included in Annual Reports		<p>A number of council reporting requirements have marginal value, at best. Cumulatively, they represent a significant impost on council resources and result in higher rates.</p> <p>Examples include annual reporting on:</p> <ul style="list-style-type: none"> • council training programs; • HR management programs; • Informal gatherings (pursuant to section 90(2)). 		Concur with the LGA comments. Streamlining the amount of legislative information that needs to be included in a Council's Annual Report is welcomed.
LGA12	Clarify the ability of the SA Register-General to transfer the ownership of land, where there is a caveat placed over the land.		The Register-General does not believe that he has the requisite power. As a result, the statutory intention of s184 is frustrated and councils cannot sell land in cases on non-payment of rates.		Supported

Summary analysis of Information Requests within the methodology paper

For the most part, the LGA will be guided by comments from member councils. Where the LGA Secretariat does have comment on the proposed methodology, this is included below.

Approach to comparative analysis

The terms of reference for the inquiry require the Commission to analyse information on local government costs and the key drivers of these costs, as well as to develop and analyse measures of local government efficiency and productivity.¹

The Commission is seeking information and views on:		LGA Secretariat comments	Council comments
3.1	Is the Australian Classification of Local Governments an appropriate way to group similar councils for comparison? Is there a better approach?	<p>The proposed ACLG groupings, and aggregation levels, are identical to those used by the LGA in charts located in the LGA's annual Financial Indicators Report.</p> <p>While the LGA agree with ACLG groupings in favour of any other approach, we question whether the proposed aggregation to four groupings only is appropriate.</p> <p>For clarity, 'capital' should be updated to refer to 'capital city'.</p>	<p>The classification of each Council under the Australian Classification of Local Governments (ACLG) is provided as Appendix 1. Based on the Commission's suggested approach, Gawler will be included with 21 other Councils (being predominantly Adelaide's metropolitan Councils) in the <i>Urban (including capital, development and fringe)</i> category.</p> <p>As acknowledged in the Paper, it is inherently difficult to compare Councils, given each Council has distinct and diverse characteristics.</p> <p>Utilisation of the ACLG is deemed appropriate, however it is the Commission's proposed groupings within the ACLG that could be questioned.</p> <p>The Administration agrees with the proposed rural Council groupings between Small-Medium (20 Councils in total) and Large-Very Large (18 Councils in total).</p>

¹ <https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/methodology-paper> - Page 8

			<p>However, the Administration proposes the following alternate groupings relative to Urban Councils:</p> <ul style="list-style-type: none"> • Urban Fringe (Small-Medium) & all Urban Regional Councils (total 13 Councils, including Gawler) • Urban Fringe (Large-Very Large) and Urban Metropolitan (total 17 Councils) <p>The proposed Urban Council groupings by the Commission split the 30 urban Councils into two groups of 22 and 8. The Administration's alternate Urban Council groupings results in more comparable group sizes between the two and effectively combines all metropolitan Councils into one group.</p> <p>In this scenario, Gawler would be grouped with Adelaide Hills, Alexandrina, Barossa, Coober Pedy, Mt. Barker, Mt. Gambier, Murray Bridge, Port Augusta, Port Lincoln, Roxby Downs, Victor Harbor and Whyalla.</p>
3.2	Is the proposed ten-year timeframe to analyse costs and efficiency appropriate?	The proposed ten-year timeframe aligns with the timeframe currently used by council's to guide their Long Term Financial Plans and may be considered appropriate.	The Administration is of the view a ten year timeframe should be the maximum utilised.
3.3	Are there any other sources of data that would help the Commission?	A copy of the LGA's environmental scan of research/data relating to financial management and cost pressures in South Australian councils previously provided to the Commission can be found at Appendix 2 .	<p>The Administration is of the view that utilisation of the data held by the SA Local Government Grants Commission, being a reputable and long-established independent body with extensive Local Government knowledge, is appropriate.</p> <p>Further, the annual data provided to the Grants Commission by each Council is reconciled with each Council's financial statements for accuracy, thereby enhancing the integrity and reliability of the data.</p>

Analysing council costs

The Commission has been asked to conduct an analysis of local government costs and the key drivers of these costs.

To enable comparisons between councils and over time, some consideration will need to be given to the most appropriate way to treat the data. Some options for presenting and analysing cost data include:

- analysing costs as total costs, unit costs or proportions of total costs;
- deflating time-series data by an appropriate deflator to enable comparisons across time; and
- comparing costs across all councils or only similar councils.²

The Commission is seeking information and views on:		LGA Secretariat comments	Council comments
4.1	What are the key determinants or drivers of council costs and how have councils' costs changed over time?	Possible drivers may include: <ul style="list-style-type: none"> • changes to scope of services • changes in the environment in which councils operate • new legislated responsibilities • ratepayer preferences/expectations • price increases (outside of councils' control) • thin markets (particularly in regional areas) 	Consistent with the <i>Statement of Comprehensive Income</i> , and as noted in the Paper, the key determinants of a Council's costs are Employee Costs, Contracts & Materials, Finance Costs and Depreciation. The level of such costs are predominantly influenced by the range of services provided and the service level of each service provided. Council's existing services are classified as either Legislative, Regulatory, Core or Non-Core services within its Service Range Policy.
4.2	What is the best approach to defining and measuring costs for comparisons across councils or through time?	Reported expenditures from the SALGGC ³ as total expenditure and expenditure by function may potentially be an appropriate measure.	Consistent with the view of Drew, Kortt and Dollery (2015) referenced in the Paper, the Administration is of the view that Finance (interest) costs should be excluded from total costs used for an efficiency estimation, on the basis that they are invariably costs incurred from previous capital funding decisions, and also noting that the value of capital works programs (which directly impact the level of future finance costs) can be lumpy in nature.
4.3	What is the most appropriate measure of capital expenditure?	Depreciation may potentially be an appropriate treatment of 'capital' – particularly as there have been major distortions in councils' capital expenditure stemming from 'one-off' Federal and State Government grant programs over the proposed ten-year period.	Given the very broad potential number of depreciation methods available, as outlined in the Paper, the Administration is of the view that depreciation is not an appropriate measure of capital expenditure. To remove the distortion caused by the lumpy nature of capital expenditure, the Administration is of the view that average capital expenditure over a certain years' period

² <https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/methodology-paper> - Page 11

³ South Australian Local Government Grants Commission (SALGGC) - https://www.dpti.sa.gov.au/local_govt/LGGC

4.4	What measures of council service quality are available?	<p>CPI⁴ may be an appropriate choice for a cost deflator. Other options are LGPI⁵ or WPI⁶.</p> <p>Possible examples may include:</p> <ul style="list-style-type: none"> • regular community surveys • service reviews • continuous improvement programs. 	<p>is an appropriate measure of capital expenditure (e.g. a three year average).</p> <p>Meaningful and readily measureable elements in determining the efficiency and quality of a Council service are per direct output, per rateable property, and per capita.</p>
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How to estimate local government efficiency

The Commission is required to develop and analyse measures of local government efficiency and productivity.

Productivity is simply defined as the ratio of the outputs that an organisation produces to the inputs that it uses.

Efficiency refers to the relationship between the quantity of inputs used and outputs produced.

An organisation is efficient if it produces the largest possible output from a given set of inputs or if it uses the least possible quantity of inputs to produce a given level of output.⁷

The Commission is seeking information and views on:		LGA Secretariat comments	Council comments
5.1	What is the experience of South Australian councils in measuring and monitoring efficiency?	<p>The LGA has commissioned advice on the technical terms in the paper; this can be found at Appendix 3.</p> <p>The experience of SA councils in measuring and monitoring efficiency varies across the State, however as a minimum, SA councils are required to:</p> <ul style="list-style-type: none"> • develop a Strategic Management Plan (including at a minimum a Long Term Financial Plan and Asset Management Plan for a period of at least ten years) • develop an Annual Business Plan and Budget which outlines amongst other things: <ul style="list-style-type: none"> (i) the council's objectives for the financial year; and (ii) the activities that the council intends to undertake to achieve those objectives; and (iii) the measures (financial and non-financial) that the council intends to use to assess the performance of the council against its objectives over the financial year 	<p>The non-financial indicators reported to Council on a quarterly basis invariably measure and monitor the <i>direct output</i> performance of a service (e.g. number of property searches processed, number of registered dogs, number of expiations issued, number of Library loans, etc.), which are effectively workload trend data, as distinct from the efficiency of a service (i.e. the relationship between the quantity of inputs used and outputs produced).</p> <p>More recently, Town of Gawler and other Councils have been involved in State/National based benchmarking initiatives, which will drive sector comparisons, improved measurement and performance monitoring.</p>

⁴ Consumer Price Index (CPI) - <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>

⁵ Local Government Price Index (LGPI) - <https://www.adelaide.edu.au/saces/economy/lgpi/>

⁶ Wage Price Index (WPI) - <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6345.0>

⁷ <https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/methodology-paper> - Page 13

		<ul style="list-style-type: none"> • prepare an Annual Report which outlines amongst other things: <ul style="list-style-type: none"> (a) the council's performance in implementing its strategic management plans during the relevant financial year, and the council's projections and targets under its plans for the next financial year; (ab) the council's performance against its annual business plan for the relevant financial year; (b) the extent to which activities of the council have been subjected to competitive tender or other measures to ensure services are delivered cost-effectively, and the extent (if any) to which the council has pursued policies for purchasing local goods and services; <p>Possible other examples may include:</p> <ul style="list-style-type: none"> • audits/audit committees • community surveys • service reviews • continuous improvement programs • network groups (via sharing of info). <p>In addition, the LGA prepares an annual 'Financial Indicators Report' which provides an analysis of the financial sustainability of the sector via an analysis of the most recent SA Local Government Grants Commission Database Reports (2016-17). This report highlights the very sound financial performance and position of the local government sector as a whole. The evidence shows that South Australian local government is living within its means, has a very low level of indebtedness, and generally is managing its assets satisfactorily.</p>	
5.2	Are there any examples of efficiency monitoring programs in other jurisdictions?	The LGA is conducting research into other jurisdictions.	Council has recently participated in the Local Government Performance Excellence Program (LGPEP), which compares performance against approximately 150 other Councils.



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5.3	Have these efficiency monitoring programs resulted in improved council efficiency?	<p>Possible examples may include:</p> <ul style="list-style-type: none"> • strategic alliances between neighbouring councils • shared services • service reviews • continuous improvement programs • LGA Financial Sustainability Program • model financial statements - help councils comply with Australian Accounting Standards and have considerably improved the reliability, consistency, comparability and understanding of publicly available information on council finances • model rates notice template - help councils comply with legislation • LGR&D scheme projects. <p>Councils also gain benefit from membership of the LGA in two ways:</p> <ul style="list-style-type: none"> • savings - where councils are able to spend less on services due to their membership; and • contributions - where councils receive funding due to the work of the LGA. 	<p>The Administration will be able to better analyse Council's performance within the LGPEP, and potentially drive improved Council efficiency, once two years' worth of data from the LGPEP is available, which will only occur on completion of the 2018/19 survey return.</p> <p>Nonetheless, the Administration is starting to use this data to review and refine resource allocations and improved service delivery.</p>
5.4	Is there value in estimating service-specific efficiency of councils?	<p>Due to the differences in service levels between councils (and also potentially in the way a council financially accounts for that service) it may be difficult to get to a point where service-specific metrics are directly comparable. There is also a risk that councils operating in thin markets (more likely in regional areas) which need to pay more to procure certain services could be viewed as 'inefficient' when compared to others.</p>	<p>The Administration is of the view that there is a value in estimating service-specific efficiencies of Councils, however it is important to recognise that different service levels and service standards can exist between Councils (particularly relative to high cost services such as Roads and Recreation). In contrast, Waste Management is invariably an easy service to measure and compare efficiency, as the service standard (i.e. size of bin), service level (e.g. weekly for household waste bins), and nature of service (i.e. contracted) are often consistent across Councils. In comparing costs of a service across Councils, consideration would need to be given to the different cost drivers and methodologies that may exist relative to indirect costs attributed to a Service (noting that indirect costs of a Service need to be attributed within the financial data provided to the SA Local Government Grants Commission on an annual basis).</p>
5.5	What services are most appropriate to estimate council efficiency?	<p>According to SALGGC 2016-17 data, the four largest expense categories for South Australian councils were transport,</p>	<p>Services that are most appropriate to estimate Council efficiency, in comparison to other Councils', are</p>

		recreation, waste management and other environment. Therefore, these four service areas may be an appropriate estimate of council efficiency.	services where there is invariably a high level of consistency between the <i>nature, level, and standard</i> of a service (e.g. Waste Management, Library). However, where and as possible all of Council's services should be able to be measured and comparisons made.
5.6	How do councils monitor their efficiency over time?	Possible examples may include: <ul style="list-style-type: none"> • regular community surveys • long term financial plans • budget reviews • community consultations • service review programs • benchmarking. 	Currently, the Administration prepares an annual <i>Comparative Data Report</i> (which measures and compares Council's overall financial position / performance with similar Councils) and quarterly non-financial indicators (which predominantly measures various service outputs as workload trends). Whilst both of these data sets provide useful information, neither of them effectively measure the efficiency of the Council over time. It is envisaged that Council's participation in the LGPEP will provide tangible opportunities for Council to better monitor various operational and service efficiencies over time.
5.7	Are there any examples or case studies of councils benchmarking their costs and efficiency against other councils?	Many councils use benchmarking to inform their annual and long-term budgeting and planning. Some councils undertake their own benchmarking studies, others participate in programs such as the LG Professionals Business Excellence Framework.	Council's participation in the LGPEP.

Understanding factors that influence efficiency of councils

The Terms of Reference for the inquiry require the Commission to identify and analyse key local government costs and cost drivers. Council performance may be influenced by factors outside their control, including socio-economic and demographic characteristics of council areas, their geographic location, and operating and policy environments.⁸

The Commission is seeking information and views on:		LGA Secretariat comments	Council comments
6.1	Are the factors used in previous studies likely to influence local government efficiency in South Australia?	Factors ⁹ proposed by the Commission include: <ul style="list-style-type: none"> • population/population density; 	The factors applied in previous studies should be used as part of a wide-ranging basis and investigation / analysis on which to inform future local government efficiency

⁸ <https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/methodology-paper> - Page 22

⁹ <https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/methodology-paper> - Page 23

6.2	Are there any additional factors that could affect the costs and efficiency of South Australian councils?	<ul style="list-style-type: none"> socio-economic and demographic characteristics (such as proportion of NESB population, proportion of ATSI population; proportion of population over 65); labour market characteristics (such as unemployment rates; median wage); geographic/location characteristics; council characteristics (such as size; output mix). <p>Growth areas – may require councils to increase service levels and/or introduce additional services, may also speed up consumption of assets.</p> <p>Ageing populations – Aged care is not a ‘core’ service of local government however demand is growing in a context of reducing external funding and a focus of Commonwealth aged care funding reforms towards ‘functional’ improvement at the expense of ‘social connectivity’.</p> <p>Labour market adjustments (ie. large scale redundancies such as the closure of Mitsubishi or Holden) – may require additional investment from councils in economic development/urban design/place-making activities.</p> <p>Councils operating in thin markets (more likely in regional areas) - may need to pay more to procure certain services or may need to enter the market as service deliverer.</p> <p>Possible additional factors may include:</p> <p>(+ve)</p> <ul style="list-style-type: none"> advancements in technology/products – could reduce costs and improve efficiency improved relationship with State/Federal government – Local Government is provided with an early seat at the table on matters which may affect its operations and which allows councils to appropriately plan to accommodate changes and/or aggregate projects to achieve better outcomes for the community. <p>(-ve)</p> <ul style="list-style-type: none"> cost shifting – additional responsibilities are transferred to local government without associated increase in funding. 	<p>Cost shifting from other tiers of Government and increased legislative compliance measures, which act as an impediment to improved efficiency, examples of which include:</p> <ul style="list-style-type: none"> State Government Solid Waste Levy – the per tonne levy has nearly doubled in the last five years (from \$52 to \$100 per tonne), and the State Government 2019/20 Budget has just announced a further increase from 1 July 2019 to \$110, followed by a further increase to \$140 from 1 January 2020. Collection of State Government NRM levy, with the small fee that Councils are able to claim for providing the service not covering administrative costs in collecting the levy. Regulated fees set by State Government not covering the costs incurred by Council in undertaking associated services
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6.3

What are the key internal and external factors that have impacted councils estimated efficiency over the last ten years?

Possible internal factors may include:

(+ve)

- service improvement reviews/programs
- industrial relations – focus on staff development/training creates efficiencies/improves productivity
- properly accounting for and maintaining important infrastructure.

(-ve)

- industrial relations - staff turnover/competition in labour market
- technology advancing faster than internal systems can accommodate
- properly accounting for and maintaining important infrastructure.

Possible external factors may include:

(+ve)

- advancements in technology/products which reduced costs and improve efficiency
- improved relationship/coordination with State/Federal government creates efficiencies/improves productivity.

(-ve)

- increase in supplier costs
- increased number of force majeure events (bushfires, floods)
- shift in demographics (causing significant increase/decrease in demand for services/assets)
- skills shortage in region
- change in economic contributor to region (major redundancy, industry/market failure in region)
- cost shifting – Community Housing Transfers (mandatory rebate), Waste Levy, NRM Levy
- the impact of falling government grants
- change to regulations and/or legislation that negatively impact on council operations (i.e. China Sword)
- limits on other revenue sources including user pays fees
- climate change
- change in ratepayer expectations

Examples of key external factors include rapid population growth, timing/quantum of annual rainfall (affecting Recreation services costs and efficiency), additional administrative tasks as a result of legislative changes, cost shifting from the State Government, and changes in interpretations of Accounting Standards (e.g. which has impacted on reported depreciation expense).

The organisational restructure of 2013, and the enhanced use of technology across the organisation, has facilitated efficiencies in recent years.

Council has also had an ongoing focus on analysing and reviewing existing processes and procedures, towards identifying opportunities for cost savings, efficiency and process improvements. The outcomes of such investigations are reported to Council via the Audit Committee on an annual basis.

6.4	What are the key internal and external factors which councils expect to impact their efficiency going forward?	<ul style="list-style-type: none"> communities choosing more and better services. As above. 	<p>Population growth, various legislative changes, utilisation of digital technology, ongoing internal focus on Efficiency & Effectiveness, cost shifting from the State Government, and Council's participation in the LGPEP.</p> <p>A very current external example is the continuation of large increases in the State Government Solid Waste Levy, announced as part of the State Government 2019/20 Budget.</p> <p>In 2014/15, the levy was \$52 per tonne. It has since nearly doubled to \$100 (2018/19) within four years, with the State Budget now announcing a further increase to \$110 (from 1 July 2019) and then \$140 (from 1 January 2020).</p> <p>Prior to this announcement, Council had consulted to its community, as part of the 2019/20 draft budget consultation, that there would be no estimated increase in the Waste Management Service Charge applied to ratepayers. As a result of the State Budget decision, it is estimated that ratepayers will now incur an increase in the order of 7% in their Waste Management Charge.</p>
6.5	What decision-making processes do councils use to determine the scope of services they provide and how these services are provided?	<p>Possible examples may include:</p> <ul style="list-style-type: none"> community consultation on Strategic Management Plans (ABP, LTFP, IAMP, etc) community surveys open council meetings policy and/or procedure for the provision of a service by the council or for the improvement of a service provided by the council¹⁰. 	<p>Council's long-term financial sustainability, Community Plan, Annual Budget / Business Plan, customer demand / community consultation, overall capacity to increase General Rate revenue, Council's Service Range Policy, and associated Service Level Policies for various Services.</p>

¹⁰ Under s270 of the Local Government Act 1999 (<https://www.legislation.sa.gov.au/LZ/C/A/Local%20Government%20Act%201999.aspx>)



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Options for improved council performance

The Commission has also been asked to provide advice and recommendations on options for both councils and the South Australian Government to improve efficiency, lower costs and enhance local government financial accountability.

Strengthened financial accountability, through, for example increased transparency or enhanced governance arrangements, could be expected to contribute to improvements in efficiency. The Commission is interested in hearing stakeholder views on what enhancements in financial accountability could assist councils to realise efficiency gains.¹¹

The Commission is interested to hear from councils that have introduced improvement initiatives, and the impact of these initiatives on council performance.¹²

The Commission is seeking information and views on:		LGA Secretariat comments	Council comments
7.1	What are councils' experiences with recent reforms in policy, governance and management?	<p>Local government should be provided with an early seat at table when there are proposed changes which will impact on councils. In recent years this hasn't always occurred, this has impacted on council's ability to respond appropriately and/or required costly adjustments in systems and processes.</p> <p>Local government considers that councils should not be subject to excessive accountability and transparency standards that do not apply to all tiers of government. Recent examples may include:</p> <ul style="list-style-type: none"> Commonwealth aged care funding reforms - The major impact on local government in recent years has been the anticipated move to integrate the Commonwealth Home Support Programme (CHSP) and the Home Care Packages program into a single care at home program. Local government has traditionally been block funded to provide services and the proposed change to individualised funding may affect the viability of council services funded by these programs. The recent Federal Budget included an announcement to extend the Commonwealth Home Support 	<p>Reforms in policy, governance and management from <i>external</i> factors have invariably only led to increased compliance costs, with no tangible evidence to suggest reduced costs or increased efficiencies. <i>Internal</i> factors, such as widespread improved use of digital technology across the organisation, has facilitated efficiencies and improved service delivery.</p> <p>Council also undertook an organisational restructure in 2013, followed more recently by organisational reviews within Planning & Development, Regulatory Services, Engineering, and Depot operations, which have collectively better aligned resources with business outcomes.</p>

¹¹ <https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/methodology-paper> - Page 24

¹² <https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/methodology-paper> - Page 25

		<p>Program (CHSP) for two years from 2020/21. This is now the third extension to this program. The continual insecurity around the future of this funding has had a negative impact on long term program planning, staffing, moral and service capabilities</p> <ul style="list-style-type: none"> community housing transfers - if councils were notified in advance of planned Community Housing transfers and upgrades this would enable associated infrastructure works (road reseals, stormwater upgrades, and waste management routes) to be planned and/or accommodated appropriately within Infrastructure and Asset Management Plans and Long Term Financial Plans PDI Act - Local government acknowledges its statutory role in planning and shall continue contributing an equitable amount to improvements in governance related to planning, while lobbying the State Government to ensure that costs of the e-Planning solution and the SA Planning Portal are not shifted inequitably onto councils DACO conflict of interest informal gathering boundary reform litter and nuisance. 	
7.2	What actions/reforms have council initiated to improve efficiency or reduce costs?	<p>In response to the Independent Inquiry into Financial Sustainability of Local Government in 2005¹³, the LGA, with the support of Councils, subsequently embarked on a comprehensive Financial Sustainability Program to implement the Inquiry's recommendations and support improved Council performance.</p> <p>Over the last decade, Local Government net debt in South Australia has decreased by 48%¹⁴ suggesting that Councils recognise that maintaining debt to a reasonable level is important in ensuring the long term financial sustainability of their local regions.</p> <p>Possible examples may include:</p> <ul style="list-style-type: none"> continuous improvement programs shared services 	<p>Council management continues to drive cost savings and operational efficiencies across the organisation, the outcomes of which are reported to Council on an annual basis. Council has also agreed to participate within the LGPEP, with Council's first year participation results being from the 2017/18 financial year. Council is also a member of the Barossa Regional Procurement Group (BRPG) which has delivered cost savings as a result of procurement of various services being undertaken on a regional basis. Council is also facilitating improved service delivery efficiencies by enhanced use of digital technology across the organisation.</p>

¹³ Rising To The Challenge Towards Financially Sustainable Local Government in South Australia – Financial Sustainability Review Board 2005

¹⁴ Source: 5512.0 – Government Finance Statistics, Australia, 2016-17

		<ul style="list-style-type: none">• alliance/group procurement (aggregation between neighbouring councils)• LGA Procurement Panels• LGA Mutual Liability Scheme• Financial Sustainability Program• model financial statements• model rates notice template• LGR&D Scheme projects.	Council's organisational restructure of 2013, and subsequent internal reviews, as noted in 7.1 above, has also delivered cost savings and efficiencies.
7.3	What reforms in other jurisdictions successfully resulted in improved council efficiency?	The LGA is conducting research into other jurisdictions.	-
7.4	How can financial accountability in the local government sector be enhanced?	<p>Local government acknowledges its statutory obligation to be sustainable and that this can only be achieved through attainment and maintenance of financial sustainability. Councils shall continue to proactively improve its practices, while complying with legislative and regulatory requirements for governance and reporting.</p> <p>The LGA has previously outlined a plan for sensible change¹⁵ which includes:</p> <ul style="list-style-type: none">• sector wide benchmarking program• strengthening the Council Members Code of Conduct• best practice audit committees• standardising external audits• introduce a revenue policy• diversifying local government revenue• best practice service reviews• supporting new boundary reform processes• industry-wide industrial relations framework• review representation reviews• local government elections reform.	<p>With myriad financial accountability measures already in place, Local Government is the most financially accountable tier of Government.</p> <p>Examples of financial accountability measures include the establishment of Audit Committees, legislative financial reporting requirements, consultations on draft Budget / Business Plans, Budget / Business Plan summary provided with annual Rate notices in July, financial performance indicators (and associated performance targets), benchmarking, etc.</p> <p>Since 2009, Council has benchmarked its overall financial performance / position with comparable Councils on an annual basis. It is now also participating in the LGPEP, which compares a wide range of data analytics with other State/National Councils' participating in the program.</p>
7.5	Are there examples of actions initiated by councils to increase efficiency? What has worked and what has not worked?	<p>South Australian councils have undertaken self-imposed steps to improve their efficiency over recent years without needing heavy-handed regulatory intervention.</p> <p>A report¹⁶ prepared by Professor Brian Dollery (the Dollery report) calculated expenditure per household (as a proxy for council efficiency) and found that the expenditure per capita of</p>	Participation in the BRPG, utilisation of digital technology, participation in the LGPEP, ongoing Management focus to identify cost savings and review processes and procedures to facilitate efficiencies in delivery of services.

¹⁵ <https://www.lga.sa.gov.au/localgovernmentreform>

¹⁶ An Empirical Assessment of the Impact of Rate-Pegging on South Australian Local Government



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	<p>SA councils fell between 2013 and 2016 - indicating an increase in efficiency for these councils on average.</p> <p>Possible examples may include:</p> <p>(+ve)</p> <ul style="list-style-type: none"> • continuous improvement programs • shared services • alliance/group procurement (aggregation between neighbouring councils) • LGA Procurement Panels • LGA Mutual Liability Scheme • Financial Sustainability Program • LGR&D Scheme • LGR&D Scheme projects. <p>(-ve)</p> <ul style="list-style-type: none"> • there is evidence from interstate that Rate Capping/Pegging has not worked, the Dollery report found that average expenditure per household was higher in NSW (where rate capping has been in place for a number of decades) suggesting that rate-capping has not created superior performance in terms of the efficiency of NSW councils. 	
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Appendix 1 – List of SA Councils by ACLG classification

UCC=Capital City; UDS-UDV = Metropolitan (Small to Very Large); URS-URV = Regional (Small to Very Large); UFS-UFV = Fringe (Small to Very Large); RAS-RAV = Rural (Small to Very Large)

Adelaide	UCC	Port Augusta	URS
Adelaide Hills	UFM	Port Lincoln	URS
Adelaide Plains	RAL	Port Pirie	RAV
Alexandrina	UFS	Prospect	UDS
Barossa	UFS	Renmark Paringa	RAL
Barunga West	RAM	Robe	RAS
Berri Barmera	RAV	Roxby Downs	URS
Burnside	UDM	Salisbury	UDV
Campbelltown	UDM	Southern Mallee	RAM
Ceduna	RAM	Streaky Bay	RAM
Charles Sturt	UDL	Tatiara	RAL
Clare & Gilbert Valleys	RAL	Tea Tree Gully	UDL
Cleve	RAS	Tumby Bay	RAM
Cooper Pedy	URS	Unley	UDM
Coorong	RAL	Victor Harbor	URS
Copper Coast	RAV	Wakefield	RAL
Elliston	RAS	Walkerville	UDS
Flinders Ranges	RAS	Wattle Range	RAV
Franklin Harbour	RAS	West Torrens	UDM
Gawler	UFS	Whyalla	URS
Goyder	RAM	Wudinna	RAS
Grant	RAL	Yankalilla	RAL
Holdfast Bay	UDM	Yorke Peninsula	RAV
Kangaroo Island	RAM		
Karoonda East Murray	RAS		
Kimba	RAS		
Kingston	RAM		
Light	RAV		
Lower Eyre Peninsula	RAL		
Loxton Waikerie	RAV		
Marion	UDL		
Mid Murray	RAL		
Mitcham	UDM		
Mount Barker	URM		
Mount Gambier	URS		
Mount Remarkable	RAM		
Murray Bridge	URS		
Naracoorte Lucindale	RAL		
Northern Areas	RAM		
Norwood, Payneham & St Peters	UDM		
Onkaparinga	UFV		
Orroroo Carrieton	RAS		
Peterborough	RAS		
Playford	UFL		
Port Adelaide Enfield	UDV		

Appendix 2 – Environmental scan of research/data relating to financial management and cost pressures in South Australian councils

Local Government Grants Commission

https://dpti.sa.gov.au/local_govt/LGGC

The main function of the South Australian Local Government Grants Commission (the Commission) is to make recommendations to the Minister for Local Government on the distribution of untied Commonwealth Financial Assistance Grants (FAGs) to councils in South Australia.

The Commission collects data from South Australian councils via an annual General Information Return (GIR). This data is used in the calculation of FAGs to councils and in the provision of reports to councils and other organisations seeking information on the activities of councils.

The Commission's Database Reports contain information including data from annual financial statements and supplements to those statements dating back to 1995-96. Other data maintained by the Commission includes:

- Rates information;
- Estimated Resident Population;
- Council Area Data;
- Valuation Data;
- Council Employee Data;
- Road Length Data;
- Health Inspection Data;
- Development Application Data;
- Waste Management Data;
- Environmental Management Data;
- Subsidiary Data; and other data collected from Commonwealth and State Government agencies.

Data collected by the Commission in a Supplementary Return is reconciled with Audited Financial Statements for accuracy. Data provided in the General Information Return is checked against the previous year's data for variations before being loaded into the Commission's database and reconciled for accuracy.

Among other considerations, the Commission refer to two indices within their methodology for distributing grants:

SEIFA Index

The Socio-Economic Index's for Areas. This index is published by the Australian Bureau of Statistics and is used by the Commission to make adjustments to its revenue component assessment based on its residents capacity to pay.

Cost Relativity Index

Cost Relativity Indices (CRIs) are a measure of a council's relative advantage or disadvantage as compared to other councils providing similar services or functions. They measure the degree to which a council's costs for each function might be expected to exceed (or be less) than the average or standard cost because of factors outside the council's control. This recognises that there may be other factors beyond a council's control which require it to spend more (or less) per unit of measure than the State average.

Local Government Price Index

<https://www.adelaide.edu.au/saces/economy/lgpi/>

The LGASA engages the University of Adelaide's South Australian Centre for Economic Studies to develop the Local Government Price Index (LGPI) as an independent and reliable measure of price movements faced by local government in South Australia.

The LGPI measures price movements faced by South Australian councils in respect of their purchases of goods and services.

As the mix of goods and services purchased by councils is quite different from that typically consumed by households, overall price movements faced councils may differ markedly from those faced by households. Overall price movements indicated by the Consumer Price Index (CPI) - which measures changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by metropolitan households - may therefore not accurately reflect price movements faced by Local Councils.

In technical terms, the LGPI is a chained Laspeyres price index which represents an arithmetic average of the pure price change of items based on expenditure patterns on the Previous Year. Annual council expenditure data provided by the Local Government Grants Commission (LGGC) is used to produce expenditure weights. These weights are then combined with select ABS price indexes (i.e. select Consumer Price Indexes and Producer Price Indexes for Adelaide and Australia) to determine the indexes contribution to a total recurrent expenditure LGPI, a total capital expenditure LGPI, and a total expenditure LGPI.

Is it important to note that the ABS price indexes used in the model are estimates, based on a sample of goods and services from a sample of retailers, wholesalers and employing organisations. Therefore, the Local Government Price Indexes which are calculated using ABS price indexes are also estimates.

The LGPI considers expenditure weights on the following:

Recurrent expenditures

- | | |
|--|--|
| • Employee costs | • Printing, publishing and advertising |
| • Waste management machinery and equipment leasing | • Motor vehicle parts |
| • Waste management contracts | • Motor vehicle repairs and servicing |
| • Other plant and equipment leasing | • Automotive fuel |
| • Other operating contracts | • Electricity |
| • Legal and accounting services | • Gas |
| • Office and building cleaning services | • Water and sewerage |
| • Other business services | • Road, footpath, kerbing, bridge and drain building materials |
| • Insurance | • Other building and construction materials |
| • Telecommunications and internet services | • Office supplies |

Capital expenditures

- | | |
|--|--|
| • Buildings (non-dwelling) | • Plant and equipment - furniture etc |
| • Construction works - road, drains, footpaths, kerbing, bridges | • Information technology (hardware and software) |
| • Construction works - other | |
| • Plant and equipment - machinery etc | |

Council strategies and plans

Councils across South Australia provide hundreds of services, programs and facilities for the benefit and enjoyment of their communities. These include traditional local government services such as roads, waste collection and libraries; but also include other vital community services and facilities such as street lighting, jetties, graffiti prevention and removal and sporting facilities.

Like each community, each council is different. The types and level of services provided by each council are set in consultation with the local community each year and subject to ongoing review.

Information relevant to the financial management and planning process can be found in individual council's strategic plans, such as:

- Council Strategic Plan
- Annual Business Plan and Budget
- Asset Management Plan
- Long Term Financial Management Plan

In broad terms, these plans outline the core activities and services that councils have a statutory responsibility to provide; the discretionary services and value added activities that are expected by the community; and the new assets, significant upgrades and capital projects required to meet the demands of growth.

These report and plans identify the various factors that may impact on an individual council's costs, ranging from:

- communities choosing more and better services;
- accounting for and maintaining important infrastructure;
- the impact of falling government grants and cost shifting;
- limits on other revenue sources including user pays fees; and
- different issues in each council area such as repairing flood damaged roads or responding to other natural disasters or extreme events.

Other research, reports, submissions and inquiries

Independent Inquiry into Financial Sustainability of Local Government, 2005

The Inquiry's report¹⁷ found that South Australian councils were putting community needs and demands for services ahead of their own financial sustainability and that this could not continue. The Inquiry also found that Councils had very low indebtedness but extraordinarily large amounts of community infrastructure which was slowly decaying without the level of maintenance and renewal funding it deserved.

The Inquiry's independent board expressed the view that Local Government was capable of, and should, address its own challenges. All of its recommendations were directed to Councils individually or collectively, or to the LGA.

In response, the LGA, with the support of Councils, subsequently embarked on a comprehensive *Financial Sustainability Program*¹⁸ to implement the Inquiry's recommendations and support improved Council performance.

¹⁷ https://www.lga.sa.gov.au/webdata/resources/files/Financially_Sustainable_LG_-_Rising_to_the_Challenge_-_Volume_1_-_Final_Report_2005.pdf

¹⁸ <https://www.lga.sa.gov.au/page.aspx?u=6582>

SA Local Government Sector Financial Indicators Report

<https://www.lga.sa.gov.au/webdata/resources/files/2018%20Financial%20Indicators%20Report.pdf>

In order to provide an understanding of the current financial position of the local government sector in South Australia, the LGA undertakes analysis of the most recent SA Local Government Grants Commission Database Reports. This report is provided annually to the LGA Annual General Meeting.

South Australian Parliament's Economic and Finance Committee

In 2015, the South Australian Parliament's Economic and Finance Committee undertook an inquiry into local government rate capping policies.

A copy of the LGA's submission¹⁹, and the Economic and Finance Committee's Final Report²⁰ contain information, findings and recommendations relevant to financial management in the local government sector.

LGA issues paper: Cost Shifting

https://www.lga.sa.gov.au/webdata/resources/files/2018_LGA_StateBudgetSubmission_SR_V5_LR.pdf

LGA Budget Submission 2018-19

https://www.lga.sa.gov.au/webdata/resources/files/2018_LGA_StateBudgetSubmission_SR_V5_LR.pdf

The LGASA's 2018-19 State Budget Submission includes an overview of cost shifting issues impacting on South Australian local councils.

Review of potential long-run impact of postponement of rates by eligible ratepayers

<https://www.lga.sa.gov.au/page.aspx?u=7306&t=uList&ulistId=0&c=62446>

Rating equity for commercial and or industrial land uses outside towns

<https://legatus.sa.gov.au/wp-content/uploads/2018/11/Final-Report-Rating-Equity-for-Commercial-Industrial-Land-Uses-Outside-Towns-in-SA-1.pdf>

Interstate reports and research

NSW Cost Shifting

https://www.lgnsf.org.au/files/imce-uploads/206/Cost_Shifting_Summary.pdf

The LGNSW cost shifting survey is undertaken every two years to monitor, measure and report on the extent of cost shifting onto local government in NSW. LGNSW uses the data to highlight the adverse consequences government regulation can have at the community level, when impacts on local government are not fully considered.

Victoria Parliamentary Inquiry into Rate Capping

<https://www.parliament.vic.gov.au/epc/article/2644>

Between 2016 and 2018, the Victorian Parliament's Environment and Planning Committee undertook an Inquiry into the Rate Capping Policy. The Committee's website has details of the inquiry, including terms of reference, submissions, hearings and transcripts and Committee reports.

¹⁹ <http://www.lga.sa.gov.au/webdata/resources/files/Economic%20and%20Finance%20Committee%20Inquiry%20LGA%20Submission.pdf>

²⁰ <http://www.lga.sa.gov.au/webdata/resources/files/Local%20Government%20Rate%20Capping%20Policies%20Inquiry%20-%20Final%20Report.pdf>

Appendix 3 – Information paper on technical terms in methodology paper



Response to Productivity Commission South Australia Proposed Methodology for Measuring the Efficiency of Local Governments Using Data Envelopment Analysis

Data envelopment analysis is a sophisticated and robust tool for measuring relative technical efficiency. It has a strong scholarly pedigree and has been used many times for decision-making in Australian local government. However, the work proposed by the South Australian Productivity Commission, as detailed in their report, has some important limitations that should be addressed. Not least, among the limitations, is that the proposed work really only replicates part of the work already done in the South Australian context by Drew (2018) under a grant from the Local Government Research and Development Fund. To get any new value from the proposed exercise, changes will need to be made to the current plan.

An Explanation of Data Envelopment Analysis

Data Envelopment Analysis (DEA) is a mathematical way of estimating relative technical efficiency. In economics, it is important to be very precise with one's language because particular terms have very specific meanings. Relative technical efficiency is a measure of the relative success of a decision-making unit (DMU – in our case the local governments in South Australia) in producing a given set of outputs for the least amount of inputs. It is relative because comparisons can only be made between councils which have been analysed in a particular DEA (that is, if one can say two DEAs, with either different councils or different years of data, then it would not be correct to make comparisons between the efficiency scores generated by each DEA). Inputs are the things that go into the production process (staff and money (operational expenditure to be precise)), and outputs are what is produced (roads, parks, development applications etc.).

DEA is a very common technique in the scholarly literature (see the reference list at the end of this report) and it has also been applied previously in relation to local government in the context of Victoria (ESC 2017), NSW (various studies by Drew (2014–16) for groups of councils during the amalgamation program), and South Australia¹. It is by no means a new technique – it was developed in 1978 by Rhodes and is based on the work of Farrell (1957). There is little doubt that DEA is the best empirical technique for estimating relative technical efficiency.

DEA is essentially an extension of simple output-input ratios (for example, one output divided by one input) that many jurisdictions already use (such as operational expenditure per household (Victoria), or operational expenditure per person (NSW)). These simple ratios (or partial efficiency measures) are easy for people to understand (hence their popularity), but they do have a number of inherent problems. For instance, operational expenditure per household implausibly assumes the following:

- That all types of households (urban and rural) receive the same services
- That councils do not provide services to business (or that the number of businesses are related to the number of households)
- That the length of roads (the single largest expenditure for local government) is closely linked to the number of assessments (the opposite is actually true).

DEA extends these partial measures by allowing for multiple inputs and outputs. This allows us to better approximate the actual production process for local government. For instance, the one input of operational expenditure can be expanded to include both staff and operational expenditure (which is important because different mixes of staff and money are likely to have a big effect on technical efficiency – for example, when services such as waste are outsourced). The capacity to deal with multiple outputs is even more important – instead of just

¹ Drew, 2018.



having households, in DEA we can expand the number of outputs to include the different types of rateable properties, which attract different services (households, farms, and businesses). Moreover, with an expanded capacity we can also include big expenditure items, such as roads (which as we will see later should be disaggregated into sealed and unsealed roads).

Unfortunately though, whilst DEA is able to accommodate considerably more inputs and outputs (than ratio analysis) there is a limit to how many can be included (referred to as Nunamaker's rule – see Glossary). Because we cannot include every single thing that councils produce (we probably couldn't measure everything anyhow), we use proxies. Proxies are data that represent one or more other 'real' pieces of data. For instance, we have so far discussed using the number of households as a proxy for services provided to residents, and would use length of council roads² to proxy actual maintenance on council roads. Proxies clearly aren't perfect, but are nevertheless invariably used in economics for pragmatic reasons.

The inputs and outputs that we ultimately use in a DEA are referred to as the model specification. One way of deciding on a suitable model specification is to look at precedent from the literature (this is what the Productivity Commission largely does). However, this can be problematic when different jurisdictions are referred to (as they might have different production functions or different data availability). Another, and better way, is to consider actual practice: To think about the main inputs and outputs actually used. The best specification for South Australia is³:

Inputs = Staff Expenditure + Other Expenditure

Outputs = No. Businesses + No. Households + No. Farms + Length of sealed roads (km) + Length of unsealed roads (km)

Note: Because different road surfaces are associated with different costs and types of councils, disaggregation is very important.

DEA uses a mathematical technique called linear programming (see Glossary) to find the best solution for the various output-input combinations, from a large number of feasible solutions. It doesn't simply add all of the inputs together and all of the outputs together, but rather applies variable weights to each.

The best way to understand DEA is through use of a graph⁴.

In Figure 1 we see a two-input, one-output graph of a DEA (simplified for understanding) in which there are just four councils (A-D). The two ratios for each of the councils would have been calculated by a computer and then plotted on the graph. Councils D, B and C have the best ratio of inputs to outputs and can be enveloped by the dark line. All of these councils are deemed to be perfectly technically efficient and are assigned a score of 1. These three councils are often referred to as the 'efficient peers' and the curve called the efficient frontier. Council A lies in the interior of the curve, because it is relatively inefficient. By measuring the distance from OA and comparing to the closest relevant peer (B, given by the line OB) we can work out precisely the relative technical efficiency of council A. This will be a number between 0 (perfectly inefficient) and 1 (perfectly efficient). All of this is automatically worked out by the computer (one linear program must be calculated for each DMU so the whole process takes some time and results in hundreds of thousands of calculations). All the end-user needs to know is the technical efficiency score – which lies between 0 and 1. Often these scores are multiplied by 100 so that they can be thought of in terms of percentage efficiency (for example, 0.87 is 87% efficient relative to the peer council, which in an input orientation means they should be able to produce the same level of outputs with roughly 13% less inputs (staff or capital).

² One of the great benefits of DEA is that (unlike other techniques) financial (\$) and non-financial (for example, kilometres of roads) data can both be used in the calculations.

³ Drew, 2018.

⁴ For mathematical formula and derivations see Cooper et al., 2007.

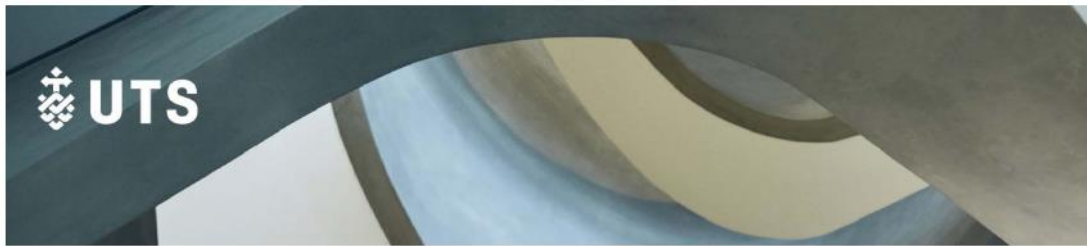
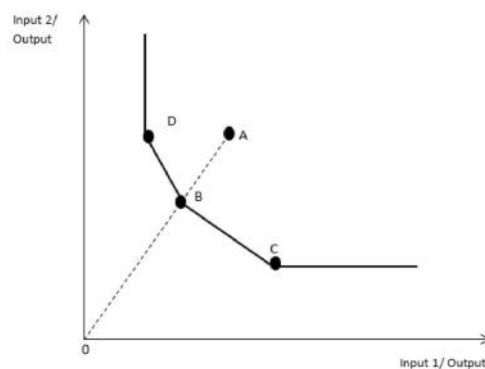


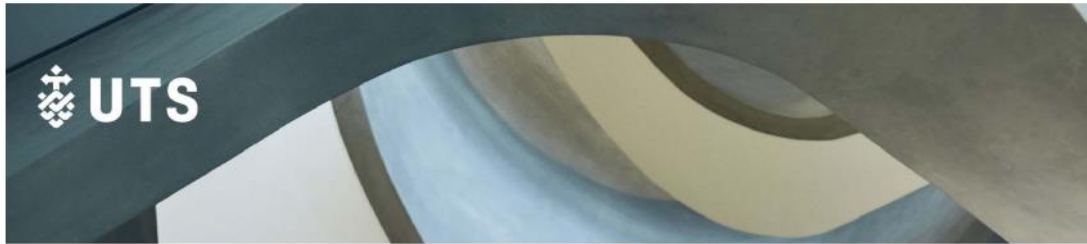
Figure 1. Input-Orientated DEA



Extensions of the basic model

- What has been described so far is the basic model (to be precise a constant returns to scale (CRS); means we don't do anything to control for council size) input-orientated (means we are trying to work out how much inputs could be reduced by) cross-section (means just one year) DEA. To this basic model can be added a large number of bells and whistles. The most important ones are:
- Variable Returns to Scale (VRS). An additional equation is inserted into the linear program to ensure that councils are only benchmarked against councils of a similar size. This is often a critical thing to do when comparing councils.
- Super-Efficiency. An additional constraint is introduced to prevent councils on the efficient frontier from being benchmarked to themselves. Allows exceptionally well performing councils to receive a score above 1 and is important, for technical reasons, if a second stage regression is later conducted.
- Second stage regressions (to identify what contributes to efficiency or to adjust efficiency scores for the operating environment). Without doing this the exercise sheds little light on the determinants of efficiency. Because of an implied lower bound (efficiency scores cannot be less than 0), it is often argued that Tobit regression should be used.
- Bootstrapping. This is a probabilistic re-sampling process that is usually done for all the wrong reasons. It is only applicable when one has a mere sample of councils. For a DEA of all SA councils bootstrapping would introduce avoidable bias into the results.
- Log DEA. Is considered to be helpful when there are relatively few councils, or when there are outliers (very unusual data) present.
- Stratification. When there are very different types of councils in evidence then it *may* be useful to stratify (separate into different groups for analysis). However, one needs to be mindful to retain enough councils to yield robust results (too few councils destroys the discriminatory power of DEA). Moreover, if second stage regression is used then stratification largely becomes redundant (a categorical variable can be employed for strata).

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- Intertemporal DEA. This allows one to make comparisons over time. The most robust and useful comparison that can ever be made is between a council and itself over time. Therefore, to yield useful information for decision-making purposes, local intertemporal DEA (with a window of two years) is indicated.

Limitations of proposed methodology

Most limitations can be mitigated through careful design. Below is a list of major limitations and a brief account of how to deal with them:

- Differences in quality between local governments. This issue needs to be addressed by either employing data from a state-wide citizen satisfaction survey, or by relying instead on a comparison of councils against themselves over time (local intertemporal DEA).
- Use of proxies. Proxies are far from perfect (but are required for technical reasons), and require the need for second stage regression.
- Sensitivity to outliers. A well-known problem that can be mitigated through techniques such as log DEA.
- Small numbers of councils. When small numbers of DMUs are used, relatively more councils end up on the efficiency frontier and the discriminatory power of DEA is wasted. In addition, unrealistic weights often result. Two categories of councils is the maximum that could be used if robust results are desired.
- The SAPC proposed work only replicates part of what is already available⁵. For additional value to be gained, additional analyses must be conducted. In addition, there is a strong case for local intertemporal DEA to be conducted and reported to councils on an annual basis for use in decision-making.

Glossary

Efficiency: There are three main types of efficiency recognised by economists. Technical, or X-efficiency, refers to the best use of inputs to produce a set of outputs. Technical efficiency is constrained by the operating environment of a council, including its ability to dispose of inputs.

Allocative efficiency relates to the appropriate selection of inputs such that wants can be satisfied. Allocative efficiency is largely dealt with in the political process.

Dynamic efficiency refers to the improvement of technical efficiency over time as a result of technology, training and diffusion of best practice. Currently the SA Productivity Commission only proposes to analyse relative technical efficiency.

Nunamaker's Rule: A well-known constraint on DEA which prescribes that the sum of inputs and outputs can be no greater than a third of the number of councils (if the seven proposed inputs and outputs are used then categories of councils can be no smaller than 21).

Proxies: Used in place of actual data due to problems measuring variables or technical limitations (such as Nunamaker's rule). Nearly all economic empirical work makes use of proxies (as do a lot of theories) because the real world is too complex to measure and model.

Linear programming: A mathematical technique used when there are constraints placed on the value that certain variables may take in a given function (algebraic equation). Essentially, the constraints map an area on a graph that

⁵ Drew, 2018.



contains many feasible solutions. The best solutions (minimum values that satisfy the function) in an open region are usually to be found in the corners of the mapped area (if they exist at all).

Quality: Different councils produce different quality of goods and services. For example, a reinforced concrete road is generally considered superior to an unsealed road. Sometimes quality can be controlled for (for instance by disaggregating roads into sealed and unsealed surfaces like we suggest). Other times this is very difficult, which presents problems because generally higher quality costs more (so in the absence of controls higher quality services may be deemed to be relatively less technically efficient). In states such as Victoria where there is a long dataset of citizen satisfaction data this should be used as a proxy to control for quality in second stage regressions. Where quality controls are not possible, then the most defensible thing is to measure efficiency of a council against itself over time (under the assumption that quality, for a given council, is pretty constant from year to year).

Outliers: These are unusual data points (the technical definition is values greater than the third quartile plus 1.5 times the inter-quartile range). Usually, values like this stand out from the crowd. It is likely that capital city and very remote councils will have outlier data. The typical solution employed by economists is to take the natural log of the data (which reduces the value of all data and hence decreases the relative disparity between data points).

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UTS CRICOS 00099F



Draft Report

Inquiry into Local Government Costs and Efficiency

30 August 2019

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An appropriate citation for this publication is:

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

Preface

The release of this draft report gives interested parties the opportunity to comment on the Commission's analysis in relation to its inquiry into local government costs and efficiency.

The Commission will consider comments received prior to developing and presenting its final report to government.

In preparing this draft report, the Commission invited public submissions and consulted widely with a range of individuals, businesses, organisations and government agencies.

The Commission invites further written submissions on the draft report. These submissions may address any of the issues covered by the terms of reference. The Commission will hold further consultations as necessary, to gather further evidence and hear views on the draft report.

At the conclusion of consultation on the draft report, the Commission will prepare a final report to be presented to the Government of South Australia on 22 November 2019.

The Commission looks forward to receiving feedback on the draft report.

We would like to thank all those who have participated in this inquiry to date which includes state government departments, local government associations, councils, professional bodies, academics and the public.

In addition, we would like to acknowledge and thank the Office of the South Australian Productivity Commission staff for their work in researching and preparing this draft report.

Dr Matthew Butlin
CHAIR AND CHIEF EXECUTIVE

Jeff Tate
COMMISSIONER

Prof Christopher Findlay
COMMISSIONER

Date 30 August 2019

About the South Australian Productivity Commission

The Commission provides the South Australian Government with independent advice on facilitating productivity growth, unlocking new economic opportunities, supporting job creation and removing existing regulatory barriers.

The Premier and Cabinet Circular PC046 sets out the objectives and functions of the Commission; how inquiries are referred to the Commission, undertaken and reported on; and how the Commission and public sector agencies work together.

The Commission was established to assist the government to:

- i. improve the rate of economic growth and the productivity of the South Australian economy in order to achieve higher living standards for South Australians;
- ii. improve the accessibility, efficiency and quality of services delivered or funded by government;
- iii. improve South Australia's competitiveness for private sector investment;
- iv. reduce the cost of regulation;
- v. facilitate structural economic changes while minimising the social and economic hardship that may result from those changes;
- vi. take into account the interests of industries, employees, consumers and the community;
- vii. increase employment;
- viii. promote regional development; and
- ix. develop South Australia in a way that is ecologically sustainable.

The Commission is supported by the Office of the South Australian Productivity Commission (OSAPC). The Chair of the Commission also serves as the Chief Executive of the OSAPC.

For more information on the Commission, including Premier and Cabinet Circular PC046, visit the website at www.sapc.sa.gov.au.

Disclosure

The Commissioners have declared to the South Australian Government all personal interests that could have a bearing on current and future work. The Commissioners confirm their belief that they have no personal conflicts in regard to this inquiry.

Terms of Reference

SOUTH AUSTRALIAN PRODUCTIVITY COMMISSION INQUIRY INTO LOCAL GOVERNMENT COSTS AND EFFICIENCY

I, Steven Marshall, Premier, hereby request that the South Australian Productivity Commission (the Commission) undertake an inquiry into local government costs and efficiency.

Background

The South Australian Government is concerned that the rising cost of living has put undue pressure on South Australian households and businesses. Every level of government has a duty to ensure service delivery is as efficient and effective as possible to contain costs to taxpayers and ratepayers and ease cost of living pressures.

South Australian councils collectively manage a budget of \$2 billion and maintain infrastructure and other physical assets worth almost \$23 billion. Effective local government can be the mainstay of a strong community. It is responsible for aspects of everyday life from roads and infrastructure, to well-maintained libraries and community services.

Consequently, sustaining good financial and performance management practices and seeking to continually enhance productivity and efficiency are critical factors for councils as they aim to continue to improve the services they provide to their local community.

Improved performance monitoring by councils, combined with meaningful data analysis and reporting, will improve public accountability as well as provide evidence and opportunities for councils and the South Australian Government to drive and support continuous improvement. Further, effective performance reporting by councils is essential for ensuring accountability to residents and ratepayers as to how public money is being spent and the quality of services delivered.

An SAPC public inquiry process would enable full engagement with local councils and other stakeholders, as well as providing to both local and state governments some independent and objective analysis and advice on the issue of local government costs.

Terms of Reference

The Minister for Local Government has developed a 12-month plan for local government reform to improve council efficiency and effectiveness and restore confidence in council decision making. The reform elements address:

- Stronger council member capacity and better conduct
- Efficient and transparent local government representation
- Lowering costs and enhanced financial accountability in the local government sector
- Simpler regulation.

The South Australian Government is seeking independent advice on the third element regarding cost and financial accountability. This requires consideration of the key determinants of costs, or "cost drivers" of local council budgets; options to lower council costs; and how to ensure lower costs flow through to ratepayers.

Any interpretation of changes in local government costs, or comparisons between councils, would need to be able to take account of the impacts of factors likely to affect costs such as

council size/scale, quality standard and mix of services provided, size of population and geographical area served and urban versus outer metro versus rural and remote locations.

Scope

The Commission is asked to consider and report on the following matters regarding local government costs and efficiency:

1. Analysis of the information on local government costs and the key drivers of costs including:
 - Identify trends in local government activities and costs of local government operations
 - Identify the drivers of local government costs and assess their impacts.
2. Develop and analyse measures of local government efficiency and productivity.
3. Identify mechanisms and indicators that could be used by the local government sector to measure and improve performance over time.
4. Consider recent reforms in South Australia and other jurisdictions to policy, governance and management practices in the local government sector and their potential to improve council performance.
5. Provide advice on possible options to guide and assist councils to improve efficiency and create capacity to pass on cost reductions to rate payers.
6. Provide recommendations on actions by the South Australian Government to lower local government costs and enhance local government financial accountability.

In its consideration of the above matters, the Commission is expected to have regard to the changing service expectations of communities and the long-term financial sustainability of councils.

Inquiry Process

The Commission will consult local government and other key stakeholders on the methodology to be used for its analysis.

The Commission is to publish a draft report and seek submissions before presenting a final report to the Government.

The Commission will second and/or engage staff with required analytical expertise and knowledge of the local government sector for the period of the inquiry.

The inquiry will involve state-wide consultation with Councils, community groups and relevant professionals in the public, private and professional bodies as part of the public engagement process.

Key dates:

Draft report	30 August 2019
Submissions on draft report	25 October 2019
Final report	22 November 2019

Hon Steven Marshall MP
PREMIER OF SOUTH AUSTRALIA

13/05/2019

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Key Messages

The Commission's task is to: analyse local government's cost base and its drivers; analyse efficiency and productivity; provide advice to councils on improving efficiency and creating capacity to pass on cost reductions to rate payers; and provide recommendations on actions by the government to cut local government costs and enhance its financial accountability.

Local government is the level of government closest to neighbourhoods and regions and its performance is important in terms of the human and economic services it provides to their communities. There has been a long history of reforms in South Australia and in other jurisdictions that have broadened the discretionary power of councils to perform a range of functions. The Commission notes that the financial reforms initiated by the state's local government sector, some of which were incorporated into the *Local Government Act 1999*, have strengthened council financial performance.

Councils have varying degrees of control over factors that influence their costs. Some costs are the result of mandates by the state government. The price paid for labour and other inputs are influenced by industrial relations arrangements at the council level and procurement practices respectively. Councils have a good deal more control over the scale, scope and quality of non-mandated services and over productivity and efficiency levels through choice of technology and business processes.

Evidence has been gathered from consultations, submissions and the Commission's own analyses. The Commission has found a diverse range of service reviews and efficiency reform projects by various councils. Some projects have resulted in sizable and quantified improvements to council efficiency. Councils also participate in formal and informal resource sharing arrangements. That said, the evidence also indicates that few sector-wide management or work practice reforms have been undertaken.

The Commission's analysis of the detailed cost information from the South Australian Local Government Grants Commission and other sources shows:

- while total operating expenditure for the sector grew faster than inflation over the decade to 2017-18, the experience of councils varied widely. Growth in population and property numbers, while slow, is likely to have caused some increase in the volume of services demanded (except for small and medium rural councils);
- responsibilities (such as roads and waste collection) mandated by the State accounts for nearly half (46 per cent) of overall total operating expenditure, and nearly 60 per cent for rural councils;
- while total operating expenditure has grown, the shares between mandated and non-mandated expenditure have remained relatively fixed over the decade;
- the principal areas of total council operating costs in 2017-18 were employee costs (35 per cent), materials and other costs (41 per cent) and depreciation (23 per cent);
- total unit employee costs – a proxy for a council wage rate – grew faster than average earnings in South Australia over the decade to 2017-18. The Commission heard a wide range of views from the sector about industrial relations arrangements and will look further into this matter; and
- while the four largest service categories – transport, recreation, other environment and waste management – account for more than half of total council operating expenditure, the mix of services has not changed appreciably over the last seven years.

The Commission employed several methods to understand council efficiency and productivity, drawing on estimation techniques based on all inputs and outputs, partial productivity measures, case studies from councils and submissions. No single method is sufficient; together they suggest the following conclusions:

- South Australian councils, with a small number of exceptions, appear to achieve reasonably high levels of relative efficiency when compared with each other;
- there are outliers, but in those cases, there are local circumstances which contribute to the results;
- that said, the case studies show that councils with apparently high levels of measured relative efficiency can still achieve further significant improvement;
- estimates of productivity growth have been challenged by problems in measuring outputs: the Commission is inclined to attribute an apparent reduction in productivity to technical issues of capturing changes in the scope, quality and quantity of services provided by councils in output measures. Over this period there have also been changes in mandated services although the Commission has not yet been able to capture their impact; and
- detailed benchmarking has been used successfully by some groups of councils to target cost and efficiency opportunities within selected services.

Having considered all the evidence to date, the Commission concludes that understanding council efficiency and productivity is an important starting point in improving business processes and management decisions aimed at improving efficiency across the local government sector. Access to timely, reliable and comparable information on council performance can assist or provide the basis for continuous improvement programs at the council level. However, a measurable sector-wide increase in efficiency in the short to medium term is very unlikely if it relies on voluntary initiatives alone.

The Commission's draft recommendation to the South Australian Government contains two sets of proposed actions:

- to fill critical information gaps and promote the adoption of common approaches to performance measurement that provide the basis for comparisons to drive change, working in conjunction with the sector;
- to examine and ameliorate the impact its mandates have on council efficiency and to clarify the scope of the activities of local governments. There are short-, medium- and long-term actions.

The Commission also seeks advice on a third area of possible options for state government action to strengthen service review processes by councils. The Commission's suggested draft advice to councils addresses three elements:

- as a sector, facilitate in depth performance benchmarking through a community of practice, assisting benchmarking among groups of councils and regularly undertaking a sector-wide analysis of efficiency measures;
- prioritise, in any systems upgrade, a focus on improving information for planning, monitoring and managing performance; and
- enhance the transparency and accountability of their operations.

The final report is due to the Premier by Friday, 22 November 2019.

Executive Summary

1. The task

The Commission's task is to

- understand the cost base and cost drivers of councils in South Australia;
- develop and analyse measures of local government efficiency;
- identify mechanisms and indicators for use by local government over time to improve efficiency;
- provide advice on possible options to guide and assist councils to improve efficiency and create capacity to pass on cost reductions; and
- provide recommendations to the South Australian Government on actions to lower local government costs and enhance local government financial accountability.

In doing this task, the Commission is to have regard to:

- the changing service expectations of communities and the long-term financial sustainability of councils;
- recent reforms in South Australia and other jurisdictions to policy, governance and management practices in local government and their potential to improve council performance; and
- the government's direction that the Commission's advice will provide input to one of the four elements of the South Australian Government's plan for reforming local government in South Australia, comprising:
 - stronger council member capacity and better conduct
 - efficient and transparent local government representation
 - lowering costs and enhanced financial accountability in the local government sector (to which this inquiry is contributing independent advice regarding determinants of costs, options to lower council costs and how to ensure lower costs flow through to ratepayers)
 - simpler regulation.

2. Framing the Commission's approach

The Commission's work is directed towards identifying advice and recommendations that help to frame and inform decision making over time by councils in order to:

- respond to the preferences in their communities, with respect to both current and future generations, especially regarding the scope and quality of Council services,
- capture efficiency dividends from better use of council resources, including the services from council assets; and
- demonstrate accountability, by reporting on performance and expenditure, and financial sustainability.

The Commission's focus is on expenditure and on the opportunities to realise greater efficiency. Doing so provides a dividend that councils may at their discretion, and subject to financial sustainability, use to:

- reduce the rate of growth in local government rates; and/or
- increase the scope, volume and quality of services they provide.

Evidence from submissions is that efficiency dividends currently are mostly applied to extensions of service delivery, but it is important to consider the alternative of reducing rate increases.

The drivers of revenue, including the setting of rates, are outside the Commission's terms of reference, except to the extent that revenue sources are tied, that is, when they carry an obligation to be spent on specific programs, services or assets.

3. Costs: trends and drivers

Analysis of data provided to the Commission finds that the expenditure of councils has been increasing at a rate faster than indicators of the changes in prices which are relevant to councils. Total operating expenses by all councils rose, on average, by 4.2 percent per annum between 2008-09 and 2017-18. In comparison, the consumer price index (CPI) rose by 2.1 per cent and the local government price index (LGPI) by 2.6 per cent per annum.

In other words, real expenditure has been rising. The Commission has considered several drivers of this outcome, including the choices that councils make about their outputs, the procurement of their inputs, and the legislative framework in which they operate. This has also led to an examination of the efficiency with which they operate and the scope for improvements in efficiency over time.

Outputs

Scope, quantity and quality

The range of service councils provide, the volume of each and their quality levels are all drivers of expenditure.

Councils are expected to identify and reflect the interests of their citizens. According to section 6 of the *Local Government Act 1999* (LG Act), councils should 'act as a representative, informed and responsible decision-maker in the interests of its community'. Councils combine their capacity to do so with their knowledge of local conditions to solve problems of service provision. In the Commission's view, it is efficient for councils to deliver services for which they are best placed to make decisions, for the relevant community, about scope, volume and quality. This does not always require that councils be the service provider; they may choose to act as facilitator, regulator or coordinator. The Commission considers that it is inefficient for councils to be offering services which other levels of government, the not-for-profit or private sectors would provide, including services which generate benefits at state level or which extend across council areas.

Thereby councils, as the LG act expects, play a critical role in determining the quality of life of their local community.

Section 7 of the LG Act refers to several specific activities which councils can undertake. These include activities related to local area development, the environment of a region, local infrastructure and public areas. However the Act also permits a wide scope, referring to roles to 'provide for the welfare, well-being and interests of individuals and groups within its community', 'provide services and facilities that benefit its area, its ratepayers and residents, and visitors to its area', and 'establish or support organisations or programs that benefit people in its area or local government generally'. The act provides that a council should 'co-ordinate

various public services and facilities and develop its community and resources in a socially just and ecologically sustainable manner’.

Given this remit in the legislation, it is not surprising to see councils providing a wide range of services. According to submissions from councils the portfolio has widened, in part due to the requirement by the state government for additional functions to be performed, discussed further below. Such a widening in the scope of activities is not evident from an initial analysis of the SALGGC expenditure data divided into fourteen service categories. The Commission is continuing to work to find more data on the extent of this phenomenon and its significance.

With respect to volumes, some of these services are directly related to the characteristics of local government areas, such as the numbers of households and businesses, and the infrastructure, such as length of roads. However, these indicators have been relatively stable over the last decade. The Commission’s assessment is that these demographic or infrastructure factors have not been the most important drivers of rising real spending, although uneven population growth across the state may have contributed to observed differences in the growth and spending patterns among councils.

It is possible that the quality of services provided has increased significantly. The timeliness or frequency of the provision of services and the quality of the experience are linked to costs. Capacity for service provision is also linked to quality, since greater capacity leads to less congestion and easier access.¹ Indeed, there is anecdotal evidence of that in the submissions provided. However, the Commission has not been able to resolve the relative importance of quality changes, compared to other cost drivers, with the data available. It will be important to build the capability to resolve this matter.

Mandatory and non-mandatory functions

The act provides that councils ‘undertake other functions and activities conferred by or under an act’.² Councils have emphasised the impact on their expenditure of these instances, which the Commission refers to as mandated service delivery. Examples are the *Public Health Act 2011*, *Planning, Development and Infrastructure Act 2016* and the *Local Nuisance and Litter Control Act 2016*. The number of these examples has increased over time. These may be services which have wider benefits beyond the council’s own community (eg vermin control) but to which, given the capacity at its disposal, the council is an efficient contributor. In such cases, the council is the agent of the state government.

A key issue is the funding. In some cases, the mandate comes with its own funding, for example, development planning and assessment, where council fees and charges are also mandated, but argued to be set too low to enable councils to fully recover costs. Sometimes, funds are either not provided though the mandate changes, or the mandate has remained, but funding has been reduced or withdrawn. Submissions refer to these situations as ‘cost shifting’, since the higher-level government is observed to ‘shift’ costs to councils.

¹ It is useful for the sorts of services that councils provide to distinguish between the volume and the capacity. A library for example has a certain capacity to accommodate visitors, but the volume of library services depends on the level of its utilisation. Capacity is linked to quality, since greater capacity leads to less congestion and easier access. Costs will be related to both capacity and volume. There are also other elements of quality, related to the timeliness or frequency of the provision of services, and the quality of the experience, which are linked to costs.

² See section 7(k) of the *Local Government Act 1999*.

While noting there can be reasonable differences of opinion about what services a local government "should" provide, as distinct from what it may choose to provide, the Commission considers this to be a reasonable definition of "cost shifting". That said, the Commission considers the usage of the term 'cost shifting' in practice can be unhelpfully imprecise, particularly where it includes a choice by councils to accept tied funding. In such circumstances the Commission considers 'cost sharing', rather than cost shifting, is a more accurate description. The Commission is also persuaded that the term 'cost shifting' is entirely appropriate as a description of the state government vacating or reducing a previously agreed cost sharing arrangement (such as for funding libraries) and it accepts the evidence that this has occurred.

A related issue is the quality levels at which these mandated services are provided. Generally, the Commission finds that when a service is or becomes mandated there is generally no description associated with this mandate of the quality to which the service is expected to be provided. Councils then determine their own quality levels, and they may over time also decide to raise these levels of quality. These changes may have contributed to the growth of expenditure. Coordination of service quality levels between councils is important where the mandated service is generating wider benefits that run beyond the area of each council.

The Commission therefore considers it is important to draw a sharp distinction between functions and services that are

- at the sole discretion of the council (with the test being no other level of government has the authority to make the specific decision) – non-mandatory;
- mandated externally (including the form of the mandate) where the council has no discretion to refuse to provide the service (but may have discretion as to the standard to which it is delivered) - mandatory.

The Commission's assessment is that expenditure on these two broad categories in 2017-18 was divided roughly in half (54 per cent and 46 per cent respectively) and has been stable since 2011-12 (a period for which comparable data are available).

The Commission sees this distinction as central to the task of framing draft advice and draft recommendations to local government and the South Australian Government respectively with the purpose of enabling 'sound decision making', both in focusing on improving efficiency and on how the dividends are spent. It also notes that potential actions by the state government may assist councils to exercise their discretionary authority more effectively.

In saying this, the Commission accepts as a practical reality in some circumstances where councils are the decision maker, it may be very difficult to exercise the discretion to amend, reduce or remove services based upon historical decisions that some parts of the community value. Nonetheless, the fact remains this is a decision that only the council can make.

While councils have emphasised that this has been a major cost driver, the Commission has not been able to quantify the impact of cost shifting on expenditure to this point in the inquiry. Evidence from councils suggests that while it has some impact it is not the major driver of costs.

Several councils have argued that regulations set by other levels of government with which they must comply have added to their costs. Again, while it has not been possible to quantify

this impact the Commission has formed the view, based on submissions from councils to date, that compliance costs have not been a significant cost driver.

Inputs

Councils manage their workforce and capital assets in various forms to produce services. They also buy various goods and services from other providers. The prices paid for these inputs and the levels at which they are employed will be important drivers of costs. Expenditure on the major categories of input has grown at similar rates over the last decade.

Labour costs

Expenditure on employee costs account for almost half of council operating costs and has risen on average by 4.5 per cent a year from 2008-09-2017-18. This is despite employment in the local government sector rising on average by only 0.8 per cent a year over this period. Advice from councils indicates that a significant contributor to this cost rise appears to be wage growth through industrial arrangements particularly during the early part of this period. The Commission observes that the average increase in council wages has exceeded the rate of growth of wages elsewhere in the South Australian economy over the last decade.

Materials

Materials, contracts and other costs have similarly risen on average by 4 per cent a year over the last decade. This expenditure growth has been driven more by increases in the volume of inputs purchased than increases in the prices paid for them by councils. The growth may be explained in part by greater use of shared service arrangements, outsourcing or contracting out by councils. The Commission will examine this further.

Capital costs

Depreciation expense has grown on average by 4.5 per cent a year over the last decade – equalling the percentage rise in employee costs. This growth is largely explained by growth in the value of depreciable assets held by councils. The cost of financing capital expenditure has declined to a low level, reflecting councils low use of debt to finance capital expenditure.

4. Assessing efficiency

The way the various inputs are combined and coordinated determines the efficiency of service provision, and variations in efficiency will be an important driver of costs. For example, if it is possible to produce the same level of capacity and volume of a service but using few inputs, then efficiency improves, and costs fall.

Assessing efficiency is a difficult task. Estimates and conclusions depend on:

- data – quality, coverage and relevance;
- methodology, using approaches generally accepted;
- benchmarking;
- practical reality; and
- (ultimately) judgement.

The Commission aims for robustness through a balanced approach, taking care to assess the reliability and implications of evidence from every stream of analysis and evidence. Part of the

balance is to use the power of generalisation to draw out implications while using enough detail and context to confirm the validity of those conclusions.

While councils are diverse, they also form groups with common features, making cross-council comparisons useful both within and between those groups. The purpose of these comparisons is to:

- assist council staff and elected members to prioritise improvement, for which *highly detailed* benchmarking information is required;
- better inform the local community and assist councils to understand and balance the preferences of local communities with sustainability and other considerations, for which higher level information is more appropriate.³

Success in the application of a technique for assessing efficiency while making assessments across councils and across time depends on the available data. A method applied here is to use 'proxies' of council output levels (including the number of properties and the kilometres of roads) and to examine their relationship with expenditure. The experience of the top performers provides a level of relative potential against which others can be compared. This method does provide some conclusions, although with a low degree of confidence:

- a large number of councils have recorded a similar level of measured relative efficiency;
- comparisons can be made despite their diversity in geographical size, population density and other differences in possible cost drivers;
- the apparent outliers are explicable in terms of the unique circumstances of some council areas;
- an estimated fall in measured productivity in the local government sector over the last 10 years appears to be more likely the result of an expansion in the volume, scope and quality of services than a general decline in efficiency, although significant data and measurement issues make it difficult for the Commission to be definitive.

The method raises some important conundrums for further investigation. The available data do not capture important discretionary decisions by councils in the scope, volume and quality of services, either at its own discretion or for those that the state mandates (e.g. rubbish - 1 – 3 bins and frequency of collection). Given this data constraint, the risk in the method is that as councils raise their scope, volume or quality of services to meet rising community expectations, then these changes will not be captured in the simple output measures which have been applied. The efficiency measurement method will then flag a fall in productivity, since what it sees is rising inputs without a growth of output. This is apparent in the results to date, for all councils. The report therefore asks further questions of respondents to clarify the drivers of this outcome.

The Commission has reached the following preliminary conclusions regarding the drivers of growth in local government operating expenditure over the last decade:

Input costs:

- labour costs have been the main cost driver, followed closely by materials, contracts and other costs;

³ The distinction between the two types of information is exemplified by the detail required for benchmarking work between Marion, Charles Sturt and Port Adelaide Enfield Councils on the one hand (see appendix 8) and the Victorian Government, Know your Council website.

- Depreciation expense has grown as rapidly in percentage terms as labour expense but from a much lower base;
- cost shifting and compliance costs have contributed to expenditure growth, but to a lesser extent.

Output costs:

- the most significant cost driver is likely to be changes in the volume, scope and quality of services provided by councils;
- growth in demand arising from growth in the number of ratepayers and properties is expected to explain, in part, growth in the volume of services.

Efficiency:

- relative to the experience of all South Australian councils, most councils achieved high levels of measured relative efficiency, but case studies show that more efficiency gains can be made by top performers.

5. Improvement activity

Councils are very diverse. All of those responding considered efficiency improvement was firmly on their agenda. The Commission heard about a range of approaches and experience among councils regarding efficiency measurement and improvement, from individual councils benchmarking their performance over time to small groups of councils working together to compare their performance with other councils. However, the lack of a state-wide framework for performance reporting limits the comparability of data and limits the ability of councils, residents and ratepayers to make meaningful comparisons of performance.

Based on a review of local government performance monitoring nationally, the Commission regards best practice in performance monitoring as including: standardised comparator groups to enable meaningful comparisons across councils and consistency in the definition and recording of data as well as consistent reporting over time. Any estimate of council efficiency should also acknowledge the context influencing this efficiency estimate, including measures of quality and effectiveness as well as council targets or service standards. This can be further improved by allowing councils the opportunity to share their results and to comment publicly on their performance, prior to any estimates being publicly released. Any measurement and reporting framework should balance the costs against the benefits of collecting and reporting information, with every effort made to streamline reporting and reduce duplication. Council input into the design of the framework and choice of indicators is critical to its success.

The Commission has found limited evidence to date to demonstrate that the use of performance benchmarking by the local government sector in Australia has led to improvements in performance. A local example of successful benchmarking provided by a group of three councils in Adelaide, showed that reviews of 10 per cent of the cost base of these councils enabled a 11 - 22 per cent improvement in costs.

Councils are also examining options for economising on expenditure through various resource sharing arrangements in the provision of services. The Commission notes that one of the principles that councils should observe, according to section 8 of the *Local Government Act 1999* is to:

seek to collaborate and form partnerships with other councils and regional bodies for the purposes of delivering cost-effective services (while avoiding cost-shifting among councils), integrated planning, maintaining local representation of communities and facilitating community benefit.⁴

This occurs at various levels. At the simplest level, a staff member's time may be shared by a number of councils, for example, a planning officer. At the other extreme, councils may agree to form a separate subsidiary authority to deliver services across a number of council areas, for example waste management. The costs and benefits of these models are worth further attention, as are any impediments to their implementation.

Economies might also be found by contracting out the provision of a service. All these forms of sharing (with other councils and with the private sector) can be assessed against the alternative of provision in-house; a key consideration will be the costs of reaching agreement on what is to be provided, monitoring the outcome, and responding to issues or complaints as they arise. As noted above, councils may also withdraw completely from direct provision, instead working with other local bodies to provide services cooperatively.

6. Sound decision making

The materials examined by the Commission demonstrate the complexity of the environment in which councils operate and some of the challenges they face. As elected officials, council members are expected to make decisions around a portfolio of services in terms of what to provide, how much to provide and at what quality. A more fundamental decision for councils is whether they should be a direct service provider at all, or whether they perform their remit of functions by adopting alternative roles such as facilitator, coordinator, or regulator. They have an important mission with respect to the lives of their constituents. Success will depend on what the Commission refers to as 'sound decision making'.

In the Commission's view sound decision making is underpinned by at least six conditions:

1. capable decisionmakers particularly in terms of skills and experience;
2. fit-for-purpose information and evidence on which to base decisions and assess trade-offs in key elements;
3. practical tools for considering and assessing, from the point of view of the whole community, alternative roles to provider including informing, advocating, facilitating, funding or regulating;
4. having made the decision to provide a service, analysis of the alternatives of supplying in-house or through contracting out, or some shared service arrangement;
5. the clear authority and accountability to make decisions;
6. not only assessment of costs and benefits before decisions are made but also reporting on outcomes, including performance relative to expectations as well as financial results and sustainability.

The first point is outside the Commission's terms of reference. It is addressed elsewhere in the South Australian Government's reform plan.

The Commission considers the second and third points are clearly within its terms of reference, as evident in previous section. The fourth point relates to the matter of mandated and

⁴ See section 8(ea) of the *Local Government Act 1999*, p.2.

discretionary services. The fifth point is taken up in the draft advice to councils and the draft recommendations to the South Australian Government, which are now summarised, and which are designed to build the capacity in councils for sound decision making.

7. Draft recommendations and advice

The Commission notes that managing and containing expenditure growth requires improved data on council inputs and outputs and the development of analytical tools to deepen understanding of cost drivers and manage their impacts. Council decisions on whether to be a provider of a service and related decisions on volume, scope and standard of services, if based on quality data and robust analytical techniques, will help to clarify, to both elected members and ratepayers, the trade-offs between more or better services and higher expenditures and improve transparency and accountability. The Commission therefore encourages councils to work collectively to improve the quality of data and decision-making tools at their disposal.

The Commission has formed the view that the functions undertaken by councils should, in general, be guided by the principle of subsidiarity which holds that lead responsibility should be devolved to the lowest level of government practicable, allowing for the significant diversity of the state's 68 councils.

A clear and consistent division of responsibilities between state and local governments is fundamental to the efficient allocation of resources between them. This, and legislative clarity regarding mandatory service provision by councils, would assist council understanding of the boundaries around their autonomy and would provide a stronger foundation for council decision making and resource management. The Commission recommends legislative change to clarify the respective responsibilities of the two levels of government and reduce the burden of state government regulation on the local government sector.

This clarification of roles will also provide a basis for resolving any debates about cost-shifting. Councils should then have a solid basis on which to engage more effectively with their communities regarding their plans and performance with respect to the scope and quality of facilities and services and the use of any dividends from efficiency improvements.

All councils can benefit from benchmarking activity. Good data alone, however, will not drive better outcomes. Any measurable sector-wide improvement in efficiency in the short to medium term is highly unlikely to succeed if it relies on optional or voluntary initiatives alone. Individual councils are unlikely to consider the benefits for the sector as a whole that will arise from their individual efforts. The Commission believes that this strengthens the case for state government support for the development of a sector-wide benchmarking program and recommends that the South Australian Government assist councils to establish a sector-wide performance measurement system.

State government action would likely contribute to addressing critical information gaps and ensure the adoption of standardised approaches, which provide the basis for performance comparisons to drive change. Leadership, collaboration and a culture that supports innovation are also important. The Commission also recognises the importance of minimising increases in costs to councils associated with any increase in reporting requirements.

Lastly, the Commission is of the view that the local government sector cement the use of sound decision-making and performance monitoring practices through increased use of independent or external reviews and audits to demonstrate greater accountability to their communities.

Draft recommendations to the South Australian Government

To lower local government costs and enhance local government financial accountability, the Commission proposes that the South Australian Government:

1. Lift the capacity of *local councils to identify and address opportunities to reduce their cost base and improve their operations* by:

In conjunction with local government, defining and establishing a sector wide performance monitoring framework that would enable comparisons between councils and over time to assist decision making by council leaders and to inform communities, including by:

- i. Establishing common key performance indicators (KPIs) for inputs, outputs, service standards and financial indicators;
 - ii. Optimising existing information held by the South Australian Government, especially that gathered by the South Australian Local Government Grants Commission;
 - iii. Filling the gaps in the current information;
 - iv. Publishing information in a contextualised form designed to assist individual councils.
2. Facilitating benchmarking by clusters of councils through an appropriate mix of incentives for councils to participate and expectations that they will report information publicly in a format consistent with the framework.
3. Further lower council costs by addressing aspects of the relationship between the South Australian Government and local government by:

In the short term

- i. Identifying and addressing inefficiency and red tape from the South Australian Government mandated services and other legislated requirements on:
 - a) councils
 - b) communities.
- ii. Adopting a strong South Australian Government review process for any measures affecting local government;
- iii. Clarifying local government responsibilities, including service standards, for mandated services.

In the medium term

- iv. Clarifying the respective responsibilities of the South Australian and local governments to remove unnecessary overlaps, or duplication and reduce uncertainty between governments.

In the long term

- v. Clarifying relevant aspects of s6, s7 and s8 of the *Local Government Act 1999* to reflect an appropriate division between the levels of government and to make clearer the range of options available to councils in the performance of legislated functions.

Draft advice to South Australian councils

To guide and assist councils to improve efficiency and to create capacity to pass on cost reductions to rate payers, the Commission suggests that local government:

1. As a body, facilitate in depth benchmarking between councils by:
 - i. Establishing a Community of Practice sponsored by the Local Government Association, to share among other elements:
 - a) Methods, tools and approaches;
 - b) Skilling of council staff;
 - c) Panel of competent providers; and
 - d) Lessons learned and examples of success.
 - ii. Assisting in “matchmaking” South Australian councils that seek deep benchmarking opportunities (noting value of groups of councils at different levels) with other councils, including interstate comparisons;
 - iii. Collectively undertaking a regular sector-wide analysis of efficiency measures.
2. Prioritise, in any systems upgrades, focus on improving collection, retrieval, analysis and presentation of information for planning, decision making, monitoring and managing performance.
3. Enhance the transparency and accountability of their operations by councils:
 - i. When considering new, or material changes to, council services, undertaking an independent review that includes consideration and analysis of alternatives to councils providing the service directly, community consultation; and publishing a report;
 - ii. Including in their external audits an examination of service reviews and program evaluations; and
 - iii. Incorporating in their published long-term asset and financial plans and draft annual budgets advice on whether changes to the scope or level of services are planned and their implications for council expenditure.

Information requests

Chapter 2

Information request 2.1: Funding

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

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

Information request 2.2: Competitive neutrality policy

How, if at all, do the requirements of competitive neutrality policy affect councils' decision making on whether, and how, to provide services to their communities?

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

Information request 2.3: Financial management

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

What changes to the type or quality of financial management information would assist councils to improve their decision making and contribute to better performance?

Is there a need for a stronger external auditing process to increase councils' compliance with their legislated responsibility to produce long-term asset and financial management plans and lift the quality of these plans? If so, what form should it take?

Information request 2.4: Workforce planning

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

Are these issues unique to individual councils?

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

Information request 2.5: Resource sharing

What is the potential for additional use of resource sharing to deliver efficiencies and other benefits to participating councils?

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

Councils are asked to provide further examples of resource sharing.

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

What challenges, if any, do councils face in making use of the provisions contained in sections 42 and 43 and Schedule 2 of the *Local Government Act 1999* to deliver effective and efficient services to their communities?

Chapter 3

Information request 3.1: Materials, contracts and other costs

What are the main drivers of materials, contracts and other costs for rural small and medium councils?

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

Information request 3.2: Population density

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

Information request 3.3: Sector wide service standards

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

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

Information request 3.4: Cost shifting

To what extent do councils receive external funding or an ability to charge fees for delivery of mandatory services?

To what extent are councils able to fully recover costs for the mandatory services listed in appendix 4?

How are service scope and standards determined for mandatory services?

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

Information request 3.5: Compliance costs

Councils are asked to provide further examples of compliance costs and quantify how they have impacted on councils' costs.

Information request 3.6: Cost pressures

What are the most significant cost pressures (and their impact on costs) which councils expect to face over the next 5 years?

Chapter 4**Information request 4.1: Performance reporting**

How can these lessons from state-wide performance reporting frameworks in other jurisdictions be applied to South Australia?

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

Information request 4.2: Partial productivity estimates

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

What other partial productivity estimates can be used with currently available data?

What additional data would councils be able to report on for minimal additional cost which would improve our understanding of council efficiency?

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

Is the current reporting to the SALGGC an appropriate process for any additional reporting by councils? Is there value in making any changes to this reporting?

Information request 4.3: Service-specific efficiency

Acknowledging the gaps in data currently available, how can data quality be improved in order to measure service-specific efficiency across councils?

Information request 4.4: Efficiency changes through time

How can the change in volume, scope or quality of services be quantified or otherwise incorporated into an evaluation of local government efficiency?

Information request 4.5: Factors that influence estimated council efficiency

What other factors can explain the estimated efficiency differences between councils or over time?

What factors can explain the estimated productivity differences between councils over time?

What other possible data sources can improve this analysis?

What further information could be considered to analyse and interpret estimated partial and global efficiency scores?

Chapter 5

Information request 5.1: Employee costs

Are there any benefits from streamlining the current industrial relations arrangements by moving to sector-wide enterprise bargaining?

Information request 5.2: Quality and quantity of data

How can councils be assisted to work collectively to improve the quantity and quality of the available data on inputs, outputs and outcomes for services?

Information request 5.3: Strengthening councils' accountability and transparency

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

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

Should councils be required to undertake an independent external audit of their expenditure and efficiency in the event of that they record relatively high operating expenditure growth in a given period?

Would growth in operating expenditure over any three-year period (normalised for population growth) which exceeds the rise in the Local Government Price Index for that period be an appropriate trigger for such an audit?

Acronyms

ABS	Australian Bureau of Statistics
ATSI	Aboriginal and Torres Strait Islander
ACLG	Australian Classification of Local Governments
ALGA	Australian Local Government Association
CEO	Chief Executive Officer
CNP	Competitive Neutrality Policy
CPA	Competition Principles Agreement
CPI	Consumer Price Index
CRS	Constant Returns to Scale
CWMS	Community wastewater management services
DEA	Data Envelopment Analysis
DRS	Decreasing Returns to Scale
EBA	Enterprise Bargaining Agreement
EHA	Eastern Health Authority
ESC	Essential Services Commission
FAGs	Financial Assistance Grants
FRSB	Financial Review Sustainability Board
FSP	Financial Sustainability Program
FTE	Full-time equivalent
GAROC	Greater Adelaide Regional Organisation of Councils
IRS	Increasing Returns to Scale
LG Act	Local Government Act
LGAP	Local Government Association Procurement
LGAMLS	Local Government Association Mutual Liability Scheme
LGASA	Local Government Association of South Australia
LGAQ	Local Government Association Queensland
LGAWCS	Local Government Workers Compensation Scheme
LGFA	Local Government Finance Authority
LGPI	Local Government Price Index
LGPRF	Local Government Performance Reporting Framework
LGWDG	Local Government Workforce Development Group
MFP	Multi-factor Productivity
NESB	Non-English-Speaking Background

OCA	Outback Communities Authority
RLGA	Regional Local Government Association
RoGS	Report on Government Services
SALGGC	South Australian Local Government Grants Commission
SALGFMG	South Australian Local Government Finance Managers Group
SAROC	South Australian Regional Organisation of Councils
SE	Scale Efficiency
SFA	Stochastic Frontier Analysis
TE	Technical Efficiency
TFP	Total Factor Productivity
VRS	Variable Returns to Scale
WPI	Wage Price Index

1. Introduction

1.1 Context

The South Australian Government has directed the South Australian Productivity Commission (the Commission) to consider and report on a number of matters regarding costs and efficiency of local government services.

Local government is the level of government closest to individual communities. Local government's performance is important in terms of the human and economic services it provides to meet those individual communities' needs.

South Australia's sixty-eight councils collectively manage an annual operating budget of \$2.2 billion and maintain infrastructure and other physical assets worth almost \$24 billion. Effective local government can be the mainstay of a strong community. Councils provide a range of services from roads and infrastructure, to well-maintained libraries and community services. Councils are not only direct providers of services but also act as advocates, planners, coordinators, facilitators and regulators. Councils perform specific functions mandated by the South Australian Government and deliver a range of non-mandatory services.

There are long standing and common challenges that councils have been reviewing and debating across the country for many years¹, several of which have focussed on the intersection of service expansion and long-term financial sustainability, including:

- the expansion in the scope, quantity and quality of services provided by councils in response to changing expectations of ratepayers;
- insufficient expenditure on infrastructure maintenance and renewal;
- capacity for effective asset and financial management arrangements; and
- the ability to achieve economies of scale for smaller councils, particularly in regional or remote areas.

Councils vary in geographical size and topography; population numbers and density; socio-economic characteristics of their residents; and the range of services provided to residents and businesses. The Commission's task includes identifying the systemic cost issues and understanding the unique features of councils and their rate payers, which affect their cost and efficiency levels.

The inquiry is examining trends in local government costs and the drivers of these costs as well as developing and analysing measures of efficiency. Mechanisms and indicators that might be used by local government to measure, analyse and improve performance will also be identified.

The Commission is also taking into consideration recent reforms in South Australia and other jurisdictions to policy, governance and management practices in the local government sector and their potential to afford cost savings and improve council efficiency.

¹ Commonwealth Grants Commission, *Review of the Operation of Local Government (Financial Assistance) Act 1995* (release in 2001)
House of Representatives Standing Committee on Economics, Finance and Public Administration ('Hawker Report'), *Rates and Taxes: A Fair Share for Responsible Local Government (2003)*.
Aulich, C, et al ACELG *Consolidation in Local Government: A Fresh Look*, Volume 1 Report (May 2011)
Victorian Auditor-General's Office, *Reporting on Local Government Performance*, May 2019

1.2 Terms of Reference

The Minister for Local Government is developing a plan for local government reform to improve council efficiency and effectiveness and restore confidence in council decision making. The reform elements address:

- stronger council member capacity and better conduct;
- lower costs and enhanced financial accountability;
- efficient and transparent local government representation;
- simpler regulation.

The Minister released the *Reforming Local Government in South Australia* discussion paper on Monday, 5 August 2019, proposing reforms that aim to achieve these key reform elements and give each community certainty that their council is operating efficiently and sustainably.

The South Australian Government is seeking independent advice on the second element regarding cost and financial accountability from the Commission. This requires consideration of the key determinants of costs, or "cost drivers" of local council budgets; options to lower council costs; and how to ensure lower costs flow through to ratepayers. Any interpretation of changes in local government costs, or comparisons between councils, needs to be able to take account of the impacts of factors likely to affect costs such as council size/scale, quality standard and mix of services provided, population size and density and geographical area served and whether it is urban, semi-urban, rural or remote

The terms of reference for the inquiry (see p5-6) require the Commission to consult local government and other key stakeholders on the methodology to be used for its analysis and consult state-wide with councils, community groups and relevant professional bodies.

1.3 The Commission's approach

The Commission is required to take a broad perspective in developing advice for the South Australian Government. It must consider the broad interests of industry, business, consumers and the community, regional South Australia, social-economic implications and ecological sustainability.

Consultation and respectful engagement with stakeholders are an essential part of our work and, together with robust research and analysis, is the foundation for quality advice and recommendations to Government. Transparency, including publication of the submissions received by the Commission, is an important part of this process.

The Commission published a methodology paper² on Friday, 31 May 2019 after significant consultation with the Local Government Association of South Australia, the Office of Local Government, the South Australian Local Government Grants Commission, academics and other stakeholders. The paper sought input from stakeholders to assist the Commission to develop robust, evidenced based conclusions to direct reform initiatives.

The Commission invited submissions on the methodology paper that addressed any of the issues covered in the paper, and any other matters relevant to the terms of reference where

² <https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/methodology-paper>

the Commission's understanding was imperfect. Twenty-three submissions were received in response to the methodology paper which greatly assisted the Commission's understanding of all aspects of its task. The full list of submissions is in Appendix 1. In addition, the Commission undertook a wide consultation approach including eighteen meetings of Commissioners with various stakeholders and councils throughout the state.

Economic Insights Pty Ltd was engaged to calculate some estimates of relative efficiency and explore potential determinants of efficiency. The Commission also conducted its own data analysis, as part of a robust methodology strategy, to provide a basis for more substantiated conclusions.

As part of the inquiry and systematic approach to engagement, the Commission established a reference group of key stakeholders who are providing expert advice, insights and understanding about what are driving the productivity and efficiency trends across the South Australian local government sector. It was also asked to provide feedback on the veracity of the commission's analysis and merits of reform options. The terms of reference and members of the reference group are included in Appendix 2.

The Commission acknowledges with thanks the assistance from state government departments, local government associations, councils, professional bodies, academics and the public.

This draft report seeks a further round of consultation with stakeholders to identify opportunities and initiatives that could be implemented across councils to reduce costs and improve productivity.

1.4 Report structure

The report is structured as follows:

- Chapter 2 presents historical information on the development of the local government sector in South Australia. It provides context to understand the South Australian Government mandated aspects of local government functions. It also examines key reforms to the local government sector in South Australia and other jurisdictions, and their implications for costs and efficiency;
- Chapter 3 considers recent trends in local government costs and aims to identify some of the key drivers of costs;
- Chapter 4 presents partial and global measures of local government efficiency in South Australia and an analysis of possible determinants. It also discusses mechanisms and indicators that could be used to measure and improve local government performance over time;
- Chapter 5 draws elements of analysis together and suggests preliminary options and draft recommendations for cost and efficiency improvements to assist decision making by councils and the South Australian Government.

2. Structure, development and reform

2.1 Introduction

The inquiry's terms of reference require the Commission to address the following matter regarding local government costs and efficiency:

- Consider recent reforms in South Australia and other jurisdictions to policy, governance and management practices in the local government sector and their potential to improve council performance.

The chapter examines the history, structure and evolution of the local government sector, particularly the legislative and governance environments which affect councils' decisions on the services delivered to their communities. It also considers the influence of the Australian Government on the capacity of councils to deliver services.

Finally, the chapter briefly examines some key local government reforms aimed at either efficiency improvement or cost reduction in other jurisdictions.

2.2 Structure of local government

2.2.1 Legislative framework in South Australia

In South Australia, councils operate within a legislative environment established by the state parliament. The current local government legal framework is constituted by the interaction of three acts: the *Local Government Act 1999* (LG Act); the *Local Government (Elections) Act 1999*; and the *Constitution Act 1934*. While other pieces of legislation, at both the state and national levels, influence local government, these three Acts together create the basic framework within which councils provide services for, and are held accountable to, their local communities.

South Australia's legislation defines the purpose of local government. According to section 6 of the LG Act, a council is established to act in the interests of its community, as well as to represent its interests. Councils provide services but they are also expected to promote initiatives within the community that improve quality of life.

The LG Act also provides the authority for local government to perform a range of functions. These are predominantly set out section 7, which says that the functions of a council include:

- plan at the local and regional level for the development and future requirements of its area;
- provide services and facilities that benefit its area, its ratepayers and residents, and visitors to its area (including general public services or facilities (including electricity, gas and water services, and waste collection, control or disposal services or facilities), health, welfare or community services or facilities, and cultural or recreational services or facilities);
- provide for the welfare, well-being and interests of individuals and groups within its community;
- take measures to protect its area from natural and other hazards and to mitigate the effects of such hazards;

- manage, develop, protect, restore, enhance and conserve the environment in an ecologically sustainable manner, and improve amenity;
- provide infrastructure for its community and for development within its area (including infrastructure that helps to protect any part of the local or broader community from any hazard or other event, or that assists in the management of any area);
- promote its area and provide an attractive climate and locations for the development of business, commerce, industry and tourism;
- establish or support organisations or programs that benefit people in its area or local government generally;
- manage and, if appropriate, develop, public areas vested in, or occupied by, the council;
- manage, improve and develop resources available to the council; and
- undertake other functions and activities conferred by or under an act.¹

Section 8 enumerates the principles that councils must uphold in carrying out their broadly defined functions. As the City of Salisbury observes in its submission, section 8 requires councils to observe a total of 12 principles in their decision making, including, for instance, ensuring that "council resources are used fairly, effectively and efficiently" and ensuring "the sustainability of the council's long-term financial performance and position".

This legislative approach, in which councils' functions are broadly defined, is consistent with reforms in other jurisdictions throughout the 1990s.² These coalesced around a broadly common approach to statutory frameworks that gave local government a range of 'general competence powers'.³ As Wensing observes:

In most cases the states have granted councils more autonomy and responsibility for planning and managing their local areas...In most states the changes to Local Government Acts have given councils general competence powers that enable them to do what is necessary to better meet local community needs and aspirations.⁴

In contrast to a statutory framework that limits local government to undertaking activities expressly included in legislation, general competence powers provide councils with the authority to carry out those activities necessary to fulfil the functions assigned to them.⁵ These functions, in turn, are defined in general terms in contemporary local government legislation, including in South Australia.⁶

¹ For the full list of councils' functions under section 7 of the LG Act, as well as its relationship with sections 6 and 8, see <https://www.legislation.sa.gov.au/LZ/C/A/Local%20Government%20Act%201999.aspx>

² Aulich, C (1999), 'From Convergence to Divergence: Reforming Australian Local Government', in *Australian Journal of Public Administration*, 58(2), p.15.

³ Aulich, C (1999), 'From Convergence to Divergence', p.15.

⁴ Wensing, E (1997), 'Systemic Reform or Administrative Update? Recent Legislative Changes in Local Government around Australia', in Chapman, R, et al (eds), *Local Government Restructuring in Australia*, Centre for Public Management and Policy, University of Tasmania, Hobart, p. 42.

⁵ Aulich, C (1999), 'From Convergence to Divergence', p.14.

⁶ Aulich, C & Halligan, J (1998), 'Reforming Australian Government: Impact and Implications for Local Public Administration' in *Reforming Government: New Concepts and Practices in Local Public Administration*, Eastern Regional Organisation for Public Administration (EROPA), Local Government Centre, Tokyo, p. 25.

The legislative environment in which local government operates is marked by the absence of a strictly prescriptive approach to defining councils' functions. Queensland's local government legislation exemplifies the current approach to defining councils' sphere of legitimate activity:

A local government has the power to do anything that is necessary or convenient for the good rule and local government of its local government area.⁷

The Commission has found it useful to distinguish between mandatory and non-mandatory functions. Mandatory functions are those listed in both the LG Act and in other legislation. Some of the most significant acts include, but are not limited to, the *Dog and Cat Management Act 1995*, the *Public Health Act 2011*, the *Planning, Development and Infrastructure Act 2016*, the *Disability Inclusion Act 2018*, the *Emergency Management Act 2004* and the *Local Nuisance and Litter Control Act 2016*.⁸

Consequently, the legislative reforms of the 1990s had the effect of increasing the scope for councils to provide a range of non-mandatory services.⁹ Given the broad definition of councils' functions outlined in South Australia's LG Act, the total number of mandatory services and functions is comparatively low.¹⁰ The majority do not arise from the LG Act itself, but flow from other state legislation. Mandatory functions include responsibilities:

- in relation to the state's planning system;
- for some road construction and maintenance;
- for some environmental health services, including the monitoring of cooling towers for potential outbreaks of legionnaire's disease;
- for fire prevention, both in relation to building inspections and some bushfire prevention;
- for dog and cat management; and
- for a range of administrative requirements, including preparing strategic plans for the local area, which are contained in the LG Act.¹¹

Non-mandatory functions are those adopted, consistent with the role of a council in the LG Act, but at their own discretion. Based on advice from LGASA, Appendix 4 includes a full list of council activities, showing the division of mandatory and non-mandatory.'

The 1960s, in particular, witnessed a significant expansion of functions undertaken by the local government sector.¹² The Commission notes that the shift away from a focus on 'roads, rates and rubbish' and towards a broader range of services possesses a long history in South Australia, and predates the legislative reforms of the 1990s. In effect, therefore, the LG Act

⁷ See, in particular, section 9 of the *Local Government Act 2009 (Qld)*:

<https://www.legislation.qld.gov.au/view/html/inforce/current/act-2009-017#>

⁸ The Commission has not been able to determine the total number of acts that impose some responsibilities on local government, but the South Australian Local Government Association has estimated the total to be approximately 200. However, not all of these acts are likely to be equally decisive for all councils.

⁹ Aulich, C (1999), 'From Convergence to Divergence', p.14.

¹⁰ For the purposes of this report, the Commission defines mandatory services as services or activities that are specifically required by statute and those that are at the full discretion of councils as non-mandatory.

¹¹ See Local Government Association of South Australia (2015), *Introduction to Local Government Handbook*, Adelaide, p. 12, available at <https://www.lga.sa.gov.au/webdata/resources/files/E&T%20-%20Introduction%20to%20Local%20Government%20Handbook.pdf>

¹² See, for example, House of Representatives Standing Committee on Economics, Finance and Public Administration (2003), *Rates and Taxes: A Fair Share for Responsible Local Government [the Hawker Review]*, Commonwealth of Australia, Canberra.

codified, but did not cause, the enlarged service mix that councils provide within their communities. The LG Act only enables, but does not require, councils to expand the number, scope and quality of services that they provide for their communities.

For the purpose of the report, the Commission found it useful, where possible, to define and distinguish between the terms functions, services and activities. Functions describe the broad areas where councils have the delegated authority (under the LG Act and other legislation) to make decisions and take actions in the best interests of their communities (both in relation to mandatory and non-mandatory functions). Services are councils' outputs that deliver mandatory and non-mandatory functions. Activities describe the actions taken by councils to deliver services, including regulatory services.

2.2.2 State and local government relations

In South Australia, local government has had a greater degree of autonomy from state government than in other jurisdictions, with the relationship described as a partnership model, rather than a 'top-down' and prescriptive relationship.¹³ The influence of the 'partnership model' in South Australia, especially the greater emphasis on councils' autonomy and accountability to their communities, is also reflected in the LG Act.¹⁴

This broadly cooperative model of state and local government interaction is underpinned by a 1990 memorandum of understanding between the two levels of government. As Aulich observes:

The early 1990s saw the introduction of two key changes that continue to influence local government in South Australia; the adoption of a partnership model to guide state-local government relations and the implementation of a voluntary approach to council amalgamations.¹⁵

This does not imply that the relationship between state and local government has been free from policy disagreement. Tensions over policy direction have arisen over time in response to a variety of issues, particularly on the demarcation between the respective responsibilities of the two levels of government. Nonetheless, as Procter observes, South Australia has differed from other jurisdictions by giving greater expression to the principle that local government is a separate sphere in its own right.¹⁶

This broad understanding was reaffirmed in 2015 when the two levels of government, signed the State-Local Government Relations Agreement. The agreement explicitly recognised that each level of government has its own separate mandate, and that closer strategic alignment is necessary to achieve positive public policy outcomes.¹⁷

¹³ See, for example, Aulich, C, Gibbs, M, Gooding, A, et al (2011), *Consolidation in Local Government: A Fresh Look – Volume 1: Report*, Centre of Excellence for Local Government, University of Technology, Sydney, p. 24

¹⁴ Aulich, C, Gibbs, M, Gooding, A, et al (2011), *Consolidation in Local Government*, p. 26.

¹⁵ Aulich, C, Gibbs, M, Gooding, A, et al (2011), *Ibid*, p. 24.

¹⁶ Procter, C (2002), *Local Government Reform in South Australia*, paper presented at 'The Cutting Edge of Change: Shaping Local Government for the 21st Century' conference, University of New England, Armidale.

¹⁷ For further details on the agreement, see <http://www.lga.sa.gov.au/contentFile.aspx?filename=Premiers%20State%20Local%20Forum%20Executive%20Meeting%2028%20January%202015-2.pdf>

The partnership approach has also influenced the state government's oversight role in relation to councils' functions.¹⁸ This is reflected in the relevant legislation which is discussed in the previous section.

The general commitment to greater council autonomy also influenced major sector-wide reforms, including the last round of amalgamations, between 1997 and 1998.¹⁹ Rather than a policy of forced amalgamations, which had been adopted in 1994 by the Victorian Government, the South Australian government appointed a Local Boundary Reform Board in 1995, which was tasked with managing a strategy of encouraging voluntary amalgamations.

Councils and their communities had the final say over whether amalgamations would proceed.²⁰ The process, while not devoid of tensions, eventually led to the number of councils being reduced from 118 to 68.²¹ Amalgamations were seen at the time as a mechanism to reduce costs. In practice, the savings achieved appear to have been mostly directed towards equalising service standards within the merged councils. The Commission notes, however, that only limited evidence is available with which to quantify the impact of amalgamations on councils' costs and efficiency.

The *Local Government (Boundary Adjustment) Amendment Act 2017* commenced on 1 January 2019, and significantly reformed the processes within the LG Act that govern changes to council boundaries.²²

2.3 Features of local government

The number of councils in South Australia is 68, 21 councils that cover the metropolitan area, with a further 47 in regional areas (for a map of council areas, see appendix 3). In addition, five Aboriginal communities are also recognised as local government authorities. The Outback Communities Authority (OCA) was established on a statutory basis in 2009 to provide a range of services to outback communities in the state not incorporated into councils. The OCA functions, in effect, as a hybrid between a traditional council and a self-managed community.²³

The state's 68 councils encompass more than 880,000 rateable properties and are responsible for a total road network of approximately 74,000 kilometres. Councils are responsible for a comparatively small proportion of government revenue raising and expenditure. The sector manages approximately \$24 billion in community infrastructure and other assets, with operating expenditure across the sector amounting to around \$2.2 billion per annum.

Between 2008-09 and 2017-18 the total number of employees in the state's 68 councils, has increased by 7.4 per cent which represents an annual growth rate of 0.8 per cent, identical to the state-wide increase over the same period. As at 30th June 2018, the total number of FTE positions in the sector was 8,867.

¹⁸ Aulich, C, Gibbs, M, Gooding, A, et al (2011), *Consolidation in Local Government*, p. 24.

¹⁹ Ian Tilley & Brian Dollery (2010), *Historical Evolution of Local Government Amalgamation in Victoria, Tasmania and South Australia*, University of New England Working Paper, Centre for Local Government, Armidale, p.4.

²⁰ Aulich, C, Gibbs, M, Gooding, A, et al (2011), *Consolidation in Local Government*, p. 25.

²¹ Tilley, I & Dollery, B (2010), *Historical Evolution of Local Government Amalgamation*, p. 30.

²² For further details see https://www.dpti.sa.gov.au/local_govt

²³ For further information on the structure of, and services provided by, the Outback Communities Authority, see <https://www.oqa.sa.gov.au/home>

South Australia's councils vary in geography, population size and demographic composition, ranging from larger metropolitan councils like Onkaparinga, with a resident population of around 171,000, to Orreroo Carrieton, with only around 850 residents. Regardless of their size or location, all councils have the same powers and statutory functions. In South Australia, as in other jurisdictions, councils have progressively taken a more active role in various areas of public policy, including economic development initiatives and the provision of some social services (such as aged care services).²⁴

The Local Government Association of South Australia (LGASA) which is constituted as a public authority under the LG Act with the specific purpose of promoting the interests of the sector, provides support, leadership and a range of services to the state's councils. In its legislated capacity as a peak body, the LGASA undertakes activities that range from policy formulation, including advice on councils' statutory responsibilities, to taking a leading role in the development and implementation of sector-wide initiatives.

In addition to the LGASA, non-metropolitan councils have formed regional local government associations (RLGAs). These predominantly seek to achieve better outcomes for their respective communities through collaboration. The six RLGAs, which are subsidiaries pursuant to section 43 of the LG Act, collectively form the South Australian Regional Organisation of Councils (SAROC). SAROC's Board comprises two members elected from each of the member RLGAs.²⁵ SAROC is mirrored on a metropolitan level by the Greater Adelaide Region Organisation of Councils (GAROC), which is made up of eight elected members from councils in the metropolitan region.²⁶

2.4 Role of the Australian Government

Councils' functions and decision making processes are also influenced by funding and policy decisions taken by the Australian Government (often as a result of agreements with the states and territories). Importantly, the drive for some key local government reforms has been national. This is particularly marked in the areas of financial assistance provided by the Australian Government and national competition policy.

2.4.1 Funding

In the mid-1970s, partially as a response to the expansion of local government functions throughout the preceding decade, the Australian Government began to provide direct untied funding to the local government sector. The current Financial Assistance Grants (FAGs) program is provided on the basis of grants to the states and territories. These, in turn, are distributed to councils by state and territory jurisdictions.

FAGs are distributed to councils within each state to support an average level of service, irrespective of their location. The South Australian Local Government Grants Commission (SALGGC) assesses councils' share of funding on the basis of the difference in the costs associated with providing services and councils' revenue-raising capacity (compared to the

²⁴ Productivity Commission (2017), *Local Government, Shifting the Dial: 5 year Productivity Review, Supporting Paper No. 16*, Canberra, p.4.

²⁵ The Commission notes that both SAROC and GAROC were established on the basis of clause 19 of the LGASA's constitution.

²⁶ Additional information on a variety of local government networks, including SAROC and GAROC, is provided the LGASA – <https://www.lga.sa.gov.au/page.aspx?u=6871#e9691>

average in South Australia).²⁷ Grants are only provided to councils that have been established under the LG Act or are defined as prescribed bodies for the purposes of the *South Australian Local Government Grants Commission Act 1992*. FAGs funding is untied once distributed to the local government sector. From time to time the Australian Government also provides specific purpose grants to councils of either a capital (e.g. GFC School grants scheme) or operating nature (e.g. Adelaide Hills Council case study, Chapter 3) to achieve its particular policy objectives. Councils are generally expected to contribute funds to these programs. Council participation in these programs has impacts on their operating expenditure.²⁸

Information request 2.1: Funding

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

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

2.4.2 Competitive neutrality

Competitive neutrality policy (CNP) is based on the principle that significant government businesses should not enjoy, as a result of their public sector ownership, any net competitive advantages over private businesses operating in the same market. Part of a wider reform process that resulted in the introduction of the *Competition Principles Agreement (CPA)*, the principles of competitive neutrality apply to local government.²⁹

The principle of competitive neutrality is given legislative expression in South Australia through the *Government Business Enterprises (Competition) Act 1996* and applies to the business activities of publicly-owned entities whose activities include "producing goods and/or services for sale in the market place with the intention of making a profit and providing financial returns to their owners".³⁰ Local government business activities must also comply with the CPA. Examples of such activities could include, but are not necessarily limited to, subsidiaries established under sections 42 or 43 of the LG Act to provide community services.

Information request 2.2: Competitive neutrality policy

How, if at all, do the requirements of competitive neutrality policy affect councils' decision making on whether, and how, to provide non-mandatory services to their communities?

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

²⁷ For additional information on the principles and methodology that guide the distribution of FAGs funding in South Australia, see https://www.dpti.sa.gov.au/local_govt/LGGC.

²⁸ For additional information on infrastructure funding programs see <https://investment.infrastructure.gov.au>

²⁹ Government of South Australia (2010), *A Guide to the Implementation of Competitive Neutrality Policy*, Adelaide, p. 1.

³⁰ *Ibid.*, p. 6.

2.5 Local government-initiated reforms

The Commission has reviewed key past and current efficiency and cost related reforms initiated by local government in South Australia. The Commission's literature review and consultation process revealed a diverse range of reviews, evidence and reform projects that have been undertaken by councils in the last 20 years.

Sector wide reforms which aim to deliver efficiency gains and reduce costs have included changes to:

- financial circumstances of local government, including changes to revenue and financial management practices;
- workplace and management processes of local government; and
- number or types of functions or services performed by local government, including the collaboration of functions between local government.³¹

The following section addresses these initiatives in more detail.

2.5.1 Financial management

As previously discussed, the local government reform process of the 1990s consisted of legislative changes and other structural reforms. Subsequently there was a new focus on financial management reforms.

In 2005 the LGASA established an independent Financial Review Sustainability Board (FRSB) to assess the financial capacity and sustainability of councils throughout the state. Many of the measures developed or adopted by the LGASA – and subsequently supported legislatively by the state government – flowed from the findings and recommendations of the *Independent inquiry into Financial Sustainability of Local Government 2005*.³² The Inquiry noted that at the time the balance sheets of councils appeared strong because of their low levels of debt, but the problem was the predominant pattern of deficits, and the likelihood that they would increase, as well as 'substantial infrastructure renewal/replacement backlogs'.³³

The FRSB put forward 62 recommendations, a substantial number of which have since been implemented through cooperation between the LGASA and the state government.³⁴

The LGASA's Financial Sustainability Program (FSP) produced resources to assist councils to achieve and maintain financial sustainability.

Under the Financial Sustainability Program, the LGASA and councils:

- prepared and updated a series of information papers;
- implemented projects to assist councils with financial and asset management reforms;

³¹ A. Goody, Davis (2013), *Review of current local government reform in Australia and New Zealand*, Australian Centre of Excellence for Local Government, University of Technology, Sydney; Local Government Association of South Australia, Adelaide p.3.

³² Financial Sustainability Review Board (2005), *Local Government in South Australia: Assessing Financial Sustainability*, Adelaide.

³³ https://www.lga.sa.gov.au/webdata/resources/files/Financially_Sustainable_LG_-_Rising_to_the_Challenge_-_Volume_1_-_Final_Report_2005.pdf, p.3

³⁴ Australian Centre of Excellence for Local Government (2011) 'Unfinished Business? A Decade of Inquiries into Australian Local Government', Working Paper no.4, University of Technology Sydney, p.42.

- undertook training and briefing programs to further assist councils;
- received Australian Government funding to further the financial sustainability reforms that were undertaken by South Australian councils; and
- worked with other governments on intergovernmental issues³⁵.

In submissions to the Commission's methodology paper, several councils³⁶ identified the FSP as an example of an efficiency monitoring program that resulted in improved financial performance. As noted by the Town of Gawler in its submission:

With myriad financial accountability measures already in place, Local Government is the most financially accountable tier of Government. Examples of financial accountability measures include the establishment of Audit Committees, legislative financial reporting requirements, consultations on draft Budget / Business Plans, Budget / Business Plan summary provided with annual Rate notices in July, financial performance indicators (and associated performance targets) (Town of Gawler Submission, p.13)

While the FSRB's recommendations were largely aimed at the local government sector, the state government, working with the LGASA, introduced amendments to the LG Act to give legislative expression to some of the FSRB's recommendations. Amendments to the LG Act, which commenced in 2007, sought to enhance the accountability of councils and strengthen their financial governance, asset management, auditing arrangements and rate setting methodologies.

These improvements included requirements for councils to:

- establish audit committees;
- prepare and adopt infrastructure and asset management plans;
- prepare and adopt a long-term financial plan;
- adopt several measures to strengthen the independence of external auditors; and
- adopt a consistent and improved reporting format for annual financial statements.³⁷

In addition, further legislative amendments, principally in the form of the *Local Government (Accountability Framework) Amendment Act 2009*, were introduced to strengthen the legislative framework for the internal and external review of councils' administration and financial management.

Since 2007 South Australia's councils must develop and adopt long-term financial, and asset management plans, each covering a period of at least 10 years. The approach adopted in South Australia became a model for similar reforms in several other states.³⁸

The LGASA submission reports the improvement in the financial performance of councils:

The aggregate level of local government's annual operating deficit reduced steadily from 2000-01 (when expenses exceeded income by \$75 million) until 2007-08 (when the operating deficit was eliminated). Subsequently, an

³⁵ For additional information on the FSP, see LGASA website. <http://www.lga.sa.gov.au/page.aspx?u=6582>

³⁶ See LGASA, Playford Council and City of Charles Sturt Submissions.

³⁷ Government of South Australia (2019) *Reforming Local Government in South Australia Discussion Paper August 2019*, Adelaide, p.34.

³⁸ Australian Centre of Excellence in Local Government (2011), *Unfinished Business: A Decade of Inquiries into Australian Local Government*, Working Paper 4, University of Technology, Sydney, p. 14.

approximate 'break-even' operating result was recorded for five years up until 2012-13. Since then, there has been a significant improvement in the financial performance of councils, culminating in an operating surplus of \$98 million in 2017-18. A total of 56 councils recorded an operating surplus in 2017-18 compared with only 16 councils in 2000-01. (LGASA Submission, p. 5)

The Commission notes that while some councils are recording deficits, the sector as a whole has moved from deficit to surplus. This has been achieved through increases in revenue rather than reductions in expenditure. The Commission seeks information on any other financial reforms undertaken by councils which have improved their efficiency.

Information request 2.3: Financial management

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

What changes to the type or quality of financial management information would assist councils to improve their decision making and contribute to better performance?

Is there a need for a stronger external auditing process to increase councils' compliance with their legislated responsibility to produce long-term asset and financial management plans and lift the quality of these plans? If so, what form should it take?

2.5.2 Workplace and management initiatives

The LGASA offers specific training programs to local government sector employees in South Australia.³⁹ Training and upskilling can lift labour productivity and the efficiency of local councils. The literature suggests there is considerable variation in the workforce capabilities of councils.⁴⁰

A 2018 national review, commissioned by the Local Government Workforce Development Group (LGWDG) for the Australian Local Government Association (ALGA), based on ABS data and a skills shortage survey completed by councils, identified that:

Local government professionals across Australia are facing a major skills shortage across key occupations and are not well positioned in new and emerging skills.⁴¹

Staff training was also found to be lacking, with almost one third of councils reporting having unmet training needs as a result of the high cost of training and lack of availability.⁴²

³⁹ For more details, see <http://training.lga.sa.gov.au/>

⁴⁰ Productivity Commission (2017) *Shifting the Dial*, p.13.

⁴¹ Local Government Workforce and Future Skills Report for further details see <https://www.governmentnews.com.au/councils-face-major-skills-shortages-national-review-finds/>

⁴² *Ibid.*

Councils that participated in the survey identified a lack of qualified individuals locally, the remoteness of some councils, inability of councils to compete with the private sector, and the lack of opportunity for career progression were among the forces driving the skills shortage.⁴³

Recruitment and retention of staff can be very difficult for regional councils. Some, where possible, have responded by sharing professional and technical staff between councils, providing a means for attracting locally based resources in regional areas.

However, other than joint provision and resource sharing among councils, especially smaller ones, the Commission's initial literature review has found little evidence of reform in increasing the capability for staff members.

Information request 2.4: Workforce planning

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

Are these issues unique to individual councils?

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

With respect to management matters, the LGASA released a discussion paper, 'Sensible Change', in 2017 on further reform ideas and options. As noted in its submission to the methodology paper, the LGASA's proposed reforms concentrate on several areas of local government operations that can be strengthened without the need for legislative intervention. Reforms listed in the LGASA paper that offer potential for efficiency improvement or potential cost savings include:

- industry-wide industrial relations framework
- sector wide benchmarking program;
- best practice audit committees;
- standardising external audits;
- best practice service reviews⁴⁴.

The Commission seeks additional evidence and views from councils on these and other possible sector-wide reform initiatives that could deliver efficiency gains in South Australia.

2.5.3 Resource sharing

Within the local government sector, resource sharing currently occurs in a variety of forms and at different levels of legal and administrative formality, ranging from the highly informal, such as information sharing arrangements between councils, to formal legal structures, including subsidiaries established under sections 42 or 43 of the LG Act.

⁴³ For further details, see Australian Local Government Association (2018) *Local Government Workforce and Future Skills Report Australia*, September, p.72.

⁴⁴ LGASA, Part 2 Submission on methodology paper, p 16.

The Independent Inquiry into the Financial Sustainability of Local Government in 2005 recommended "that in canvassing alternative methods of delivery, councils consider further resource-sharing initiatives, especially involving the smaller councils, ranging from working together more effectively to more formalised regional groups, area integration and whole-of-sector initiatives"⁴⁵.

Various forms of collaboration, which broadly fit under the definition of resource sharing, have been identified as an important example of local government-initiated reform aimed at reducing service cost and improving efficiency.

The LGASA has established several entities and activities to provide services to member councils across South Australia. Examples of sector wide services that the LGASA advised have led to significant cost savings include:

- LGA Mutual Liability Scheme (LGAMLS): the LGAMLS will deliver \$4.05 million in bonuses back to the sector in 2018-19, with a contribution rate lower than 10 years ago.⁴⁶
- LGA Workers Compensation Scheme (LGAWCS): LGAWCS will deliver \$11.8 million in performance rebates back to the sector in 2018-19. Self-insurance has delivered over \$250m in savings to the sector since 1986. The number of new LGAWCS claims received in 2018-19 (509), was 3.4 per cent lower than the previous financial year⁴⁷.
- LGA Procurement (LGAP), a company wholly-owned by the LGASA, undertakes procurement for member councils. This has enabled electricity cost savings via LGA's ability to aggregate the load profile and approach the market. Savings have been realised by participating councils of over \$8.2 million over three years.⁴⁸

Councils also may, pursuant to section 43 of the LG Act, establish a variety of regional subsidiaries to enable more effective service delivery. The Eastern Health Authority (EHA), jointly established by five eastern and north-eastern metropolitan councils, is generally seen as a significant example of service delivery through a regional subsidiary. EHA provides a range of health services to the community, by means of a shared services model in which one entity provides services on behalf of the constituent councils. While subsidiaries have been established for various purposes, the Commission understands waste management remains a common area in which councils have used such arrangements.

The Commission's Local Government Inquiry Reference Group, noted that there has been an increase in the use of resource sharing, and it has become more necessary in a contemporary context. They also noted, that there is comparatively little data on resource sharing initiatives, making it difficult to assess their impact on council performance. In addition, resource sharing schemes, such as shared services arrangements, can be complicated to arrange and manage effectively, cost savings are not always realised, and the resulting services can become more expensive.⁴⁹

⁴⁵ Quoted in LGASA (2012), *Shared Services in SA Local Government*, South Australia, Adelaide, p.2.

⁴⁶ LGASA, Part 2 Submission on methodology paper, p 40.

⁴⁷ *Ibid.*, pp. 40.

⁴⁸ *Ibid.*, pp. 38.

⁴⁹ Minutes of Local Government Reference Group, 31 July 2019.

Despite these qualifications, the Commission has also received information on resource sharing initiatives that have produced savings:

City of Salisbury is a major constituent council of the Northern Adelaide Waste Management Authority who are widely recognised for the great work they do in managing waste and reducing costs for the member councils.⁵⁰

Many councils also participate in other localised arrangements based on a common interest such as:

- sharing information about activities or services between councils;
- common specifications used by multiple councils for procurement of a service; and
- sharing of resources such as specialist staff and equipment.

The common cost and efficiency gain drivers for considering collaboration between councils identified by the Commission can be summarised as:

- cost savings, efficiencies in service delivery, affordability, economies of scale, helping to improve financial sustainability and reduced duplication of effort and resources;
- increased capacity and value for money, capacity to provide additional services, and capacity to address gaps not otherwise provided for by the market; and
- better risk management due to sharing of risks and improved ability to comply with legislation due to increased capacity and resources.

The Commission's literature review has also identified common difficulties and challenges faced by councils in instigating and undertaking resource sharing arrangements.

For example, in its 2017–18 performance audit of shared services, the Audit Office of NSW found that most NSW councils surveyed were not efficiently and effectively sharing services:

councils don't always assess current service performance before deciding on the best delivery model and build a business case to outline the costs, benefits and risks of a proposed shared service arrangement before entering it.⁵¹

The LGASA case studies of local government shared services in South Australia found:

one of the key lessons from its analysis is that quantifying the cost efficiencies and the measurement of outcomes provided by certain shared services remains a challenging task.⁵²

The Commission's literature review also identified commitment, equity across councils, quality of business cases and governance models as further challenges to collaboration that councils face. Consultations suggest that many councils are of the view that there is more scope for use of shared services. The Commission seeks additional information regarding council experiences with resource sharing.

⁵⁰ City of Salisbury, Submission, p.2

⁵¹ See Audit Office of New South Wales *Performance Audit of shared services* <https://www.audit.nsw.gov.au/our-work/reports/shared-services-in-local-government>

⁵² The South Australian Centre for Economic Studies (2017), *Case Studies in Local Government Shared Services in South Australia*, Adelaide, p.1.

Information request 2.5: Resource sharing

What is the potential for additional use of resource sharing to deliver efficiencies and other benefits to participating councils?

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

Councils are asked to provide further examples of resource sharing.

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

What challenges, if any, do councils face in making use of the provisions contained in sections 42 and 43 and Schedule 2 of the *Local Government Act 1999* to deliver effective and efficient services to their communities?

2.6 Reforms in other jurisdictions

The Commission's review of the reforms in other jurisdictions suggests that, at least to date, comprehensive evaluations of initiatives aimed at enhancing council efficiency and lowering costs have been limited. This makes it difficult to judge the overall effectiveness of different jurisdictions' responses to significant issues in the sector on an interjurisdictional level.

It is also a notable feature of recent local government reforms that, with the exception of South Australia, the majority of initiatives have originated with state governments, not as result of collective action from within the local government sector itself.⁵³

Reforms aimed at improving councils' capacity for long term strategic planning, particularly in relation to financial and asset management plans, have become a predominant focus of reform efforts in most jurisdictions. In NSW, all councils are now required to use an integrated planning and reporting framework that is designed to improve council capacity for strategic community planning, especially for financial and asset management planning.⁵⁴

The Commission also notes that, as part of a wider strategy to improve councils' capacity to monitor and enhance their own performance, the NSW Office of Local Government is developing a Performance Management Framework to provide councils and the community with a consistent set of performance indicators, including costs and asset management.

In Victoria, the need to build councils' capacity for long term planning was recently addressed through the Local Government (Planning and Reporting) Regulations 2014. These reforms aimed to standardise the way councils report on their long term financial and asset management plans, with a range of documents, including statutory financial statements, now required to conform to the Local Government Model Financial Report.⁵⁵ In support of this regulatory requirement, Local Government Victoria issued its revised *Best practice guidance in asset management* guidelines in 2015.

⁵³ Australian Centre of Excellence in Local Government (2011), *Unfinished Business*, p. 5.

⁵⁴ Australian Government, (2017) *Local Government National Report 2014-15*, Canberra, p. 35.

⁵⁵ *Ibid*, p. 35.

In addition to reforms to the way in which councils undertake strategic planning, the Victorian Local Government Reporting Framework, introduced by the Victorian Government as a mandatory performance reporting system, is designed to address the need for a consistent framework for performance management and reporting. The resultant performance data is presented to the community through the 'Know Your Council' website and represents one of the most developed sector-wide approaches to benchmarking and efficiency comparison.⁵⁶

The Tasmanian government mandated similar strategic planning requirements in 2013. The Commission notes that the Tasmanian legislation assigns responsibility for monitoring compliance to the Auditor-General. Recent audits of compliance with the new reporting regime suggest that councils' financial and asset management performance has undergone a noticeable improvement.⁵⁷

The Commission notes that the Tasmanian Government, is also currently developing the Local Government Data, Analysis, Transparency and Accountability (LG DATA) project. The initiative aims to enhance transparency in the way that local government performance is reported and provide councils with a tool to identify opportunities for performance enhancement.⁵⁸

2.7 Conclusion

The Commission has been asked to consider recent reforms in South Australia and other jurisdictions to policy and management practices in the local government sector and their potential to improve council performance.

The move away from prescribing specific functions to broadening the discretionary power of councils to perform a range of functions in SA also occurred in other jurisdictions. The LG Act, in common with local government legislation in other jurisdictions, defines councils' functions and powers broadly, which has enabled councils to undertake a significant number of non-mandatory functions. However, the South Australian local government sector has arguably a greater level of autonomy than other jurisdictions, with the South Australian Government taking a less prescriptive approach.

Initial research and consultation with councils and other stakeholders has revealed a diverse range of reviews and reform projects that have been undertaken by councils. The Commission has noted some evidence linking these changes or reforms to council performance. Some observations can be made.

The literature suggests that sector-wide improvement or reform is more likely to be fully implemented if it is mandated by state governments.⁵⁹

⁵⁶ For the 2018 review of the effectiveness and efficiency with which Victorian councils deliver services to their communities, conducted by the Victorian Auditor-General, see <https://www.audit.vic.gov.au/report/delivering-local-government-services?section=>

The Commission is aware of the work also being undertaken by the Queensland Auditor-Generals Department in relation to efficiency in the local government sector: <https://www.gao.qld.gov.au/audit-program>

⁵⁷ *Ibid*, p. 36. In addition, see Tasmanian Audit Office, *Auditor-General's Report on the Financial Statements of State Entities: Local Government Authorities 2017-18*, available at <https://www.audit.tas.gov.au/publication/local-government-authorities-2017-18/>

⁵⁸ For additional information, see Tasmanian Local Government Division, Department of the Premier and Cabinet: <http://www.dpac.tas.gov.au/divisions/local-government/measuring-tasmanian-local-government-performance>

⁵⁹ Australian Centre of Excellence for Local Government (September 2011) 'Unfinished Business? A Decade of Inquiries into Australian Local Government', Working Paper no.4, University of Technology Sydney, p.39.

Regarding sector wide improvement, financial management reforms initiated by the local government sector, some of which were subsequently incorporated into the LG Act, have strengthened council financial performance. However, the Commission's initial assessment of the evidence suggests that few management or work practice reforms have been undertaken in recent years by the sector.

Councils also participate in a large number of collaborative resource sharing arrangements, ranging from relatively informal arrangements to formal legal structures, with varying degrees of success. Again, however, it is difficult to locate information that enables a quantification of the cost, efficiency or other outcomes of these initiatives.

3. Local government costs

3.1 Introduction

The Inquiry's terms of reference require the Commission to address the following matters regarding local government costs and efficiency:

Analysis of the information on local government costs and the key drivers of costs including:

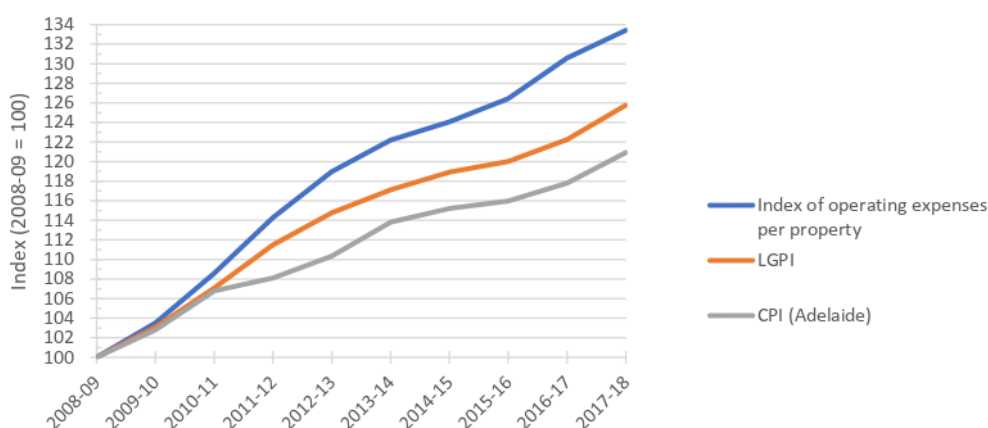
- identify trends in local government activities and costs of local government operations; and
- identify the drivers of local government costs and assess their impacts.¹

Between 2008-09 and 2017-18, total operating expenditure of all South Australian councils increased from \$1.6 billion to \$2.2 billion at an average annual rate of 4.2 per cent. Adjusting for the change in the number of properties over time, the average annual increase in operating expenditure was 3.3 per cent per annum per property.

In comparison, the two popular measures of price inflation generally used by councils — movements in the consumer price index (CPI) and the local government price index (LGPI) — reflected increases of 2.1 per cent and 2.6 per cent per annum, respectively (refer to Figure 3.1).²

This chapter examines trends and changes in council operating expenditure and likely explanations for these changes. To understand the cost drivers, the Commission examined councils' costs for the period from 2008-09 to 2017-18 on both a resource (or input) basis and a function or service (output) basis.

Figure 3.1: Index of the change in operating expenditure per property across all councils and price indices



Source: SALGGC (2017b), ABS (2019), SACES (2019).

¹ For a complete text of the Terms of Reference refer to Appendix 2.

² Inflation as measured by the Australian Bureau of Statistics' Consumer Price Index for Adelaide and the South Australian Centre for Economic Studies' (SACES) Local Government Price Index (LGPI). Information on the construction of the LGPI may be accessed at: <https://www.adelaide.edu.au/saces/economy/lgpi/>.

3.2 Data sources and council groupings

3.2.1 Data sources

In undertaking this inquiry, the Commission has drawn upon a range of data sources. It acknowledges the support of the South Australian Local Government Grants Commission (SALGGC) in providing information from councils' annual returns, supplementary surveys and general information returns.³ In addition, the Local Government Association of South Australia (LGASA) provided information and data collated from its member councils. Several councils provided additional information in their submissions that has assisted in understanding underlying trends.

The SALGGC provided a database of information and cost data covering the 10-year period from 2008-09 to 2017-18 for all 68 councils. This database included, but was not limited to, the following indicators:

- general and statistical information;
- operating income;
- operating expenditure;
- physical asset and associated capital expenditure;
- statutory accounting statement of financial position and net financial liabilities; and
- financial ratios.

All councils in South Australia must prepare annual financial statements in accordance with the "Model Financial Statements" as published by the LGA.⁴ These statements include guidance on the allocation of costs to activities.

The financial information submitted by councils and collected by the SALGGC is based on these model financial statements. The SALGGC reports the consolidated information collected from councils on their website.⁵ The SALGGC notes:

...these reports may include differences from council financial statements and amounts shown in supplementary returns as to enhance data consistency and comparability.⁶

The inquiry has relied on the information contained in these database reports.

3.2.2 Council groupings

The Commission grouped councils, using the Australian Classification of Local Governments (ACLG) Scheme, as detailed in Appendix 6, to enable meaningful comparisons and conclusions to be drawn.⁷ This is consistent with the SALGGC's interpretation.

³ Refer to Appendix 5 for an outline of the extent of the information provided by SALGGC.

⁴ Refer to the Local Government Act 1999 (Section 127) and Regulation 4(3) and Regulation 13 of the Local Government (Financial Management) Regulations 2011.

⁵ The Database Reports are available from https://www.dpti.sa.gov.au/local_govt/LGGC.

⁶ SALGGC, *SA Local Government Grants Commission Database Reports 2017-18*, p1. This report can be accessed at: https://www.dpti.sa.gov.au/data/assets/pdf_file/0003/564177/Database_Reports_2017-18.pdf.

⁷ As outlined in Appendix 6, the ACLG scheme is based on a three-step hierarchy system. Each step allocates a prefix made up of three letters to produce a unique identifier for each type of local government area. The system's full classification structure contains 22 separate categories. By way of example, a medium-sized (populated) council in a rural agricultural area would be classified as RAM – Rural, Agricultural, Medium.

The Commission allocated the 68 councils, using this scheme, into one of four groups depending on location and population, broadly as follows:

- Urban:
 - Urban – metropolitan and fringe — which includes the capital city, developed (suburban) and fringe (suburban) metropolitan councils;
 - Urban – regional — non-metropolitan councils with urban centres in regional areas;
- Rural:
 - Rural agricultural – large and very large populated councils in rural or agricultural areas; and
 - Rural agricultural – small and medium populated councils.

Table 3.1 shows the differences between urban, rural and the four council groupings.

Table 3.1: Selected statistics by urban and rural type 2017-18

Indicator	Council group	All urban councils	All rural councils	State-wide total	Urban-Metro & Fringe	Urban-Regional	Rural-Small and medium	Rural-Large and very large
Number of councils		30	38	68	21	9	20	18
Area	Total (square kilometres)	10,600	146,230	156,830	5,139	5,461	82,780	63,450
	Average per council	353	3,848	2,306	245	607	4,139	3,525
Population	Total	1,506,515	223,765	1,730,280	1,350,028	156,487	45,342	178,423
	Average per council	50,217	5,889	25,445	64,287	17,387	2,267	9,912
Employees	Total (FTE)	7,029	1,838	8,867	6,036	993	546	1,292
	Average per council	234	48	130	287	110	27	72
Sealed roads	Total (km)	10,768	8,031	18,799	8,813	1,955	2,030	6,001
	Average per council	359	211	276	420	217	101	333
Unsealed roads	Total (km)	3,945	52,249	56,194	2,192	1,753	27,152	25,097
	Average per council	132	1,375	826	104	195	1,358	1,394
Roads (including laneways)	Total (km)	14,873	60,307	75,180	11,091	3,782	29,184	31,123
	Average per council	496	1,587	1,106	528	420	1,459	1,729
Number of properties	Total	716,175	190,258	906,433	630,838	85,337	51,744	138,514
	Average per council	23,873	5,007	13,330	30,040	9,482	2,587	7,695
Capital value of properties	Total (\$billion) at 1 Jan-19	\$337.9	\$58.6	\$396.5	\$313.3	\$24.5	\$14.5	\$44.1
	Average per property (\$'000)	\$471.8	\$308.0	\$437.4	\$496.7	\$287.5	\$280.0	\$318.5

Source: SALGGC (2019), Valuer-General (2019)

Expenditure by council will vary according to a range of factors including population, area, properties and road length amongst other things.⁸ Accordingly, where appropriate, the Commission has also undertaken analyses using the following classifications:

- Urban metropolitan and fringe councils were classified to reflect their level of development — suburban (otherwise referred to as developed) or fringe (or developing), and
- rural councils were classified to reflect similar regional areas or geographies,⁹ such as:
 - Eyre Peninsula;
 - Legatus Group¹⁰ of councils (includes various Yorke Peninsula, mid-north and other similar regional councils);
 - Limestone Coast;
 - Murraylands and Riverlands; and
 - Southern and Hills.

Submissions provided broad support for the use of the ACLG classification scheme; for example, the Town of Gawler:

As acknowledged in the Paper, it is inherently difficult to compare Councils, given each Council has distinct and diverse characteristics. Utilisation of the ACLG is deemed appropriate. (Town of Gawler Submission, p.1)

In contrast, the City of Playford's submission raised the following concern:

The issue with the ACLG grouping is some Councils can be considered in multiple groupings given their diversity. Therefore, groupings are not relevant for all services. (City of Playford Submission, p.1)

The Commission notes the concerns raised in submissions. Its analysis focuses on the underlying drivers of costs and not in making comparisons between individual councils.

3.3 Analysis of operating expenditure by resource type

This section discusses the issues that the Commission and various submissions have put forward as drivers of council costs. It examines expenditure by the type of resources, or inputs, employed — these comprises employee costs, materials and contracts costs, depreciation charges and finance costs.

3.3.1 Total operating expenditure

As noted, total operating expenditure by councils has grown more rapidly than inflation between 2008-09 and 2017-18.

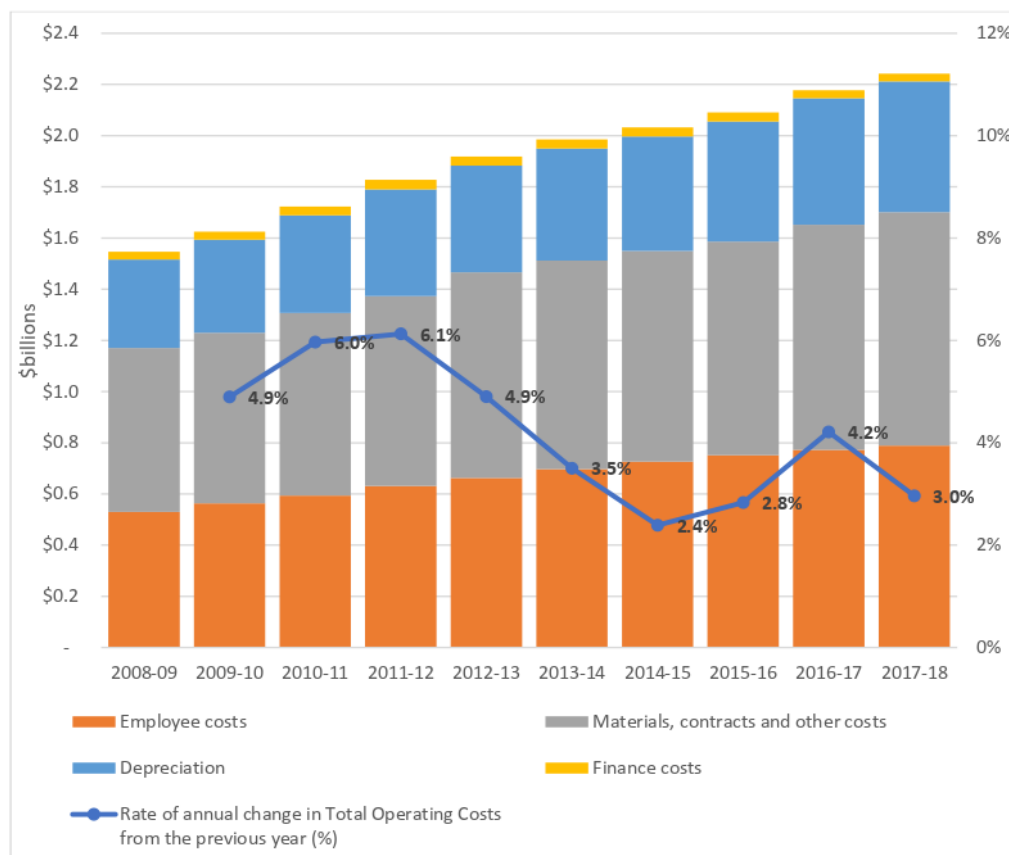
Figure 3.2 shows the individual cost components of total operating expenditure as well as the rate of change in total annual costs from the previous year.

⁸ The properties data used in the analysis throughout the report is sourced from the SA Valuer-General and includes both rated and unrated properties to ensure a consistent and reliable time series. The time series data provided by the SALGGC was found to be inconsistent and unreliable primarily due to a change in the data collection and classification systems that were implemented in 2015. A detailed discussion on this matter is provided by Coelli (2019), p.9.

⁹ The regional classifications used largely reflect the regional local government associations to which the councils themselves belong.

¹⁰ The Legatus Group is the trading name of the Central Local Government Region established under the LG Act. It is a collection of councils from the Yorke Peninsula, mid-north and other nearby areas (refer to Appendix 6).

Figure 3.2: Total operating expenditure by input (\$billion) and total annual change (per cent)



Source: SALGGC (2019)

Figure 3.2 shows that the annual growth in operating costs between 2008-09 and 2012-13 ranged between 4.9 per cent and 6.1 per cent, falling to 2.4 per cent in 2014-15. The rate of change has trended upwards in recent years and it slowed to 3 per cent in 2017-18.

Table 3.2 compares the average annual increases in total operating expenditure for all council groups over three different time periods. The table shows that growth in operating costs for the urban metropolitan and fringe group of councils has been highest, and remains high, whereas for the urban regional group expenditure slowed (and fell in 2017-18). In addition, the rate of growth in operating expenditure of the rural small and medium group was the smallest among the council groups over the decade and the past seven years.

Table 3.2: Average annual increase in total operating expenditure by council group (per cent)

Council Group	2008-09 to 2017-18	2011-12 to 2017-18	2016-17 to 2017-18
Urban - Metro & Fringe	4.3	3.7	4.0
Urban - Regional	4.0	3.0	-0.1
Rural - Small & Medium	3.3	2.2	0.5
Rural - Large & Very Large	4.3	3.3	2.0
All Groups	3.9	3.5	3.0

Source: SALGGC (2019)

The two urban and rural council groups experienced similar annual average increases over the 10 years (4.2 per cent and 4.0 per cent per annum, respectively).¹¹ The capital city and urban fringe councils experienced average annual growth increases of 5.8 per cent and 5.1 per cent, respectively.

The greatest average annual growth in total operating expenditure among the rural councils was experienced by the rural councils of the Murraylands and Riverlands (4.9 per cent).

Figure 3.2 shows that overall spending increased by approximately 45 per cent (or \$693 million) over the ten years to 2017-18 and that the relative proportions of the individual components have changed little in that time. In 2017-18, the major components of councils' expenditure were:

- materials, contracts and other costs (\$912 million or 41 per cent of total operating expenditure);
- employee costs (\$789 million or 35 per cent); and
- depreciation charges (\$511 million or 23 per cent).

Finance costs represented only 1.4 per cent (or \$31 million) of total operating expenditure in 2017-18. The only other operating charge reported by councils is the loss incurred on their ownership in joint ventures and other businesses.¹²

Each of these cost components is discussed in the following sections.

¹¹ Similarly, over the last seven years since 2011-12, the average annual rate of increase in total costs has been higher for urban councils, at 3.6 per cent, compared to 3.0 per cent for rural councils.

¹² In 2017-18, this item represented approximately 0.1 per cent of total operating expenditure (or less than \$1.5 million) and is not separately examined. The corresponding profit on these ventures is reported as income in the revenue section of the Income Statement.

3.3.2 Materials, contracts and other costs

Materials, contracts and other costs is the most substantial category of expenditure for councils making up approximately 41 per cent of total operating expenditure and, in 2017-18, expenditure in this area reached \$912 million.¹³ The average rate of increase for materials and contract expenditure, over the last 10 years, was 4.0 per cent annually and this was similar across both urban and rural councils. The LGPI increased by 2.6 per cent annually and, assuming this represents the changes in materials prices, the real increase or the volume growth of materials (and other costs) spending is approximately 1.4 per cent annually.

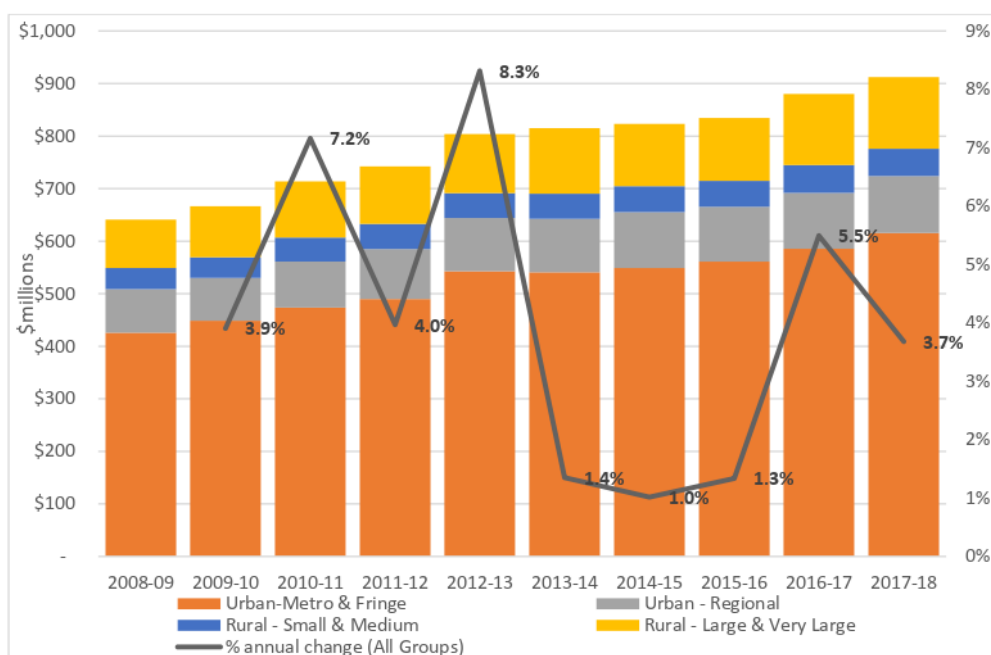
Figure 3 shows the total operating expenditure by group as well as the annual rate of change in the overall materials and contracts cost.

Urban metropolitan and fringe councils represent 67 per cent of materials and contract costs in 2017-18 and, in comparison:

- large and very large rural councils represent 13 per cent;
- small and medium councils' rural councils represent 12 per cent; and
- urban regionals represent less than 6 per cent.

These relative proportions have changed negligibly over time as shown in Figure 3.3.

Figure 3.3: Materials, contracts and other expenditure in total and by group (\$million) and total annual change (per cent)



Source: SALGGC (2019)

¹³ The materials, contracts and other category includes expenditure on a range of items including consultants, contractors, energy, water, waste services, maintenance, legal, levies to state government, advertising, catering, cleaning, communications, entertainment, various project related costs, sponsorships, subscriptions, insurance, security, information technology and other items.

Despite the similar increase in expenditure across both urban and rural councils over the last 10 years, Table 3.3 shows that there are significant compositional differences in the rate of increase in materials costs amongst the various council groupings:

- the urban metropolitan and fringe council group costs increased by 4.2 per cent per annum on average over the past 10 years. There has been a slight downward trend in the rate of increase (3.9 per cent) over the last seven years but 2017-18 recorded an increase of 5.1 per cent.
- the urban regional group costs increased by 3.0 per cent per annum on average over the 10 years and are moderating — in 2017-18 the increase was 1.8 per cent;
- rural small and medium council group costs increased by 3.1 per cent per annum on average and in 2017-18 costs fell by 1.2 per cent (it is noted that in 2016-17 there was an increase in costs of 7.8 per cent); and
- rural large and very large group costs grew by 4.4 per cent per annum and appear to be falling below the long-term average. In 2016-17, there was an increase of over 13 per cent.

Table 3.3: Average annual increase in materials, contracts and other costs by council group (per cent)

Council Group	2008-09 to 2017-18	2011-12 to 2017-18	2016-17 to 2017-18
Urban - Metro & Fringe	4.2	3.9	5.1
Urban - Regional	3.0	2.2	1.8
Rural - Small & Medium	3.1	1.5	-1.2
Rural - Large & Very Large	4.4	3.7	0.8
All Groups	4.0	3.5	3.7

Source: SALGGC (2019)

The City of Adelaide experienced a 6.4 per cent average annual increase over the 10 year period. In contrast, the metropolitan and fringe councils, experienced average increases of 3.5 per cent and 4.5 per cent per annum, respectively.

In respect of the other regions, the largest average annual increases over the 10 years to 2017-18 related to:

- the rural councils of the Murraylands and Riverlands regions which experienced an average increase of 6.7 per cent;
- the rural councils of the Southern and Hills regions: 5.4 per cent; and
- the metropolitan fringe councils: 4.5 per cent.

The increases for the metropolitan fringe and southern and hills councils may be in part attributed to the growth in population and the demand for greater services in these areas. In contrast, the rural councils of the Murraylands and Riverlands experienced an overall decline in numbers over the last 10 years — although there has been an increase in population in the last two years.

Information request 3.1: Materials, contracts and other costs

What are the main drivers of materials, contracts and other costs for rural small and medium councils?

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

3.3.3 Employee costs

Employee costs is the next most substantial expenditure for councils representing approximately 35 per cent (or \$789 million) of total operating expenditure in 2017-18.

Employee costs incorporate:

- total number of employees; and
- costs per employee, including wages, salaries and supplements.

The average annual increase in total employee costs across the local government sector was 4.5 per cent over the last 10 years, with no major difference between urban and rural councils.

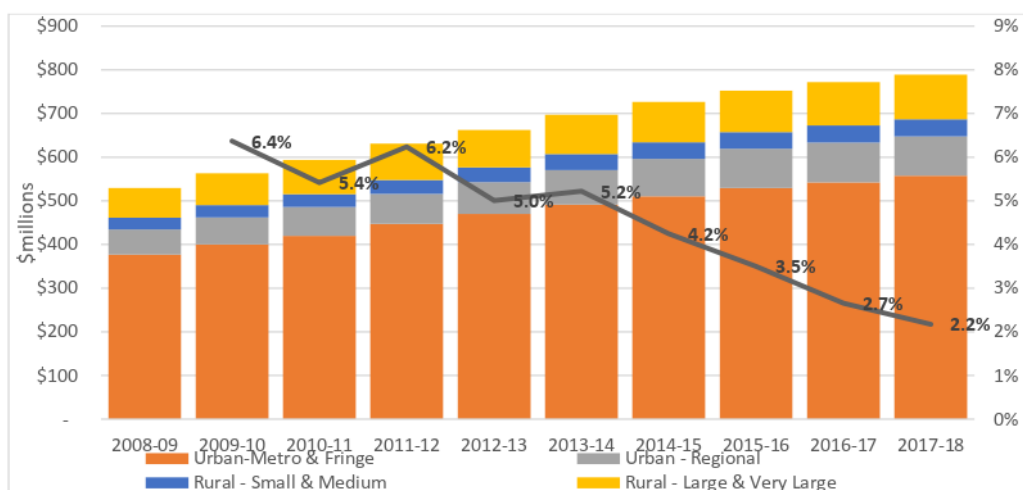
Total employee costs across the four council groups since 2008-09 are shown in Figure 3.4. It is noted that there may be some variation in employee costs from year to year due to the rate of capitalisation of labour that occurs — the Commission does not have access to the labour capitalisation rate for each council.

Urban metropolitan and fringe councils represent 71 per cent of total employee costs in 2017-18 and, in comparison:

- large and very large rural councils represent 13 per cent;
- small and medium rural councils represent 11 per cent; and
- urban regional councils represent 5 per cent.

These relative proportions have changed negligibly over time as may be inferred from Figure 3.4.

Figure 3.4: Employee costs in total and by council group (\$million) and annual change (per cent)



Source: SALGGC (2019)

Table 3.4 shows the slowing growth in total employee costs over the last 10 years was experienced across both urban and rural councils. The table also shows that the changes in employee costs tended to diverge more between the various council groupings over time:

- urban metropolitan and fringe councils' employee costs grew by 4.4 per cent per annum on average over the past 10 years, although there has been a downward trend in the rate of increase (to 3.7 per cent) over the last seven years and the rate of increase slowed to 2.8 per cent during 2017-18;
- urban regional councils' employee costs grew by 5.1 per cent per annum over the past 10 years and 4.6 per cent over the last seven years. However, 2017-18 experienced a decrease of 1.5 per cent;
- rural - small and medium councils' costs grew by 4.4 per cent per annum over the 10 years and appear to be slowing, experiencing a 1.2 per cent increase during 2017-18; and
- rural - large and very large councils' costs grew by 4.6 per cent per annum over the 10 years but over the past seven years experienced the smallest rise of all groups (3.5 per cent) and in 2017-18 the rise was 2.6 per cent.

Overall annual growth in employee costs for the entire sector (across all groups) has declined to 2.2 per cent in 2017-18 as shown in Table 3.4.

Table 3.4: Average annual increase in employee costs by council group (per cent)

Council Group	2008-09 to 2017-18	2011-12 to 2017-18	2016-17 to 2017-18
Urban - Metro & Fringe	4.4	3.7	2.8
Urban - Regional	5.1	4.6	-1.5
Rural - Small & Medium	4.4	3.8	1.2
Rural - Large & Very Large	4.6	3.5	2.6
All Groups	4.5	3.8	2.2

Source: SALGGC (2019)

As shown in Table 3.5, over 10 years, the urban fringe councils (of all the groups) experienced the greatest increase in employee costs at 5.8 per cent per annum and 5.4 per cent per annum over the last seven years. Growth during 2017-18 also remained high at 4.6 per cent.

Similarly, the rural regional groups of Eyre Peninsula and the Legatus Group, and the urban regional council group all experienced increases of 5.1 per cent per annum over the 10 years and increases of between 4.1 per cent and 4.6 per cent per annum over the last seven years.

In contrast, the total employee cost increases of the group of rural councils of the Murraylands and Riverlands averaged approximately 3.5 per cent per annum over the 10 years and 2.3 per cent over the last seven years. In 2017-18, these councils' employee costs grew by 1.0 per cent and the southern and hills councils experienced a growth of 0.7 per cent.

Table 3.5: Average annual change in employee costs by regional council grouping (per cent)

Council type and region	2008-09 to 2017-18	2011-12 to 2017-18	2016-17 to 2017-18
Urban capital city	3.9	4.0	2.0
Urban metropolitan	4.0	2.9	2.1
Urban fringe	5.8	5.4	4.6
Urban regional	5.1	4.6	-1.5
Rural Eyre Peninsula	5.1	4.1	1.8
Rural Legatus Group	5.1	4.1	3.4
Rural Limestone Coast	4.3	3.2	1.7
Rural Murraylands & Riverlands	3.5	2.3	1.0
Rural Southern & Hills	4.4	4.7	0.7

Source: SALGGC (2019)

From information collected by the ABS for its Wage Price Index for South Australia, the annual growth in total hourly rates of pay (excluding bonuses) for both private and public sectors across all industries was 2.8 per cent over the same 10-year period of this review, 2.6 per cent over the past seven years and 2.1 per cent during 2017-18.

The Commission notes that the average annual growth in the number of council employees (on an FTE basis) has followed the general growth rate of the population at around 0.8 per cent. On an FTE basis, total unit employee costs for the local government sector have increased from \$64,100 in 2008-09 to \$88,900 in 2017-18 — an average annual increase of 3.7 per cent over the decade.¹⁴

The increase in total employee cost is driven by the increase in salary and wages rather than by the increase in employee numbers. Furthermore, the increase in salaries and wages may also be due to changes in labour composition to a more skilled workforce. The Commission's analysis shows that the rate of increase in council unit employee costs rose more rapidly than average wages in the South Australian economy for the full decade, for the period 2011-12 – 2017-18 and for 2017-18.

On an urban/rural basis, unit employee costs have increased at a faster rate for the rural council group compared with the urban council group as shown in Table 3.6. The table also shows the average annual change in unit employee cost by the four major council groups and regional area.

¹⁴ It is noted that the full time equivalent employee numbers provided by the SALGGC represents the total workforce and, as such, no adjustment is made for the capitalisation rate associated with the split between operating and capital costs.

Table 3.6: Average annual change in unit employee cost (per cent)

Council Group	2008-09 to 2017-18	2011-12 to 2017-18	2016-17 to 2017-18
Urban	3.6	3.3	2.7
Rural	4.0	3.4	2.1
Urban - Metro & Fringe	3.5	3.2	2.4
Urban - Regional	4.4	3.9	4.5
Rural - Small & Medium	4.4	4.3	-0.8
Rural - Large & Very Large	3.8	3.0	3.3
Urban capital city	3.1	2.9	3.2
Urban metropolitan	3.4	3.0	1.8
Urban fringe	4.0	3.6	3.5
Rural Eyre Peninsula	4.7	4.3	-1.3
Rural Legatus Group	4.3	3.4	3.8
Rural Limestone Coast	3.7	3.6	0.5
Rural Murraylands & Riverlands	3.4	3.1	3.1
Rural Southern & Hills	3.5	2.7	-0.6
All Groups	3.7	3.3	2.6
SA Wage Price Index	2.8	2.6	2.1

Source: SALGGC (2019)

The average cost per FTE is generally higher among urban councils compared to rural councils. In particular, the average unit employee cost in 2017-18 for each council group was:

- urban metropolitan and fringe group: \$92,300;
- urban regional group: \$90,500;
- rural small and medium group: \$72,500; and
- rural large and very large group: \$78,800.

Some stakeholders raised the issue of employee costs and the central role that enterprise agreements play in the wage setting process. In its submission, the City of Charles Sturt stated that:

Employee expenses comprise approximately 35% of operating costs and governed by Enterprise Bargaining Agreements. In 2008/09 the EBA wages increase at Charles Sturt was 5.5%. It then decreased to 4% until 2013/14 where it was 3% until 2017/18.

(City of Charles Sturt Submission, p.6)

In addition, the South Australian Financial Management Group (SALGFMG) noted that:

From 2008/09 many Councils had wages increase in the order of 4% to 6%, falling to around 3% in 2014/15 and more recently in the order of 2%, and more reflective of wages growth in the broader economy.

(SALGFMG Submission, p.10)

The SALGFMG submission offered a possible explanation and noted that enterprise agreements may have an indirect role by making costs fixed rather than variable:

Employee costs represent 35% of councils total operating cost [...]. This cost is driven by Enterprise Bargaining Agreements and often include no forced redundancy clauses resulting in labour being largely a fixed cost.
(SALGFMG Submission, p.10)

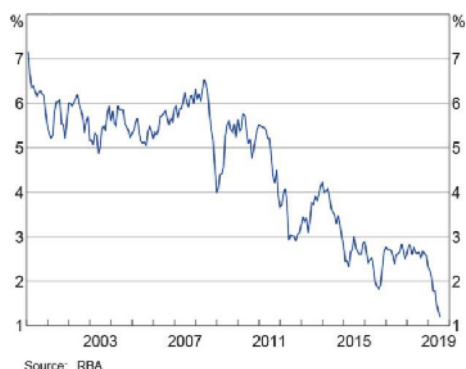
Several submissions, including from the City of Charles Sturt, identified employee costs as a driver of increases in operating costs. In particular, the industrial relations framework within which councils operate has been identified by some stakeholders, including the SALGFMG, as a significant driver of operating costs. The Commission understands that, at present, councils negotiate Enterprise Bargaining Agreements (EBAs) individually, with different conditions in place for staff classified as either 'indoor' or 'outdoor' employees.

3.3.4 Finance costs

In general, the cost of finance is small across councils — making up less than 1.4 per cent (or \$31 million) of total operating expenditure in 2017-18. Councils generally have very low debt levels.

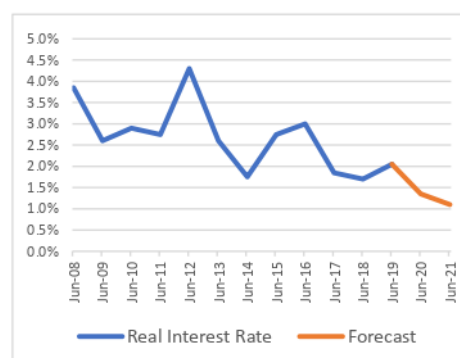
Over the last 10 years, total finance costs have fallen by an average of less than 0.2 per cent per annum but since 2011-12, finance costs have fallen by 3.0 per cent per annum on average. This reflects falling long term borrowing interest rates — as represented by the 10 year Commonwealth bond yields in Figure 3.5 and the subsequent decrease in deposit rates.

Figure 3.5: 10 year Australian government bond yield



Source: LGFA (2019)

Figure 3.6: Local government real interest rates from 2008 to 2021

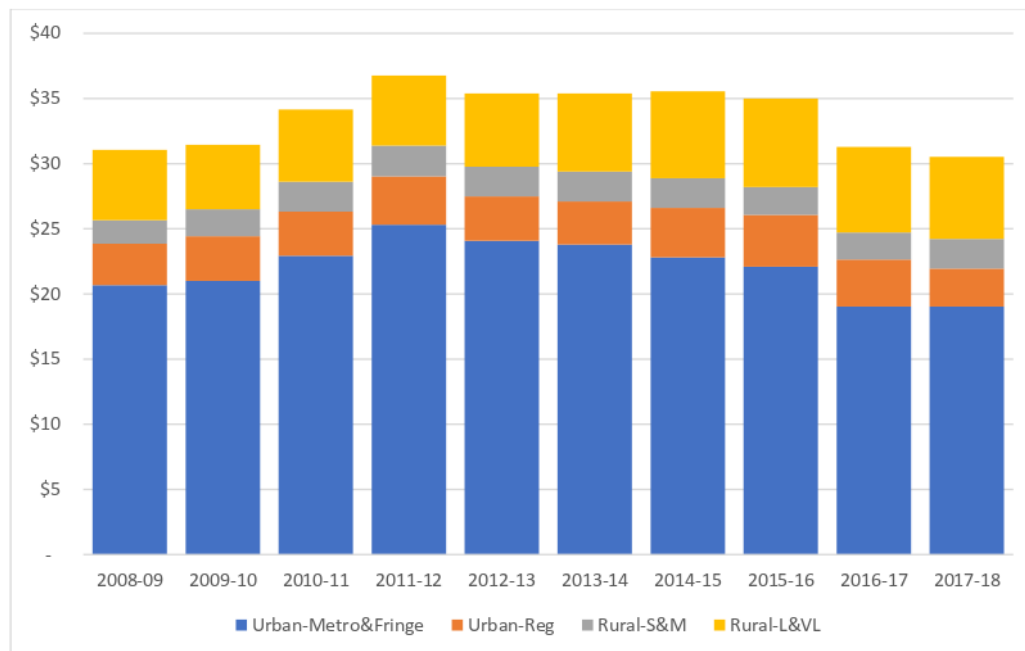


Similarly, Figure 3.6 shows the general decline in actual real interest rates that councils were able to access since 2008 from the Local Government Finance Authority (LGFA).¹⁵

These declines in interest rates (as well as declining levels of net debt) are reflected in the total finance costs incurred by councils as shown in Figure 3.7.

¹⁵ The Local Government Finance Authority of South Australia, is a body corporate, which provides financial services exclusively to South Australian councils and local government bodies. It was established in January 1984 under the Local Government Finance Authority Act, 1983.

Figure 3.7: Total finance costs by council group (\$million)



Source: SALGGC (2019)

As noted, although there was a slight fall of 0.2 per cent per annum in total finance costs across all councils in the past 10 years, the decline in interest rates has resulted in a decline in finance costs of 3 per cent per annum over the last seven years.

Rural councils, as a group, experienced an increase in finance costs of almost 2 per cent per annum over the last 10 years compared with urban councils which experienced a fall of almost 1 per cent. Over the last seven years, rural councils' finance costs fell by 1.8 per cent per annum while urban councils experienced a fall of 4.6 per cent per annum over the same period.

Table 3.7 shows these differences and also shows that the large rural councils faced an increase in finance costs of 2.7 per cent per annum since 2011-12, while other council groups experienced a fall.

Table 3.7: Average annual changes in finance costs by council group (per cent)

Council Group	2008-09 to 2017-18	2011-12 to 2017-18	2016-17 to 2017-18
Urban - Metro & Fringe	-0.92	-4.6	-0.01
Urban - Regional	-0.98	-3.9	-19.4
Rural - Small & Medium	2.6	-0.55	9.3
Rural - Large & Very Large	1.7	2.7	-3.9
All Groups	-0.2	-3.0	-2.4

Source: SALGGC (2019)

Of the increases in total finance costs in the rural council groups, the largest increase was experienced by the Eyre Peninsula rural councils which saw an increase of an average of 6.7 per cent per annum over 10 years and 5.5 per cent over the last seven years.

The biggest decline was by the City of Adelaide which saw its total finance costs fall by an average of over 24 per cent per annum over the last 10 years from \$2.4 million down to \$0.2 million; however, in 2017-18, its finance costs increased by over 500 per cent from \$0.03 million to \$0.2 million.

Councils raise funds to finance their operations from a range of sources including:

- grants from governments and gifts in cash or kind from the private sector;
- borrowings from lenders or lending institutions such as banks or non-bank institutions;
- excess funds resulting from operating efficiencies or the deferral (or cancellation) of projects or other programs;
- proceeds from asset sales, and the biggest of all; and
- funds raised from ratepayers.

In terms of borrowings, the local government sector held \$668 million at 30 June 2018. This level of borrowings represents approximately 2.7 per cent of the total value of fixed assets. If councils increased their use of debt, finance costs would increase resulting in higher total operating expenditure.

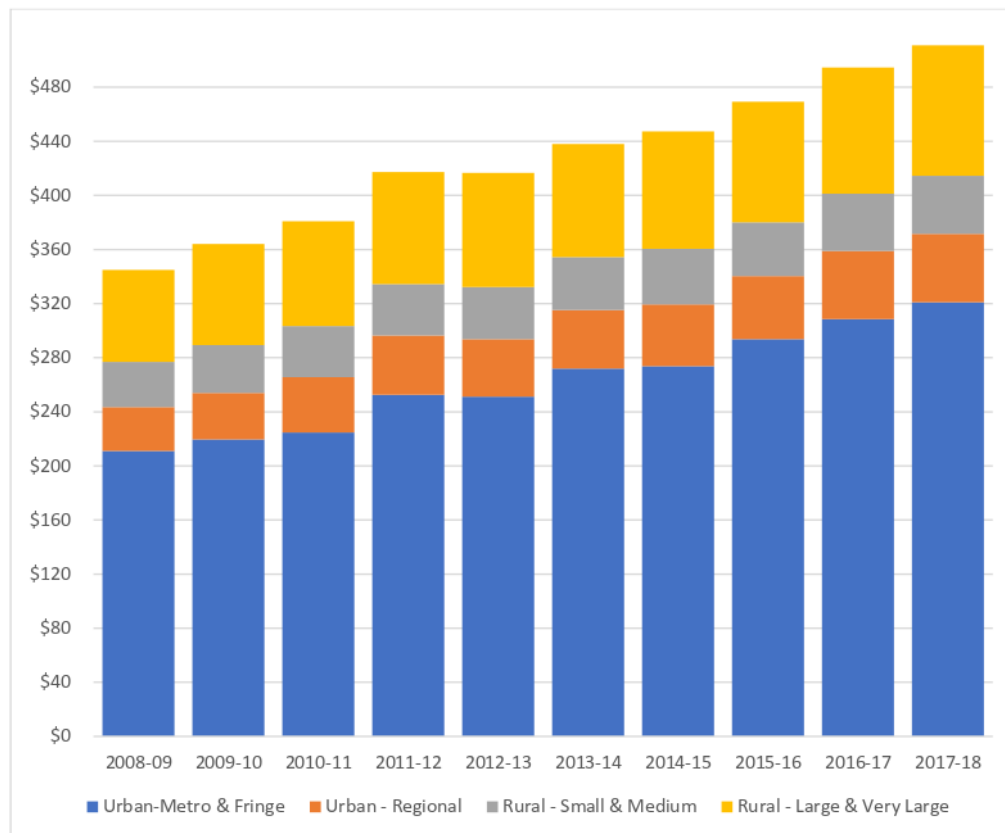
3.3.5 Depreciation, amortisation and impairment of assets

Of all the major resource expenditure categories, depreciation is not an actual cash expense but, in simple terms, an accounting charge that attempts to reflect the loss in the value of an asset as it is consumed over each year of its life.

Although a non-cash item, depreciation is substantial representing approximately 23 per cent (or \$511 million) of total operating expenditure in 2017-18 and reflects the level of the fixed asset base (excluding land).

Figure 3.8 below shows that depreciation has increased over the last 10 years from approximately \$345 million in 2008-09 to \$511 million in 2017-18.

Figure 3.8: Depreciation, amortisation and impairment charges (\$million)



Source: SALGGC (2019)

Table 3.8: Average annual changes in depreciation, amortisation and impairment charges by council group (per cent)

Council Group	2008-09 to 2017-18	2011-12 to 2017-18	2016-17 to 2017-18
Urban - Metro & Fringe	4.8	4.1	4.0
Urban - Regional	5.0	2.3	0.2
Rural - Small & Medium	2.9	2.0	1.7
Rural - Large & Very Large	4.0	2.6	3.5
All Groups	4.1	3.4	3.3

Source: SALGGC (2019)

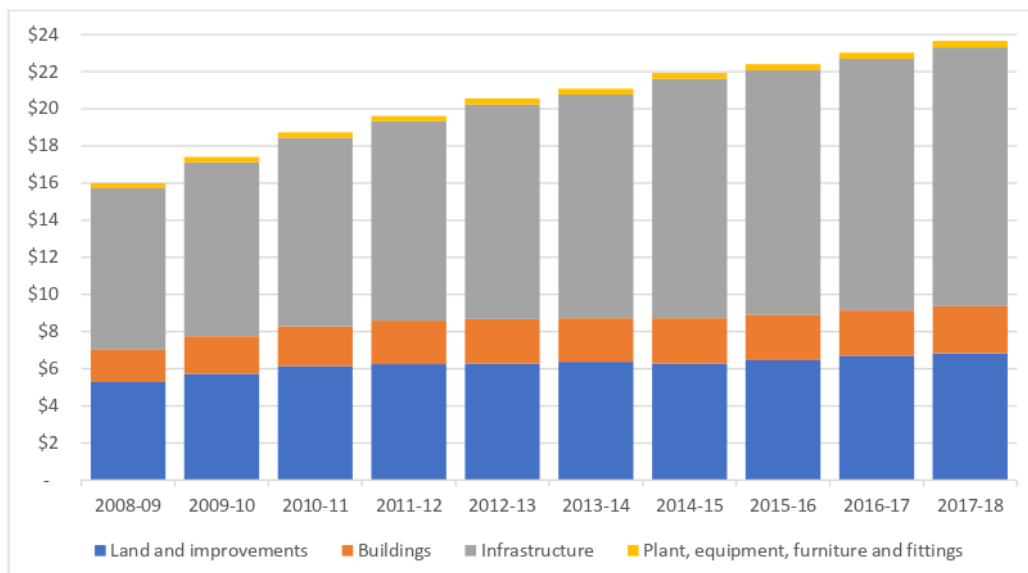
Table 3.8 shows that average annual growth in depreciation charges has been slowing over the decade and is variable across council groups.

Figure 3.9 shows the current value of depreciating assets is approximately \$16.8 billion of the \$23.7 billion of total fixed assets held by the local government sector at 30 June 2018. Over the 10 years since 2008-09, total assets have increased by \$8.2 billion of which the value of net depreciable assets have increased by \$6.1 billion — from a combination of revaluations, write-

downs, asset disposals and new additions which is reflected by the levels of capital expenditure.¹⁶

As a consequence of the levels of capital expenditure in recent years, a total of \$6.3 billion of new and upgraded capital works will have been added to councils' asset bases over the course of the past 10 years.

Figure 3.9: Infrastructure, building, plant and equipment assets 2008-09 to 2017-18 (\$billion)



Source: SALGGC (2019)

Depreciation is affected by the level of capital expenditure over time as new assets are commissioned and added to the asset base.

Capital expenditure peaked in 2017-18 at \$825 million compared to \$542 million in 2008-09 as shown in Figure 3.10 — an increase of over 52 per cent or an annual average increase of 4.8%.

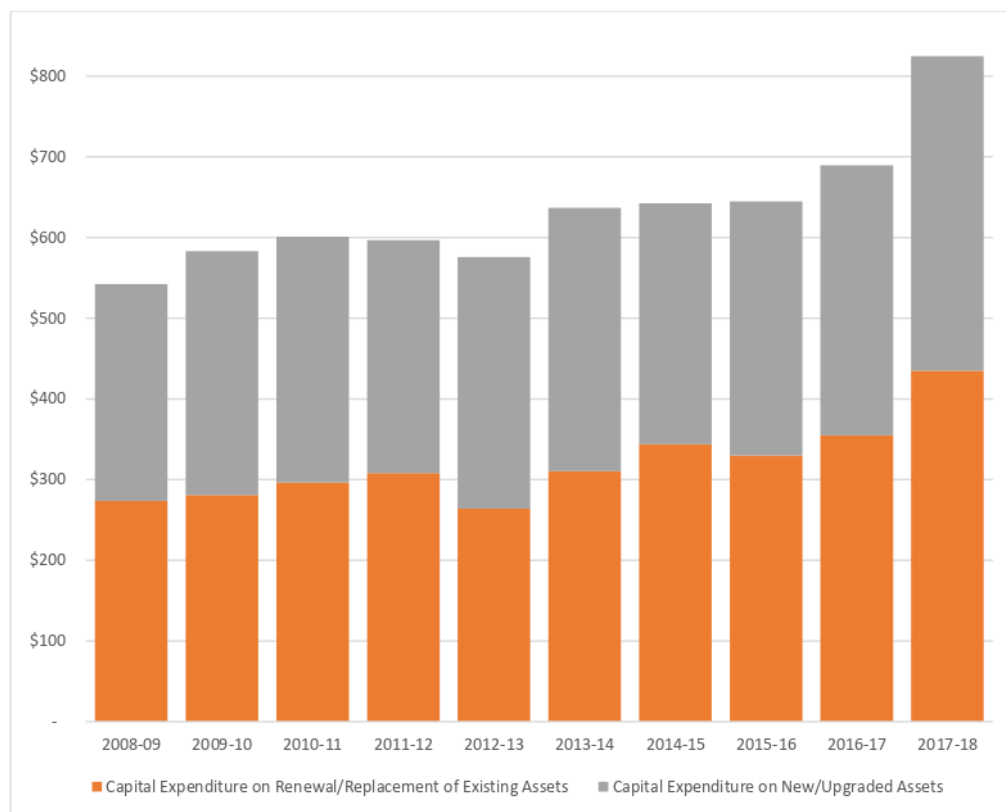
The increase in capital expenditure fluctuates from year to year, as shown in Figure 3.10. The increase from 2016-17 to 2017-18 was approximately 20 per cent or over \$135 million as follows:

- the urban metropolitan and fringe council group's capital expenditure increased by \$99 million (an increase of approximately 23 per cent) — of which \$58 million was incurred by the City of Adelaide;
- the urban regional group decreased capital expenditure by \$700,000 (a decrease of approximately one per cent);
- the rural small and medium council group increased capital expenditure by \$22 million (an increase of approximately 34 per cent); and
- the rural large and very large council group increased capital expenditure by \$15 million (an increase of approximately 12 per cent).

¹⁶ New capital works additions include assets gifted to councils by developers and governments.

The increase in 2017-18 compares with the 10 year and seven year average annual increases in capital expenditure of 4.8 per cent and 5.5 per cent, respectively — and reflects the increasing level of capital projects being undertaken in recent years.

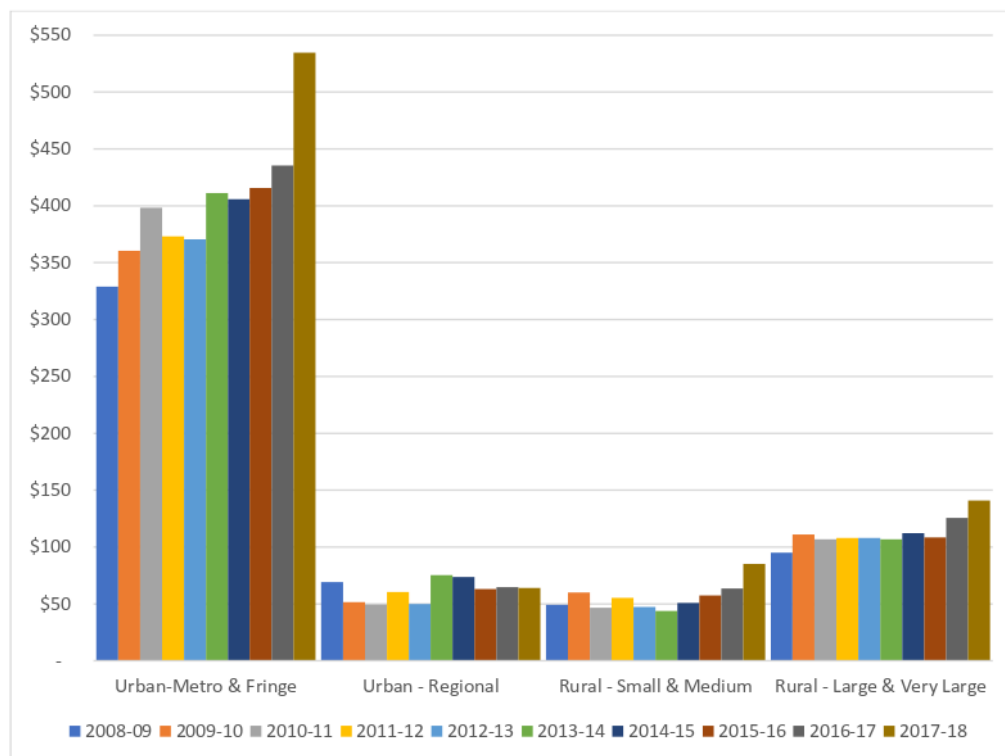
Figure 3.10: Total capital expenditure by project type across all councils (\$million)



Source: SALGGC (2019)

Figure 3.11 shows capital expenditure for each of the four council groups. This figure and Table 3.9 shows that other than for the urban regional group, capital expenditure had increased across all groups in 2017-18.

Figure 3.11: Total capital expenditure by council group (\$million)



Source: SALGGC (2019)

Table 3.9: Average annual change in capital expenditure by council group (\$million) (per cent)

Council Group	2008-09 to 2017-18	2011-12 to 2017-18	2016-17 to 2017-18
Urban - Metro & Fringe	5.5	6.2	22.8
Urban - Regional	-0.8	1.0	-1.1
Rural - Small & Medium	6.3	7.5	33.9
Rural - Large & Very Large	4.5	4.6	12.1
All Groups	4.8	5.5	19.6

Source: SALGGC (2019)

Depreciation expenses were approximately 23 per cent of total operating expenditure in 2017-18 and this share has not changed significantly since 2008-09. It increased by 48 per cent for the period (an annual average of 4.5 per cent) while the value of depreciable assets increased by 57 per cent. Increased capital expenditure by councils, revaluations of assets and the 'gifting' of new infrastructure from land developments will impact on future changes in the depreciation expense. As an important driver of financial sustainability, depreciation requires more consideration.

3.3.6 Findings

Councils' operating costs are comprised mostly of labour (35 per cent), materials (including other costs, 41 per cent) and depreciation (23 per cent) with these proportions not changing significantly over the past decade.

Councils' overall operating expenditure has risen at an average annual rate of 4.2 per cent over the last decade and this has been well above the rate of inflation. There have been minor differences between each of the council groupings but, on an overall basis, average annual increases were well in excess of inflation — ranging from 3.3 per cent (for the small rural group) up to 4.3 per cent (for the urban and the large rural groups).

In particular, materials, contracts and other costs have increased at an annual average rate of 4 per cent over the last 10 years, driven by urban metropolitan and fringe councils and the rural councils of the Murraylands and Riverlands region.

Growth in this expenditure category has resulted more from volume growth than increases in prices paid for materials, contracts and other costs. This may reflect increased use of shared service arrangements and other forms of contracting out.

Total employee costs have increased at an annual average of 4.5 per cent over the last 10 years, well above other parts of the economy. It is noted that the rate of increase has slowed to 2.2 per cent in 2017-18 and is only slightly above the state-wide increase of 2.1 per cent for all employee types as measured by the ABS Wage Price Index for South Australia. These increases contrast sharply with the relatively low average annual growth in employee numbers of 0.8 per cent in the local government sector. These increases are the average outcomes of enterprise bargaining arrangements.

Depreciation (and related) charges have increased by over 48 per cent, or \$166 million, from \$345 million in 2008-09 to \$511 million in 2017-18 — equivalent to an average annual increase of 4.5 per cent.

The increase in recent years in capital expenditure can be expected to flow through to higher depreciation charges in coming years. Depreciation is a substantial figure and an important driver of financial sustainability and deserves more attention.

On the other hand, total finance costs fell from a peak of \$37 million (in 2011-12) to a low of \$31 million (in 2017-18).

3.4 Analysis of costs by service

This section considers how the mix of functions provided by councils has changed over time for the sector as a whole and by each of the four council groups.

3.4.1 Mandatory and non-mandatory services

The Commission noted in Chapter 2 that, under section 7 of the LG Act, there is wide scope for a council to determine the exact nature and specific level of the function or service to be delivered; that is, the number, volume, depth and quality of services to be provided to its community and the terms on which it is provided in most cases.

Several submissions to the inquiry noted that, over time, councils have grown from a small number of services (such as roads, rates and rubbish) to delivering an extensive and diverse range of services and functions as noted by the following extracts from three submissions:

... the Campbelltown community have increased their expectations, in regard to the level of services provided, including the provision of new services ...
(City of Campbelltown, p.2)

and

Elected Councils ... influence the range and extent of services provided by their council. Each change over time due to aspirations, demographics and interest of a community. For example, a community may place, indeed warrant, more extensive library services - providing increased geographic accessibility to a lower socio demographic community, or conversely, a higher service level consciously chosen by a higher socio demographic community.
(City of Charles Sturt Submission, p.3)

and

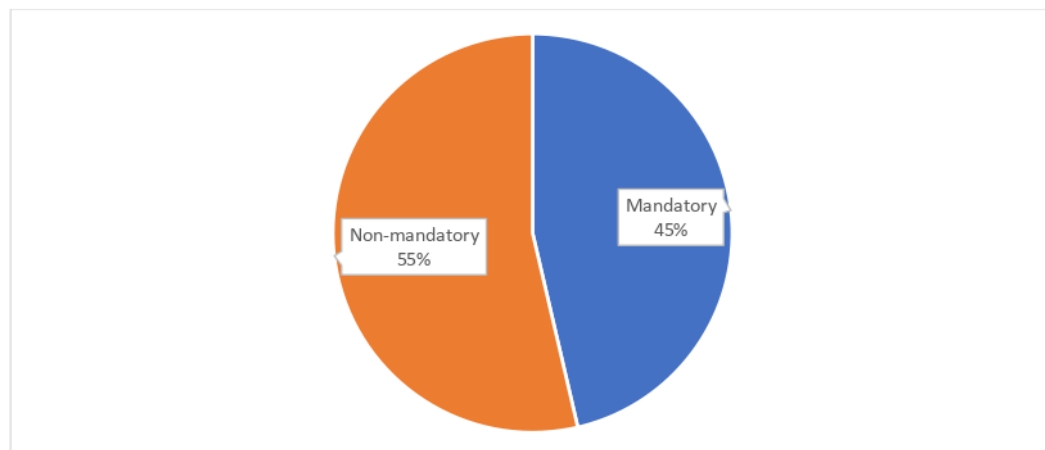
Changes in service provision and community expectations has increased over the period. Councils are providing additional services in Community Services, Library Services, Economic Development and Recreation and Open Space.
(City of Prospect Submission, p.2)

Appendix 4 provides a detailed list of mandatory and non-mandatory council activities, based on advice from LGASA.

The Commission notes that the delivery of mandatory services (as defined in Chapter 2) by councils to their communities accounts for less than half (or around 46 per cent) of annual operating expenditure.¹⁷ This proportion has not changed significantly since 2008-09, reflecting similar rates of growth for mandatory and non-mandatory services.

A small number of mandatory services accounts for nearly half of council expenditure. While councils have no choice but to deliver mandated services they largely decide how they deliver these mandated services — which affects their costs.

Figure 3.12: Split of operating expenditure by mandatory / non-mandatory service type for all councils, 2017-18

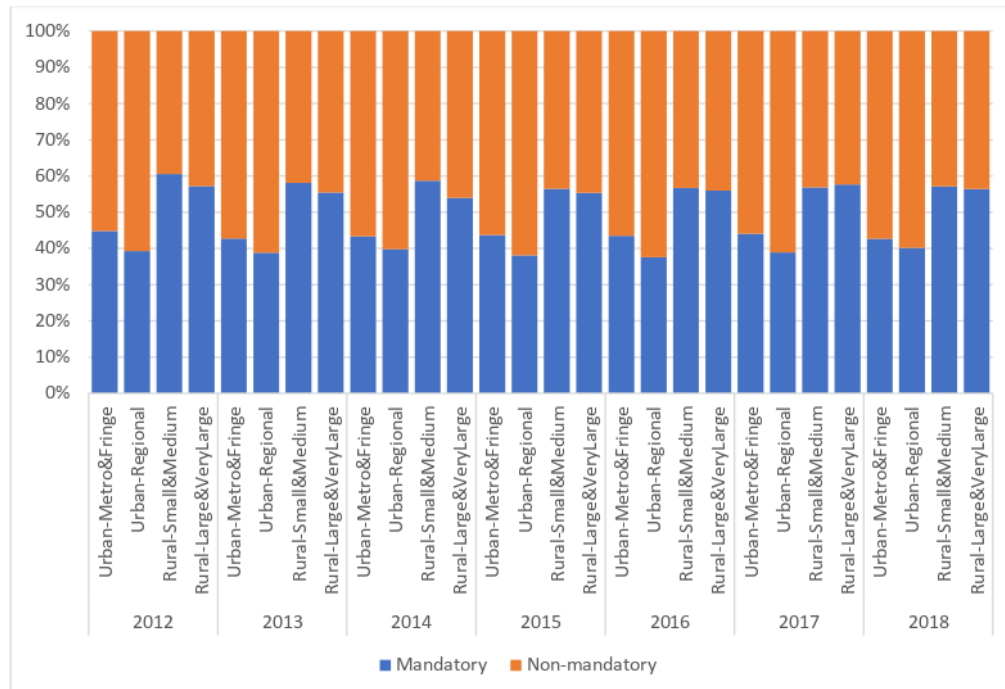


Source: LGASA and SALGGC (2019)

¹⁷ The operating costs used in arriving at this split excludes governance costs (\$60m), finance charges (\$31m) and the balance of amounts (\$12m) not allocated to other functions or services.

Figure 3.13 and Table 3.10 shows the differences between rural and urban council groups in the split of expenditure between mandatory and non-mandatory services.

Figure 3.13 Proportion of operating expenditure by mandatory / non-mandatory service types by council group from 2011-12 to 2017-18 (per cent)



Source: LGA and SALGGC (2019)

Table 3.10: Function mix expenditure proportions for 2017-18 (per cent)

Council group	Mandatory	Non-mandatory
Urban - Metro & Fringe	42.7	57.3
Urban - Regional	40.2	59.8
Rural - Small & Medium	57.1	42.9
Rural - Large & Very Large	56.4	43.6
All Groups	45.2	54.8

Source: LGA and SALGGC (2019)

Figure 3.13 and Table 3.10 shows that rural councils spend relatively more on mandatory services than their urban counterparts. In 2017-18, the rural council groups spent around 57 per cent compared to urban council groups, which are spending around 40 to 43 per cent on mandatory expenses. This is consistent with the views of rural councils that they have less flexibility in responding to the preferences of their communities. While total expenditure has grown, these shares have remained stable over time, since the expenditure on mandatory and non-mandatory functions have grown at similar rates. The highest proportion of expenditure on non-mandatory services, about 60%, is by urban regional councils.

3.4.2 Expenditure by service

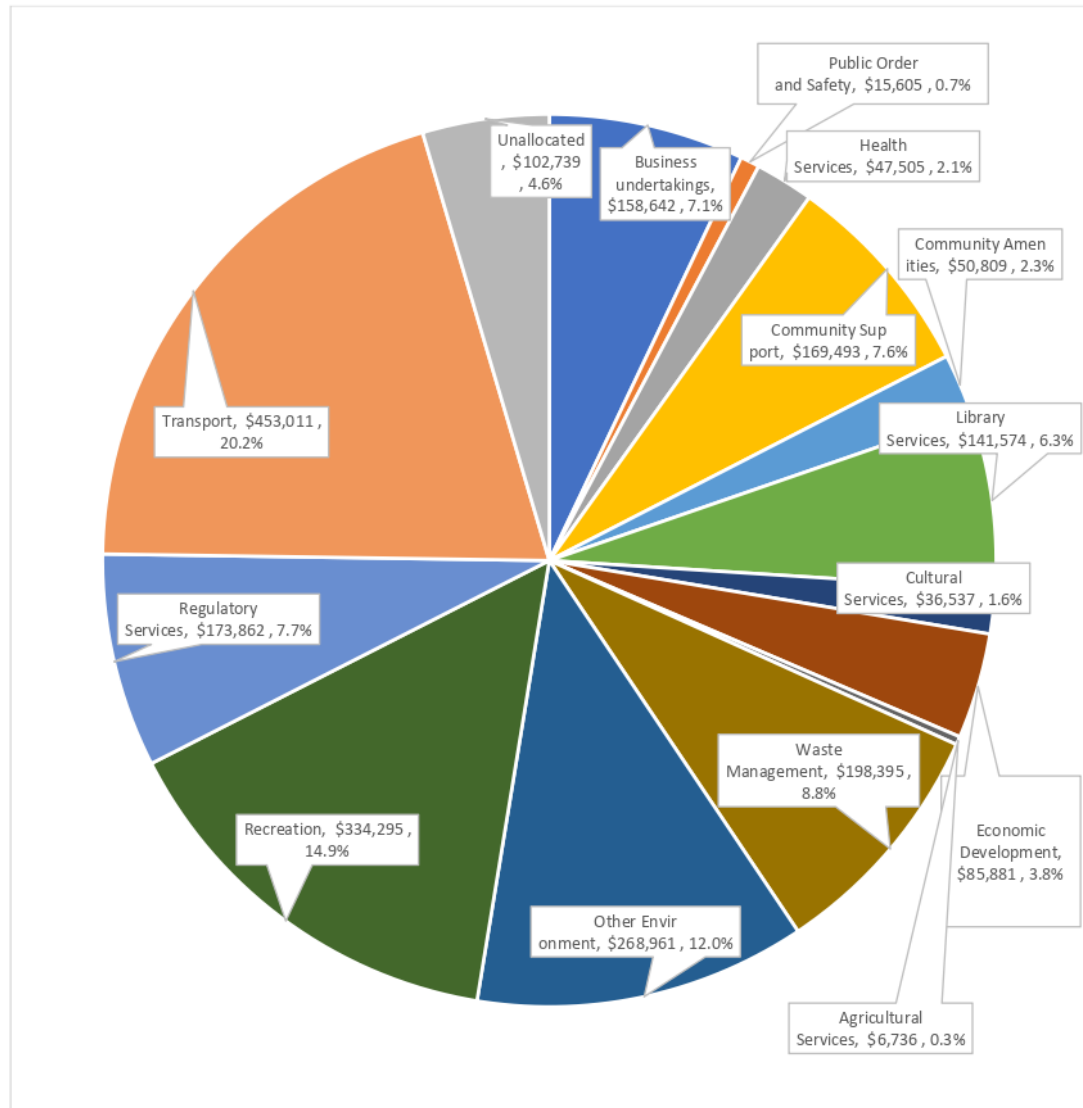
To meet their broad and diverse community demands, councils design and operate their services to be as efficient as possible by minimising input costs while maximising service outputs.

Councils are required to allocate and report their annual operating expenditure against a set of 14 service functions as follows (Appendix 4 provides more detail):

- business undertakings;
- transport;
- community services which includes:
 - public order and safety;
 - health services;
 - community support; and
 - community amenities.
- culture which includes:
 - library services; and
 - cultural services.
- regulatory services;
- economic development;
- environment which includes:
 - agricultural services;
 - waste management; and
 - other environment.
- recreation;

Of the total operating expenditure of \$2.2 billion incurred in 2017-18, approximately \$2.1 billion (or 95.4 per cent) was allocated to the above service functions. The remaining \$100 million of unallocated expenditure, in the main, relates to council administration, governance and finance costs.

Figure 3.14: Expenditure by function 2017-18 (\$'000)



Source: SALGGC (2019)

Figure 3.14 reveals that of the \$2.1 billion in expenditure allocated to the above 14 functions (excluding unallocated expenses) in 2017-18, a total of \$1.9 billion (or 89 per cent) was incurred on the following eight services functions:

1. transport (\$453m, 20 per cent);
2. recreation (\$334m, 15 per cent);
3. other environment¹⁸ (\$269m, 12 per cent);
4. waste management (\$198m, 8.8 per cent);
5. regulatory services (\$174m, 7.7 per cent);
6. community support (\$169m, 7.6 per cent);
7. business undertakings (\$159m, 7.1 per cent); and
8. library services (\$142m, 6.3 per cent).

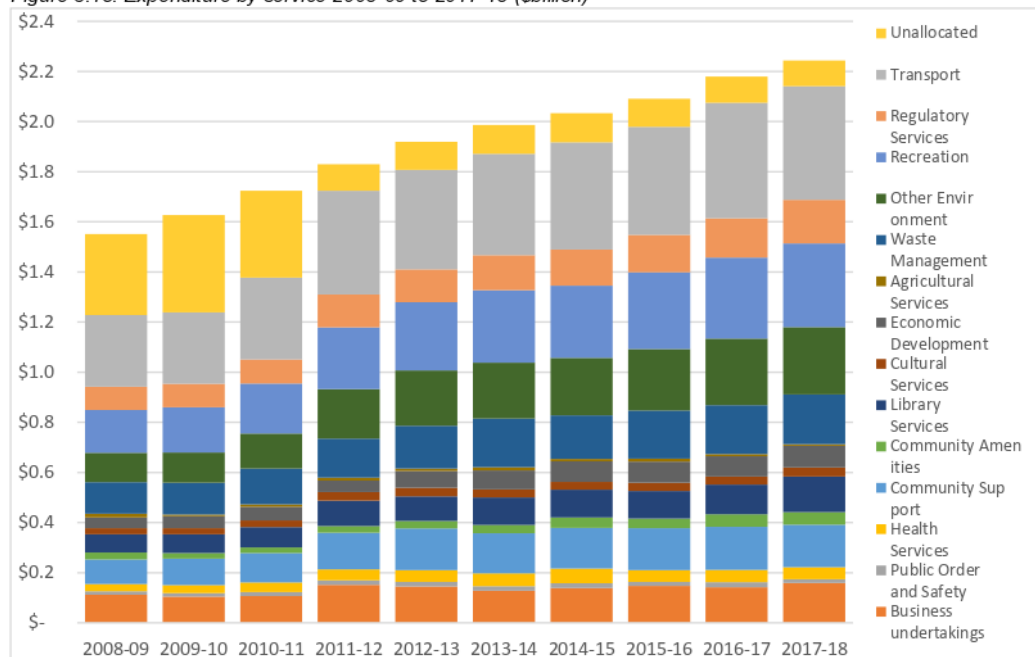
Expenditure on the remaining six categories contributed less than 11 per cent of total services expenditure (or \$243 million) with the largest of those being Economic Development at \$86 million or 3.8 per cent of the total allocated expenditure on services.

While economic development costs represent 3.8 per cent of the overall total expenditure, the City of Adelaide disproportionately contributes almost 18 per cent to the overall cost in this category reflecting the State's capital role in major events and as a key location for economic activity. If the City of Adelaide is excluded, the overall growth over the 10 years was 0.3 per cent.¹⁹

¹⁸ Other environment includes expenditure on coastal protection, stormwater management, street cleaning, street lighting, street-scaping and a range of other environmental protection services.

¹⁹ It is noted that, due to its nature and its status as the state's capital, the proportion of costs borne by the City of Adelaide tends to distort the analysis. For example, the contribution by the City of Adelaide to total operating expenditure (by all councils) can be as high as 38 per cent for business undertakings and 23 per cent for recreation (parks and gardens).

Figure 3.15: Expenditure by service 2008-09 to 2017-18 (\$billion)



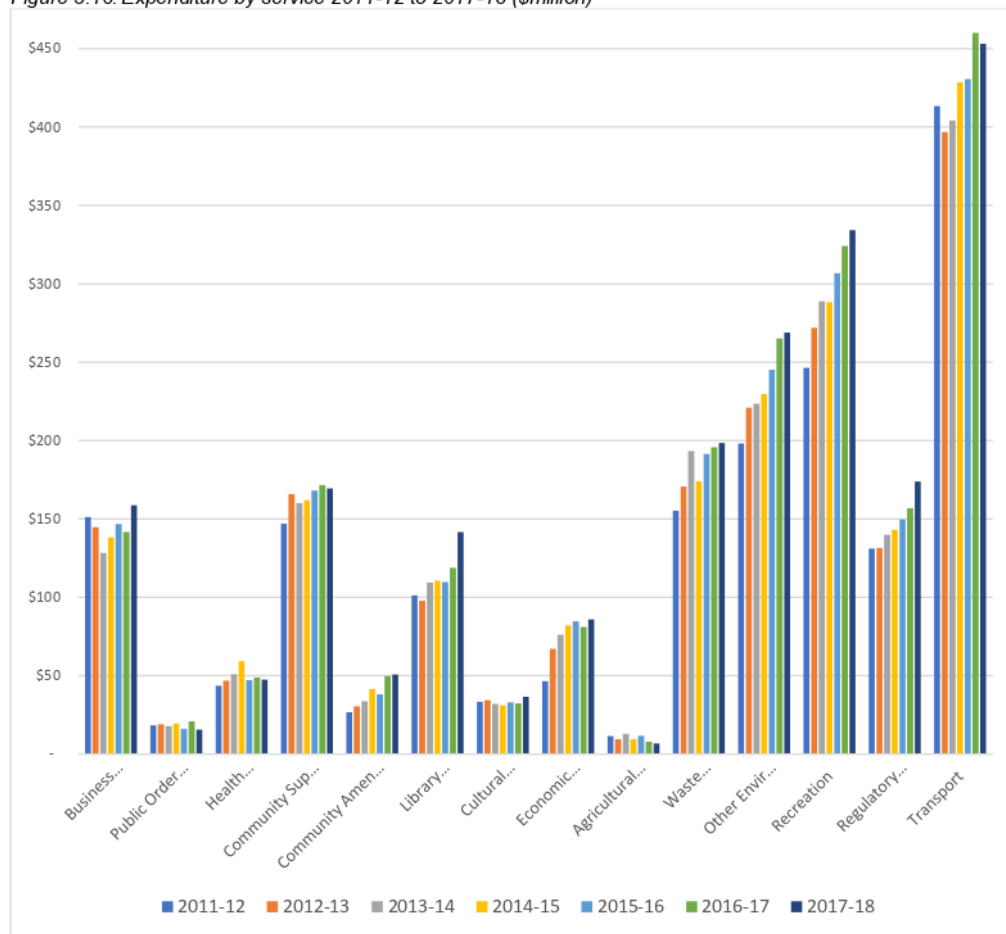
Source: SALGGC (2019)

Figure 3.15 shows that in the first three years, the level of unallocated expenditure was considerable and varied substantially from the levels in subsequent years.²⁰ Accordingly, the analysis that follows focuses on the years from 2011-12 to 2017-18.

Figure 3.16 provides an overview of the relative expenditure across each of the service functions from 2011-12 to 2017-18 and provides a context for the discussion that follows.

²⁰ The SALGGC advised that there was a change to the data collection methodology in 2011-12 to address the level of unallocated expenditure.

Figure 3.16: Expenditure by service 2011-12 to 2017-18 (\$million)



Source: SALGGC (2019)

The following table provides a breakdown of expenditure by function mix and by council group for 2017-18.

Table 3.11: Relative expenditure by service and by council group 2017-18 (per cent)

Service	Urban-Metro & Fringe		Urban- Regional		Rural – Small & Medium		Rural-Large & Very Large		State-wide Total	
	\$millions	%	\$millions	%	\$millions	%	\$millions	%	\$millions	%
Agricultural services	3.1	0.2	1.8	0.7	0.4	0.3	1.4	0.4	6.7	0.3
Business undertakings	87.0	5.7	23.8	9.5	14.2	10.4	33.6	9.9	158.6	7.1
Community amenities	25.9	1.7	10.0	4.0	4.5	3.3	10.3	3.0	50.8	2.3
Community support	122.8	8.1	19.5	7.7	6.9	5.0	20.3	6.0	169.5	7.6
Cultural services	28.4	1.9	5.3	2.1	0.8	0.6	2.0	0.6	36.5	1.6
Economic development	57.1	3.8	12.9	5.1	5.1	3.7	10.8	3.2	85.9	3.8
Health services	31.6	2.1	13.7	5.4	1.3	1.0	0.9	0.3	47.5	2.1
Library services	119.0	7.9	11.1	4.4	1.3	0.9	10.2	3.0	141.6	6.3
Other environment	215.9	14.3	22.9	9.1	7.3	5.3	22.9	6.7	269.0	12.0
Public order and safety	10.0	0.7	2.2	0.9	1.0	0.7	2.4	0.7	15.6	0.7
Recreation	253.9	16.8	34.5	13.7	13.1	9.5	32.8	9.6	334.3	14.9
Regulatory services	124.5	8.2	18.2	7.2	5.8	4.2	25.4	7.4	173.9	7.7
Transport	244.1	16.1	43.8	17.4	51.2	37.3	114.0	33.4	453.0	20.2
Waste management	135.0	8.9	23.1	9.2	9.8	7.2	30.5	8.9	198.4	8.8
Unallocated charges	55.8	3.7	8.9	3.5	14.4	10.5	23.6	6.9	102.7	4.6
Total	1,514.2	100	251.7	100	137.0	100	341.1	100	2,244.0	100

Source: SALGGC (2019)

Between 2011-12 and 2017-18, services that recorded the largest relative increases were:

- economic development — increasing at an annual average of 11 per cent (a total increase of \$40 million over the seven years which largely reflects increased activity by the City of Adelaide);
- community amenities — increasing at an annual average of 11 per cent (a total increase of \$24 million over the seven years); and
- library services — increasing at an annual average of 6 per cent (a total increase of \$40 million over the seven years).

The largest increases by value were:

- recreation — increasing by a total of \$88 million or an annual average 5.2 per cent;
- other environment — increasing by a total of \$71 million or annual average 5.2 per cent;
- waste management — increasing by a total of \$43 million or annual average 4.2 per cent; and
- regulatory services — increasing by a total of \$43 million or annual average 4.8 per cent

The services that recorded the smallest relative increases were:

- agricultural — decreasing at an annual average of 9 per cent (a total decrease of \$5 million over the seven years); and
- public order and safety — decreasing at an annual average of 3 per cent (a total decrease of \$3 million over the seven years).

3.4.3 Findings

Based on an analysis of 14 service categories, the mix of services provided by the local government sector has not changed significantly over the last decade. The split between mandatory and non-mandatory activities for the sector as a whole has remained steady at 46 per cent and 54 per cent, respectively.

Urban councils are spending relatively more on non-mandatory activities than rural councils — in particular, rural councils spend approximately 60 per cent of expenditure on mandatory activities compared to urban councils which are spending around 40 per cent on their mandatory activities.

While there may have been some increase in the number of mandated activities, the Commission understands that councils generally make decisions regarding the extent and quality of the service levels for those activities.

Of the services provided by councils, expenditure on transport is the biggest expenditure at \$453 million in 2017-18, followed by recreation, other environment and waste management. Rapidly growing areas were recreational and environmental services, as well as regulatory services. Slower growing areas of expenditure were agriculture and public safety.

The analysis suggests to the Commission that, at the sector level there is no particular function, or change in service mix which has driven growth in council expenditure.

3.5 Other cost drivers

The Commission has studied the existing data and sought council views through consultation and submissions to identify and understand what council cost drivers are.

In doing so, the Commission has reviewed costs, both at the input level and at the output level. Input costs have been addressed earlier in the chapter and the following section provides detail on the costs of outputs, including those related to demographic change, scope and standards of services.

3.5.1 Demographics

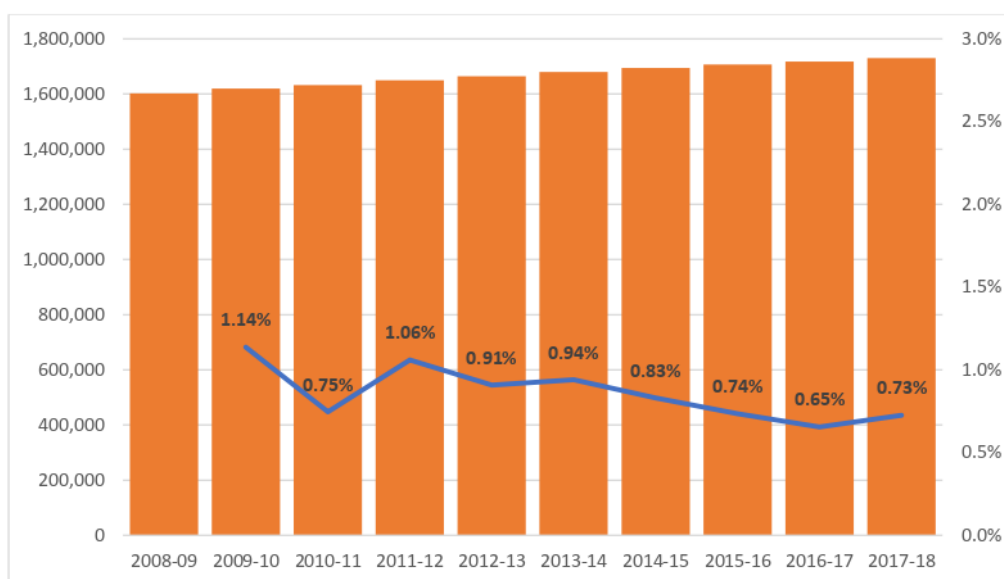
Funding and service delivery requirements are very different for fast-growing population councils compared to councils facing slow growth or declining growth. Fast population growth

places pressure on existing infrastructure (e.g. road networks) and demands investments in new or augmented infrastructure.²¹

Growth areas – may require councils to increase service levels and/or introduce additional services, may also speed up consumption of assets.
(LGASA Submission, p.8)

Total population across all councils has increased from 1.6 million to 1.7 million over the 10 years as shown in Figure 3.17 — this reflects an average annual increase of 0.9 per cent over the period. As the figure shows, population growth is also slowing.

Figure 3.17: Estimated resident population of all councils (by number) and annual change (per cent)



Source: ABS (2019)

Over the 10 years, urban areas recorded average population growth of 0.9 per cent per annum compared with a 0.5 per cent per annum growth for rural councils — almost double the rate of growth.

The growth in population across the various council groupings is shown in Table 3.12.

²¹ The New Zealand Productivity Commission (2018), Local Government Funding and Financing Issues Paper, New Zealand, p.30.

Table 3.12: Annual increases in population by council group (per cent)

Council Group	2008-09 to 2017-18	2011-12 to 2017-18	2016-17 to 2017-18
Urban - Metro & Fringe	0.93	0.85	0.82
Urban - Regional	0.82	0.70	0.69
Rural - Small & Medium	-0.03	0.11	-0.36
Rural - Large & Very Large	0.60	0.66	0.32
All Groups	0.8	0.8	0.7

Source: SALGGC (2019)

Table 3.12 shows a general decline in the rate of growth in population generally among the groups over the 10 years. Rural small and medium councils have experienced declines in their resident populations.

The City of Adelaide has experienced an increase in its population of approximately 2.5 per cent per annum over the 10 years compared with 1.2 per cent for the fringe councils and 0.8 per cent for the general metropolitan councils.

Urban regional councils have experienced an average increase of 0.8 per cent per annum over the 10 years (close to the state average) while rural regional councils have experienced very low population growth in the range of 0.2 per cent to 0.6 per cent per annum. The only big mover was the southern and hills regional councils which experienced an average increase of 1.7 per cent per annum largely driven by the growth of Yankalilla with 2.4 per cent per annum (off a very low base).

Demographic changes also affect the level and mix of council services demanded by ratepayers:

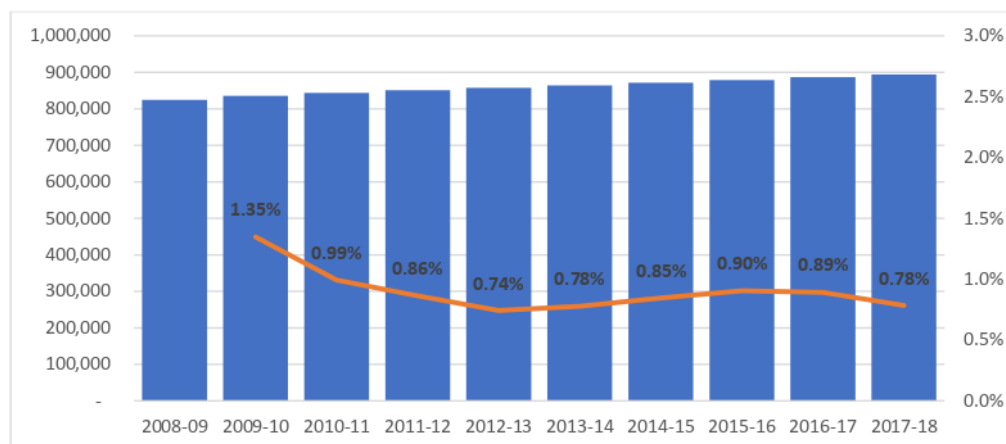
Aged care is not a 'core' service of councils however demand is growing in a context of reducing external funding and a focus of Commonwealth aged care funding reforms towards 'functional' improvement at the expense of 'social connectivity' (LGASA Submission, p.8).

The changing demographics of the local area will also play a significant part in the demand for services, along with the efficiency relating to the introduction of new services. Campbelltown has noted that its population is aging, so demands for services for this age profile are likely to increase in future years. (The City of Campbelltown Submission, p.7).

Property numbers across all councils have increased at a rate similar to that of population — increasing from around 824,300 to 893,900 over the 10 years, as shown in Figure 3.18, at an average annual rate of increase of 0.9 per cent over the period although, as can be observed, the growth in property numbers appears to be slowing.²²

²² As previously discussed, the properties data used in this analysis includes both rated and unrated properties to ensure a consistent time series of data. This was necessary due to a change in data collection and classification systems implemented in 2015 that resulted in unexplained data inconsistencies.

Figure 3.18: Estimated number of properties (including annual change in number) of all councils under review



Source: Valuer-General (2019)

The increase in urban properties was double that of rural properties — 1.0 per cent per annum for urban areas compared to 0.5 per cent per annum for rural areas.

The growth in number of properties across the various council groupings is shown Table 3.13 below.

Table 3.13: Estimated annual growth in property numbers by council group (per cent)

Council Group	2008-09 to 2017-18	2011-12 to 2017-18	2016-17 to 2017-18
Urban - Metro & Fringe	1.01	0.94	0.95
Urban - Regional	1.05	0.95	0.83
Rural - Small & Medium	0.47	0.38	0.36
Rural - Large & Very Large	0.53	0.41	0.16
All Groups	0.9	0.8	0.8

Source: SALGGC (2019)

Note the general decline in the rate of growth in properties all council groups over the 10 years and, in particular, that rural small and medium councils are experiencing very slow growth in property numbers.

Urban regional councils have experienced an average increase of 1 per cent per annum over the 10 years while rural regional councils have experienced very low growth in property numbers – except for Eyre Peninsula which also experienced growth of 1 per cent. In contrast to the increase in population, property numbers in the southern and hills regional councils experienced an average increase of 0.4 per cent per annum. This outcome may be explained by the take up of the existing stock of unoccupied or vacant properties rather than the development of new properties.

Other dynamic factors also change the level of services provided over time, even for a given population. For example, development of an area is a driver extending service delivery, perhaps faster than the increment in population.

...minor capital improvements on residential properties ... may not have a significant impact on council services in isolation, although this type of development when taken together reduces green space on private property and impacts on drainage systems. Other forms of development include development on vacant allotments, infill development in existing suburbs, and construction of new industrial and commercial facilities. This results in greater consumption of Council's services and assets, such as additional drainage capacity and increased wear and tear on roads, additional kerbing and footpaths in areas surrounding the development, due to increased traffic volumes. This also increases demand for Council services consumed by additional residents and visitors to the area. (SALGFMG, Submission, p. 8)

3.5.2 Findings

The population of South Australia continues to grow and its composition is changing. This growth is creating external cost pressure in many councils. The annual increase in population growth in the urban metropolitan and fringe council group will potentially exacerbate cost pressures. Changes in the demographic composition will also drive changes in expenditures as an ageing population brings increased demand for access to its services.

In addition, the increase in population density in the urban and fringe that includes development activity such as urban infills has additional externalities on other residents such as infrastructure pressures.

Information request 3.2: Population density

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

3.5.3 Service quality and standards

Councils provide a range of services which aim to meet the needs and expectations of their communities. Changes in service quality and standards will often affect operating costs and councils largely determine the level of the service to be delivered for non-mandatory services.

In submissions to the Commission's methodology paper, councils have noted that changes in community demands for facilities and services have contributed to increases in council operating expenditure. For example, the City of Charles Sturt observed:

Another community may require its Council to provide higher quality of footpaths to accommodate either or both ageing residents or young families who may have children in strollers. Later that community may have a higher demand for playgrounds and later still for structured sports facilities. Over time community expectation changes for example the current unmet demand for women's change rooms and the increase in women's participation in field sports as they transfer from traditional court sports. (City of Charles Sturt Submission p.3)

The City of Salisbury noted:

The City of Salisbury provides a wide range of services to its community; however, we also undertake additional activities that generate social, environmental and economic benefits to our community ... The fundamental

driver of changes to council costs over time is community need. (City of Salisbury Submission, p.2).

The LGA identifies some rapidly growing service areas:

Analysis of Local Government Grants Commission (LGGC) expenditure figures for the 10 years to 2015/16, shows that councils have increased their spending on the things which make local communities safe, comfortable and functional such as drinking fountains, street furniture, bike racks and bus shelters, on emergency service and fire prevention programs, on Elderly Citizens Facilities, the Home Assistance Scheme, Services for the Aged & Disabled and on providing parks and gardens. (LGASA Submission part 2, p.10)

Delivering effective services may be achieved by gathering better information on service delivery costs.²³

Some councils undertake formal service reviews to ensure the services they provide are relevant to their communities and are financially sustainable in the long term (as raised in submissions from councils including the Town of Walkerville, City of Playford and the City of Charles Sturt). As noted by the City of Salisbury:

... in the past six years we have undertaken a comprehensive review of service levels across the organisation ... overall the program of review has delivered approximately \$3.0 million in ongoing savings. (City of Salisbury Submission, p.3)

While acknowledging the use of surveys by a significant number of councils, the Commission has not been able to obtain any standardised sector-wide quality or service standard data to analyse the effects of changes in service standards on council operating costs.

Information request 3.3: Sector-wide service standards

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

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

3.5.4 Cost shifting

Evidence from councils indicates that both federal and state governments have engaged in cost shifting.

The growing burden of state government costs shifted to local government continues to put upward pressure on council rates. Cost shifting creates uncertainty for local government and makes planning and budgeting for delivery of facilities and services more difficult. (LGASA Part 1 Submission, p.6)

²³ Victorian Auditor-General office (2018) Delivering Local Government Services, Victoria, p.8.

Forms of cost shifting include:²⁴

- transferring responsibility for a function to councils without transferring an adequate funding source;
- requiring (usually by law) councils to deliver services or collect taxes for another sphere of government without being provided with enough funds to cover the costs for example, mandated user fees and charges for council services under the PDI Act;²⁵ and
- requiring councils to forego revenue by providing mandatory rebates for activities to implement a policy of the state government.

Examples of cost shifting identified by the LGASA submission to the methodology paper (Part 1) are the state government solid waste levy and community housing mandatory rate rebates.

The Commission has formed the view that there have been some instances of cost shifting which have raised council costs. However there also appear to be a number of cases where councils have control over expenditure decisions and the term cost-shifting should not be applied. The term cost shifting in practice is unhelpful particularly where it includes a choice by councils to accept tied funding. In such circumstances the commission considers cost sharing rather than cost shifting, is a more accurate description. The Commission is seeking clarification on this from councils.

Information request 3.4: Cost shifting

To what extent do councils receive external funding or an ability to charge fees for delivery of mandatory services?

To what extent are councils able to fully recover costs for the mandatory services listed in appendix 4?

How are service scope and standards determined for mandatory services?

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

Box. 3.1 Cost Sharing: Adelaide Hills Council continuing government digital hub program Case Study

Cost sharing in most cases is the stopping or reducing funding for a service or program when communities expect that councils will continue to provide it.

Adelaide Hills council entered into a 3-year agreement with the Commonwealth to provide a 'digital hub' to showcase the potential of the NBN and provide direct assistance to community members seeking help connecting to and using online technology.

²⁴ LGASA, Delivering the LGA 2018 State Election Agenda; Local Government Stopping Cost Shifting, Adelaide, p.1.

²⁵ See LGASA submission (Part 2), p.35 for more details.

The Commonwealth was the prominent funding partner, with the council providing in-kind contributions through the provision of space, management and employment of the hub staff, IT support, etc. The Hub was essentially a 2 FTE function.

At the end of the 3-year agreement, Commonwealth funding ended in accordance with the arrangement. There was a community expectation that people could still seek support from the council for connecting to and using online technology.

The council subsequently reallocated approximately 0.5 FTE from other areas to enable ongoing provision of digital literacy and support services to the community, albeit limited in comparison to the former Hub. In response to continued community demand, the council allocated an additional 0.5 FTE resource in 2018-19 to expand digital literacy and support services to the community.

When the digital hub funding ended in 2015, council experienced continued community demand for digital literacy and support. Council's administration reprioritised resource allocation to enable continuation of some level of community support in this space. In 2018, the council adopted a budget containing additional allocation of funding for further resources to meet community demand.

The total attached cost to continue the showcase for the council is \$90,000 per annum, technology costs nominally \$8,000 per year and additional space, employment support.

Source: Adelaide Hills Council case study

3.5.5 Compliance costs

A number of submissions from councils, including the Copper Coast Council, City of Salisbury, and the Town of Gawler, argued that the costs of complying with legislation and regulation have increased council operating costs.

In analysing corporate costs, the Commission should give consideration to the compliance requirements of councils to meet legislation. It is appropriate that a high level of accountability is placed on councils given the management of public funds, but it also imposes additional costs that other industries are not required to have. The compliance requirements also don't discriminate between council sizes and therefore smaller councils are likely to have a greater cost ratio of compliance costs than a larger council. (City of Salisbury, p.2).

The statutory compliance costs can include permits and planning, health and safety and regulatory compliance. An estimation of council compliance costs has been provided by the Copper Coast Council.²⁶

Information request 3.5: Compliance costs

Councils are asked to provide further examples of compliance costs and quantify how they have impacted on councils' costs.

²⁶ See Copper Coast Council Submission Appendix 1 for details of compliance costs.

Consultation to date has also identified a number of other potential drivers of council costs. They include:

- technological change;
- thin markets;
- loss of overseas markets for materials collected for recycling;
- statutory fees and charges are insufficient to fully cover costs incurred;
- rising prices for inputs (suppliers' costs); and
- climate change.

The Commission is seeking additional information and evidence from councils to identify and understand drivers of councils' costs, the extent to which they are internal or external to councils, the extent to which cost pressures are systematic or unique to particular councils, and their impacts on council costs.

Information request 3.6: Cost pressures

What are the most significant cost pressures (and their impact on costs) which councils expect to face over the next 5 years?

3.5.6 Findings

The growth in councils' operating expenditure is explained in part by growth in the output costs such as the volume and range of services supplied, as well as increases in the quality of these services. A significant number of individual councils conduct formal service reviews to ensure the services they provide are financially sustainable in the long term. Despite this, the Commission has not been able to obtain sector-wide data on service quality to enable conclusions to be drawn on the extent to which quality standards have changed and what impact this has had on council operating costs.

Anecdotal evidence from councils suggests that both federal and state governments have contributed to pressures on council resources by cost shifting. While this would put upward pressure on council costs, the full impact on councils' costs is difficult to quantify.

3.6 Conclusions

Total operating expenditure by the local government sector has grown more rapidly than inflation between 2008-09 and 2017-18.

Urban metropolitan and fringe councils consistently recorded higher growth in operating expenditure than other councils over this period.

Council operating costs are comprised mainly of employee costs and materials, contracts and other costs, which accounted for 35 per cent and 41 per cent of total sector operating expenditure in 2017-18. These proportions have not changed significantly since 2008-09.

The average annual growth in materials (and other costs) of 4.0 per cent exceeds growth in the LGPI over the last decade suggesting that increases in the volume of materials and other costs

has been the main cause of growing expenditure. This growth may reflect a trend towards greater use of contracting out or shared services arrangements.

Sector expenditure on employee costs increased more rapidly over the decade than materials, contracts and other costs at an annual average increase of 4.5 per cent, although it has moderated over the decade in both urban and rural councils.

The number of council employees across the state has increased by an annual average of 0.8 per cent over the decade, resulting in higher employee costs expenditure per FTE. The rate of increase in employee costs expenditure per FTE, particularly in the early part of the decade, has been consistently higher than the growth in average earnings in South Australia over the decade to 2017-18. This differential may – based on submissions – be partly related to the industrial relations arrangements that apply in the sector.

The extent to which growth in employee costs expenditure per FTE has been offset by productivity growth is difficult to determine in the absence of data on council outputs.

Depreciation expenses were approximately 23 per cent of total operating expenditure in 2017-18 and this share has not changed significantly since 2008-09. It increased by 48 per cent for the period (an annual average of 4.5 per cent) while the value of depreciable assets increased by 57 per cent. Increased capital expenditure by councils, revaluations of assets and the 'gifting' of new infrastructure from land developments will impact on future levels of depreciation expense.

Finance costs have been negligible and falling over the decade as councils have tended to finance their operations using internal funds, or equity, rather than debt. This results in their operating costs being lower than they would be if debt levels approaching economy wide norms were used by councils.

More than half of councils operating expenditure is accounted for by the four largest service categories – transport, recreation, other environment and waste management. Analysis of council operating expenditure by 14 service categories indicates that the mix of services delivered has not changed significantly over the last seven years.

While mandated services are relatively small in number, they accounted for 46 per cent of sector operating expenditure in 2017-18.

Mandatory services consistently accounted for a higher proportion of operating expenditure for rural councils (close to 60 per cent) compared to urban councils (around 40 to 43 per cent) throughout the decade. Urban regional councils had the highest proportion of expenditure on non-mandated services at 60 per cent. The Commission notes that while councils have no choice but to deliver mandated services, they generally have discretion to determine how these services are delivered, thereby affecting their costs. Expenditure on mandatory and non-mandatory services has grown at similar rates, both for the sector as a whole and across all council groupings.

In respect of the service mix, the most significant difference between the council groupings is that expenditure on the transport function is substantially greater in proportion for the rural council groups than urban councils.

Growth in population and property numbers (except for small and medium rural councils), while low, would have caused some increase in the volume of council services demanded which would explain part of the growth in council operating expenditure. Slowing population growth

in the later part of the decade would likely have contributed to the observed moderation in operating expenditure growth.

Population ageing can also be expected to have altered the mix of services demanded, although this impact is not evident in the 14 service categories examined by the Commission.

A number of councils have submitted that rising service standards have been a significant contributor to growth in expenditure. However, the Commission has not been able to obtain any sector-wide service level data to enable an assessment of the extent to which increases in the quality of services or facilities have caused increases in councils' costs.

Instances of cost-shifting from federal and state governments to local government have been argued by councils to have increased their costs. The Commission is not in a position to quantify the cost impact of cost shifting at this stage. Councils have sometimes decided to continue to deliver a service or program after federal or state funding commitments have expired, presumably in response to community expectations. Such instances, in the Commission's view, do not constitute cost shifting.

Some councils argued that the burden of complying with state and federal legislation has grown thereby adding to their costs, but data limitations have prevented quantification. Consultation with councils suggests the cost impact may be small and that it requires further investigation.

Councils have varying degrees of control over factors which influence their cost. Some, like the regulatory or taxation environment, or growth in ratepayer or property numbers that drive up demand for services, are externally determined. Others - like the prices they pay for labour and other inputs - can be influenced through industrial relations arrangements and council procurement practices. Councils are also able to influence community expectations through consultation and informing ratepayers regarding changes in service mix and quality.

A third group of costs drivers is more strongly controlled by councils and includes scale, scope and quality standards particularly for non-mandated services, and productivity and efficiency through choice of technology and business processes.

The Commission has reached the following preliminary conclusions regarding growth in local government operating expenditure over the last decade.

In terms of inputs:

- labour costs (in percentage terms) have been the main cost driver, followed closely by materials, contracts and other costs;
- depreciation charges have also been a significant driver of costs but off a smaller base; and
- cost shifting and compliance costs have contributed to expenditure growth, but to a lesser extent.

In terms of outputs:

- the most significant cost driver is likely to be changes in the volume, scope and quality of services provided by councils;
- growth in demand arising from growth in the number of ratepayers and properties is expected to explain, in part, growth in the volume of services.

4. Local government efficiency and productivity

4.1 Introduction

The terms of reference for the inquiry require the Commission to:

- develop and analyse measures of local government efficiency and productivity; and
- identify mechanisms and indicators that could be used by the local government sector to measure and improve performance over time.

The Commission released a methodology paper in May 2019, outlining the technical and analytical issues in estimating local government efficiency and productivity. The Commission's proposed approach is a robust methodology portfolio, consisting of a suite of complementary tools including partial productivity measures, global efficiency measures using Data Envelopment Analysis (DEA), case studies and submissions.

The Commission acknowledges that both partial productivity and DEA measures have their limitations. Taken together, they add significant value and insights to assist councils with understanding their performance relative to other councils or their performance through time.

The terms productivity, efficiency and effectiveness are related but different concepts. They are all elements of the performance of an organisation.

Productivity is defined as the ratio of the output(s) that an organisation produces to the input(s) used.¹ Productivity can refer to measures of partial productivity, which is a single-input, single-output measure such as output per worker. When all inputs and outputs are considered, it is referred to as total factor productivity (or multifactor productivity).

The term efficiency in this chapter refers to technical efficiency. An organisation is technically efficient if it produces the largest possible output from a given set of inputs, or if it uses the least possible quantity of inputs to produce a given level of output. However, as also discussed below, there are practical challenges in the context of the application of this concept to local government operations, because of the problem of measuring correctly the outputs produced, particularly their quality and scope.

There is also a distinction between outputs and outcomes. Outputs are measured as a level of activity while outcomes are defined as the impact of a program or service. As efficiency relates to the relationship between inputs and outputs rather than outcomes, it does not include an assessment of how well it achieves its objectives or the value of these outputs.

In addition to efficiency, a measure of effectiveness is sometimes used to analyse the overall performance of a program or service.² Effectiveness commonly refers to the extent to which stated objectives are met. This includes both cost effectiveness (achieving an outcome for the

¹ For a more detailed discussion of the concepts of productivity and efficiency see Coelli, T., Rao, P.O'Donnell, C and Battese, G. (2005), "Introduction to Efficiency and Productivity Analysis", Second Edition, Springer.

² Estimating measures of local government effectiveness is outside the scope of this inquiry. However, the Commission has examined how indicators of effectiveness are adopted in other jurisdictions.

lowest cost) and program effectiveness (how well the outputs of a program achieve the desired and valued outcome).³

This chapter presents the principal methodological approaches used in the Commission's analysis. The first section introduces the concepts of productivity and efficiency and the experience and lessons of local government efficiency monitoring in South Australia and other jurisdictions. Section 4.2 discusses the experience of local government performance monitoring, section 4.3 presents the partial productivity analysis and section 4.4 presents the global measures of efficiency using DEA. Section 4.5 discusses factors that influence efficiency of councils. The final section presents the Commission's initial conclusions.

4.2 Experience of local government performance monitoring

Performance and efficiency measurement play a role in helping councils to understand of their business and to improve outcomes through reduced costs or better services. This section describes performance monitoring activities across Australia to assist the identification of mechanisms and indicators that might usefully be employed by local government in South Australia.

Performance measurement is most meaningful when comparisons can be made both over time and across organisations.

Comparisons across councils can be difficult if they provide different types and levels of service or face different underlying cost structures. However, such comparisons can help councils identify attainable levels of performance and to learn from peers that are delivering higher quality and/or more cost-effective services. Comparisons of council performance and efficiency, both across councils and through time, can assist in identifying opportunities to improve their performance.

4.2.1 Current performance monitoring programs

South Australia

Throughout the Commission's consultation process, a consistent theme raised was that while most councils monitor their own performance, there has been little performance monitoring conducted across the local government sector as a whole. Nevertheless, there have been attempts made across the sector by the LGASA, groups of councils and individual councils to estimate their performance relative to other councils or the sector.

Submissions from councils including the City of Salisbury, Town of Walkerville, City of Playford, Campbell Town City Council, Copper Coast Council, City of Prospect, City of Tea Tree Gully, Town of Gawler and the City of Charles Sturt provided examples of council level programs to evaluate and compare their performance over time or against similar councils.

The Commission notes that councils have their own service review processes to ensure the services they are delivering are effective in meeting the demands of the community.

Councils already undertake regular reviews of key services to ensure they are meeting community needs, being delivered in an efficient manner and not impacting on the long-term financial sustainability of the council. Sometimes

³ Productivity Commission (2013), "On efficiency and effectiveness: some definitions", Productivity Commission staff research note, Canberra.

difficult and unpopular decisions need to be made about reducing or consolidating services for the sake of greater efficiency and sustainability. It is important that these decisions about the range and level of local services provided remain in the hands of councils and their communities. (LGASA Submission, p.19)

In the past six years we have undertaken a comprehensive review of service levels across the organisation, followed by a review on how we deliver the agreed service levels. This has required some benchmarking as part of the process, but more importantly identified areas within our operations that can be improved to deliver the best outcome for our community. (City of Salisbury Submission, p3)

The Commission also identified several councils that have sought to make comparisons of their performance against other councils.

In February 2015, Council resolved to undertake a benchmark exercise, fashioned on the Victorian Government Performance Reporting Framework introduced in 2014. The first benchmark report prepared for Council was in September 2016, followed by a revised report in June 2018 and again in February 2019. Council is expecting the latest iteration of its benchmark report at or about November 2019. Council supports mandatory benchmarking within an agreed framework. (Town of Walkerville Submission, p.2)

City of Prospect has previously conducted various efficiency and economy audits and various Service Reviews. Most of these reviews included comparisons with our Councils of similar size. (City of Prospect Submission, p.8)

Council has recently participated in the Local Government Performance Excellence Program (LGPEP), which compares performance against approximately 150 other Councils. (Town of Gawler Submission, p.5)

Establishing service standards is another mechanism for councils to identify areas of improvement and monitor performance as illustrated by the example from the City of Playford described in Box 4.1.

Box 4.1 City of Playford Community Service Standards System

The City of Playford introduced a Community Service Standards System in 2014-15 to help define, measure and analyse the outcomes of services provided by the council. Prior to this, there was no standard process, with ad-hoc reports being manually created when required. The system is a consultative process providing clarity around council activities which can inform and contextualise communication with elected members and the community.

The establishment of service standards is an iterative process which includes defining service outcomes and how they will be measured. Service Standards go through a review process every three years as a regular internal process, or as required by organisational alignment. Currently there are 25 service standards with community outcomes, including one to five related measures per service standard.

Creating quality service standards involve the following:

- consultation with the community and staff to better understand service standards;
- align with the council's community vision and strategic priorities, policies and procedures;
- research into industry best practices and benchmarking;
- monitoring and evaluation, including pre and post-testing implementation of new standards; and
- staff engagement and ownership.

The system was primarily designed to improve service delivery and their alignment to community expectations and outcomes. Any financial savings are an additional benefit. The creation of the standards themselves were the foundational piece to a variety of improvements. These include:

- cost avoidance of approximately \$2 million over seven years, where the council was able to improve the effectiveness of the service and reduce exposure to cost pressures of service delivery; and
- efficiency savings of \$1.2m from the "City Operations" area alone (Streetscapes, illegal dumping, city maintenance programs). Savings re-invested to expand the area of delivery or increase the standard of service to meet community need without increasing the cost of service.

In addition, there were improvements in consistency and streamlining of processes and procedures, evidence-based decision making and improvements in data accuracy and integrity.

The standards created a measure of performance that is reported on a quarterly basis to the community.

City of Playford state that the system is a journey, not a set and forget implementation exercise. The system is a basis for continuous improvement and the system itself continues to be reviewed and improved. While initial implementation can occur with external assistance, it was quickly learnt that further development and effectiveness of the system needed ownership of each service owner internally.

As an example, the council previously picked up illegally dumped rubbish in a reactive manner. Analysis by the council indicated that picking up illegal dumping within ten days would maintain community satisfaction while minimising complaints. This helped establish the service standard and associated measures that the council could hold the service accountable in terms of its effectiveness. Subsequent review of this service generated improvement to create planned and timed collection to align with those set by the standard. This has led to a decrease in costs by 20% over the last five years (after adjustment for the waste levy increases).

Most councils have not developed formal service standards.

Campbelltown has not undertaken formal service reviews that articulate the levels of services provided to the community due to the resources required to do this. Internally, efficiency has been focussed on and has been achieved over the years, however a formal register has not been maintained to identify improvements or savings have come from. (Campbelltown City Council Submission, p.4)

Some councils are collaborating to identify possible opportunities to reduce costs and to improve operations and efficiency, as illustrated by the submission from the City of Charles Sturt:

City of Charles Sturt, Marion and Port Adelaide Enfield have been working on benchmarking between the councils. All council costs are allocated to the activities of councils (around 350 possible activities) and these each have drivers (some of which aren't able to be collected as yet). These activities are rolled up into sub-functions (35) and these are rolled up into 11 functions. The sub functions and functions also have primary drivers. Comparisons occur at the function and sub function level and the activity level data is used to inform improvement areas. (City of Charles Sturt Submission, p.13)

The strength of this approach relative to models like the Performance Excellence Program and the Victorian Performance Reporting Framework is that the benchmarks are comparable and at a level where the basis for differences in performance can be explained and therefore ways to improve performance are identifiable. Internal charge and allocation impacts are removed, there is transparency around corporate service related costs (and performance). (City of Charles Sturt Submission, p.14)

Further detail on the collaboration between Cities of Marion, Charles Sturt and Port Adelaide Enfield is available in appendix 8.

The only example of a sector wide attempt to conduct comparisons across councils that the Commission has been able to identify is a series of reports prepared for the LGASA by UHY Haines Norton.⁴ The reports attempt to replicate the Victorian Local Government Performance Reporting Framework using SALGGC data. Due to data limitations, including a lack of data on activities and outputs, this is limited to estimates of expenditure per ratepayer for each of the service areas examined.

In addition, the LGASA has created a web-based tool that consolidates data available from the SALGGC. The tool is available to members and provides a range of financial, socio-economic and other information by council for the period from 2011 to 2017.⁵ It allows councils to compare themselves to other councils across a range of measures constructed using SALGGC data.

Other Jurisdictions

The Local Government Professionals 'Australasian LG Performance Excellence Program'⁶ provides comparative information, including a range of partial productivity measures, on participating councils. It is a voluntary benchmarking and performance initiative aimed at improving management and operational decision-making and planning.

It comprises an annual survey that collects, compares and benchmarks information from the 163 participating councils across New South Wales, Western Australia, South Australia, Queensland, ACT and New Zealand. The program is managed through Local Government

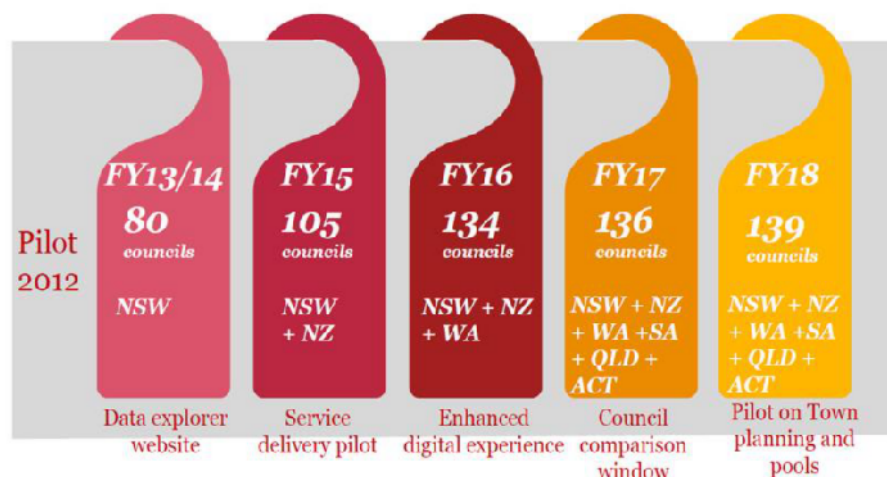
⁴ UHY Haines Norton (2019), "Analysis of Council Data – South Australia- Part 1 and part 2", Prepared for the Local Government Association of South Australia, Adelaide.

⁵ The web tool is based on a series of reports commissioned by the LGASA that consolidates the data. See UHY Haines Norton (2019), "Analysis of Council Data – South Australia- Part 1 and part 2", Prepared for the Local Government Association of South Australia, Adelaide.

⁶ Local Government Professionals (2019) Australasian LG Performance Excellence Program 2019 Prospectus, Available from: https://www.lgprofessionalssa.org.au/resources/LG%20Professionals/PEP/2019/e_PwC_Prospectus_2019.pdf

Professionals Australia, NSW. The program started with a pilot in NSW in 2012 and has added additional features and councils each year, as shown in Figure 4.1. The first South Australian councils joined in 2016-17.

Figure 4.1: Local Government Professionals Performance Excellence Program progression



Source: Local Government Professionals (2019)⁷

The Australasian LG Performance Excellence Program includes:⁸

- a semi-customised individual Performance Excellence Report (which includes information on corporate leadership, workforce, finance, operations, risk and asset management, and service delivery);
- a Comparative Analysis Tool that enables each council to analyse their own data; and
- networking.

This information is confidential to each council, with aggregated information being provided to member councils. While this is a useful tool for member councils to track and measure their own performance, it is not a sector-wide performance monitoring mechanism.

The City of Charles Sturt noted in their submission that the Performance Excellence Program currently only presents differences across councils on each metric. It does not attempt to explain differences.

It should be noted the Performance Excellence Program is undertaken at two of the three councils [that are part of the above-mentioned collaboration]. The PEP has highlighted similar performance differences however does not yet inform the councils on why those differences exist or how they can be addressed, and the data remains focussed on a number of key areas of councils operations rather than covering all activity areas. (City of Charles Sturt Submission, p.14)

⁷ LG Professionals (2019) Presentation to the South Australian Productivity Commission, 28 June 2019.

⁸ Local Government Professionals (2019)

Victoria

Victoria's Local Government Performance Reporting Framework (LGPRF) was the first state-wide performance reporting framework for local government in Australia.

The Victorian Government established the LGPRF in 2014 in response to a Victorian Auditor-General's observation that performance reporting in local government had limited relevance to ratepayers because it lacked information about the quality of council services, the outcomes being achieved and how these related to councils' strategic objectives.⁹

The 'Know Your Council' Compare Councils tool¹⁰ produces graphs of council performance over the previous four financial years across 12 service areas¹¹ and allows for direct comparison of up to four 'similar' councils.

The framework provides comprehensive performance information in a consistent manner that provides:

- councils with information to support strategic decision-making and continuous improvement;
- communities and ratepayers with information about council performance and productivity;
- regulators with information to monitor compliance with relevant reporting requirements; and
- state and federal governments with information to allow better informed decisions that insure an effective, efficient and sustainable system of local government.

To provide a comprehensive picture of council performance, four indicator sets: service performance, financial performance, sustainable capacity, and governance and management, were developed across three thematic areas: service performance, financial performance and sustainability. Figure 4.2 provides further detail. An objective for assessing performance against each thematic area has been established to inform the development of performance indicators.

The specific measures of efficiency included in the LGPRF all relate to the average cost per unit of output.¹²

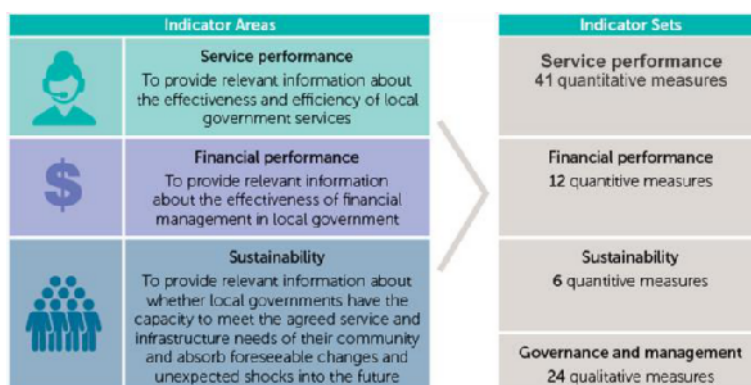
⁹ Local Government Victoria, the Department of Environment, Land, Water and Planning (2019), Local Government Bets Practice Guide: Performance Reporting Framework Indicator Workbook, Victoria.

¹⁰ Local Government Victoria (2019), Know Your Council Website, Available from: <https://knowyourcouncil.vic.gov.au/>

¹¹ The 12 service areas are: animal management, aquatic facilities, food safety, governance, home and community care, libraries, maternal and child health, roads, statutory planning, waste collection, financial performance and sustainable capacity.

¹² They include: direct cost of indoor aquatic facilities less income received per visit; direct cost of the animal management service per number of registered animals; direct cost of the food safety service per number of food premises; direct cost of the governance service per number of councillors elected at the last council general election; direct cost of the library service per visit; cost of the maternal and child health (MCH) service per hour work by MCH nurses; direct cost of sealed local road, reconstructed per square meter of sealed local roads reconstructed; direct cost of the statutory planning service per planning application received; and direct cost of the kerbside garbage bin collection service per kerbside garbage collection bin.

Figure 4.2: Scope of the LGPRF



Source: Local Government Victoria, the Department of Environment, Land, Water and Planning (2019)

New South Wales

The Office of Local Government in New South Wales publishes a range of time series data annually for each council.¹³ The data are collected from a range of sources including the ABS, the Grants Commission process and councils financial reporting to the Office of Local Government.

The focus of the time series data is not specifically on efficiency monitoring, but rather to assist the community to have a greater understanding of their council.

Queensland

The Department of Local Government, Racing and Multicultural Affairs collects information from local governments about the key services they provide and publishes it in the annual 'Queensland local government comparative information report'.¹⁴ The report includes a suite of efficiency, effectiveness and quality-of-service indicators across the areas of finance, personnel, road lengths, water services, waste management, library services and parks and gardens.

Most of the information is collected in local government's annual consolidated data collection, similar to the SALGGC process.¹⁵ This data is then published in excel format to allow comparisons in performance across councils.

Another resource in development is 'LG Sherlock', a data storage and analysis tool that is facilitated and funded by the Local Government Association of Queensland (LGAQ). The primary objective of the system is to help Queensland councils use their data to "support better decision making that will improve financial sustainability, enhance sector reputation and reduce exposure to risk".¹⁶ The details of the program are not yet publicly available.

¹³ NSW Government (2019) *Your Council Report*, Available from: <https://www.olg.nsw.gov.au/public/my-local-council/yourcouncil-website>

¹⁴ Department of Local Government, Racing and Multicultural Affairs (2019), *Local Government Comparative Reports*, Available from: <https://www.dlgrma.qld.gov.au/resources-ilgp/plans-strategies-reports/local-government-comparative-reports.html>

¹⁵ South Australian Local Government Grants Commission (SALGGC) (2017), 2016-17 Annual Report.

¹⁶ LGAQ (2019) *What is Sherlock*. Available from: <https://sherlock.lgaq.asn.au/what-is-sherlock>

Western Australia

The Western Australian Government has established the 'MyCouncil' website as a central place to access and compare information on councils.¹⁷ The website provides a geographic, demographic and financial snapshot of each council. It allows data such as council expenditure by program, rates and other revenue and services delivered to be viewed for each council and compared to others. The MyCouncil website relies on data from existing local government reporting requirements and selected ABS data.

Tasmania

The Tasmanian Government's Local Government Data, Analysis, Transparency, Accountability (LG DATA) project has published local government performance information since 2016-17.¹⁸

The project aims to enhance transparency and accountability of local government performance and help councils to identify opportunities to improve performance. This includes publishing 'snapshot reports' including comparative information for all Tasmanian councils over a financial year, along with a range of performance indicators related to the snapshot theme.

LG DATA also publishes raw, open datasets from the *Tasmanian Local Government Consolidated Data Collection* for public use through the Tasmanian Government's *Open Data* website.¹⁹ In addition to the LG DATA program, the Auditor-General produces annual reports on local government financial sustainability.

Report on Government Services

While not specific to local government, the Productivity Commission's *Report on Government Services* (RoGS) provides another example of monitoring the efficiency of government delivered services. RoGS publishes annual data on the equity, efficiency and effectiveness of government services in Australia. The Report is used by governments to inform planning and evaluation of policies, for budgeting (including to assess the resource needs and performance of government agencies) and to demonstrate government accountability.²⁰

4.2.2 Lessons from performance monitoring programs

The Commission has examined the existing performance monitoring programs in other jurisdictions to understand what does and does not work, and what are some common barriers to success. These lessons have been identified from initial program documentation, program reviews, audits, consultation, submissions and other literature on efficiency and productivity measurement.

This section is not a formal evaluation of existing monitoring, rather it draws lessons that could be applied to any state-wide performance monitoring program adopted in South Australia.

¹⁷ Department of Local Government, Sport and Cultural Industries (2019) *My Council: Frequently Asked Questions*, Available from: <https://mycouncil.wa.gov.au/Home/faqs>

¹⁸ Tasmanian Government (2019) *Measuring Tasmanian Local Government Performance*, Available from: http://www.dpac.tas.gov.au/divisions/local_government/measuring_tasmanian_local_government_performance

¹⁹ Tasmanian Government (2019) *Open Data*, Available from: <http://listdata.thelist.tas.gov.au/opendata/>

²⁰ Productivity Commission (2019) *Report on Government Services*, Canberra

Standardised reporting of performance indicators

The Victorian Auditor-General's Office reviewed the LGPRF using three selected indicators across five councils.²¹ The review highlighted inconsistent performance reporting by councils as a sector-wide issue and found that councils need to "identify a consistent set of performance indicators that they report to their leadership team" p.13.

The case for standardised performance reporting was also supported by the LGASA and several councils. The submission from LGASA states that:

While there is a considerable amount of information already available to communities about what their council is doing; this information is often spread across multiple documents and platforms, can be difficult to find and is not easy to compare with other councils.

Sector wide benchmarking would create a suite of meaningful performance measures that build a more complete picture of the financial and governance health of the sector and the public value of the services and programs delivered by councils. This would support council planning and increase meaningful community consultation to enable local government to continually improve. (LGASA submission, p.16)

The submission from the City of Prospect:

There is merit in developing a sophisticated online platform for councils to share and compare meaningful data about their performance and enhance the transparency and accessibility of council data for the community. (City of Prospect submission, p.6)

The Town of Walkerville:

We believe that a sector wide benchmark, possibly mandated, will go a long way to:

- ensure consistent reporting;
- ensure that Councils will have evidence based information to support strategic decision making;
- ensure that communities will have accurate information about their respective Council performance;
- Councils and other tiers of Government will be better informed to make decisions that support an effective, efficient and sustainable system of local government;
- identify areas for improvement; and
- promote accountability and transparency across the sector

(Town of Walkerville Submission, Additional Information Request)

However, this view was not universally shared:

Benchmarking across Councils will not improve efficiency, it takes resources away from service delivery, increases red tape and administrative overheads

²¹ Victorian Auditor-General's Office (VAGO) (2019), Reporting on Local Government Performance, May.

and is a distraction from improvement initiatives. The rationale for this is that each Council calibrates its services to meet their community's needs. When we compare across Councils it takes time to understand whether we are comparing on a like for like basis and further time to understand the remaining level of difference. It is found that services are intentionally different because each Council is serving the needs of its distinct community. (SALGFMG Submission, p.11)

Submissions stress the importance of allowing for local conditions and choices about quality.

Costs alone also provide no insight into the quality of work undertaken or different construction methods, which may be reflected in the total expenditure. (Tatiara District Council, p.1-2)

These issues, and other comments in submissions, point to a number of other lessons for the design of performance monitoring programs.

Standardised comparator

A consistent theme in performance monitoring programs across jurisdictions is the value of standardised comparator groups. Due to the partial nature of many of the measures, it is important that only 'like-for-like' councils are compared. This limits to some extent, comparisons between councils which face structurally different costs or different demands for services.

For example, the Victorian LGPRF specifies five 'comparator groups' based on geographic and population criteria.²² The comparator groups are:

- metropolitan;
- interface;
- regional city;
- large shire (>15,000 population); and
- small shire (<15,000 population).

As council characteristics can change over time, Local Government Victoria has committed to review the groupings every five years in line with the national census.

Consistent reporting over time

Because of underlying differences between councils in the range, quality and cost of service delivery, sometimes the most suitable comparator for a council to benchmark against is themselves over time. The use of trend data can demonstrate whether a council is improving its performance.

According to the submission of the Campbelltown City Council (p. 5)

Greater benefit to individual Councils would be to compare each Council's own performance over time.

²² Local Government Victoria (2015), "Victorian Local Government Comparator Groups", LGPRF Practice Note, no. 5, VIC.

The availability of trend data is likely to increase the possibility of councils viewing a performance monitoring framework as a useful exercise, rather than simply a compliance activity. A review of Victoria's LGPRF in 2017²³ found that 24 per cent of councils did not access the 'Know Your Council' website until it was updated to include year-on-year trend data.

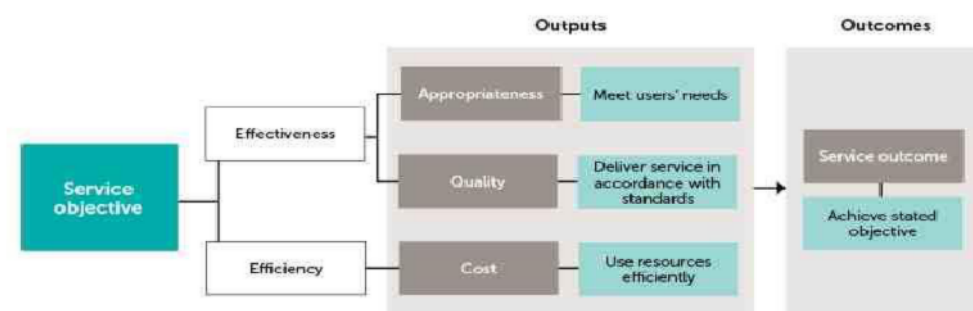
Measures of quality and timing

To be relevant to users, performance information should provide a full picture of service performance, including cost and quality, a range of additional performance measures is needed to provide a context around which the productivity estimates can be interpreted.

The Review should take into account the varying degree of service standards and expectations of the community. The review should delve down into unit rates and introduce the benchmarking results in order to properly compare one council with another. (City of Tea Tree Gully Submission, p.3)

Victoria's LGPRF addresses this by incorporating measures of effectiveness, including the appropriateness of services and their quality for each of the service objectives being evaluated (Figure 4.3).

Figure 4.3: LGPRF services performance framework



Source: Local Government Victoria (2019)

The LGPRF was developed based on the Productivity Commission's *Report on Government Services* (RoGS).²⁴ The RoGS framework goes further and includes measures of accessibility and equity.

Council comment on publicly reported measures

For many measures, there can be plausible explanations why one council's estimated productivity differs from others or over time. Incorporating explanations from the council when publicly reporting on performance measures can assist the public in understanding what the measure indicates as well as other councils understand why their performance differs.

Should comparisons be made, the ability to provide commentary for context purposes would be important, as some Councils may have distinct differences with other Councils such as different levels of service provided to their

²³ Local Government Victoria (2017), "Local Government Performance Reporting Framework, 2015/16 Reporting Period Review", VIC.

²⁴ Productivity Commission (2019) <https://www.pc.gov.au/research/ongoing/report-on-government-services>

communities and additional costs to deliver services due to distance.
(Campbelltown City Council Submission, p.5)

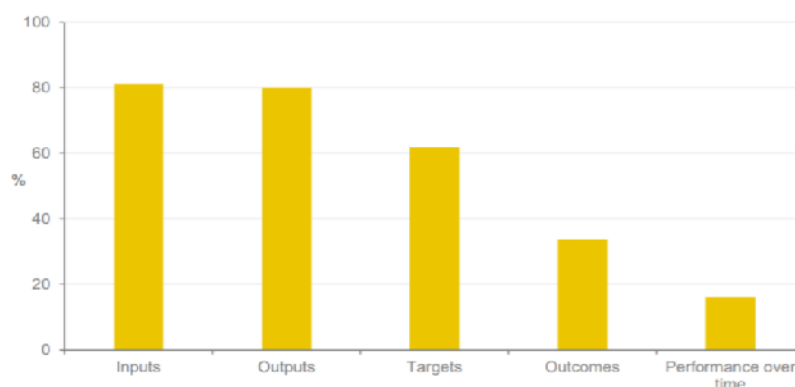
The Victorian Government's 'compare councils' tool achieves this by allowing councils the opportunity to comment on a particular metric prior to publication. This is then linked to the 'compare councils' tool on the website, where data are presented for the current year.²⁵

Outcomes in addition to outputs

Data on council outputs are more easily recorded and collected than data on outcomes. As a result, it is easier to construct a measure of performance comparing inputs to outputs.

The NSW Auditor General²⁶ found that "while councils report on outputs, reporting on outcomes and performance over time can be improved". An analysis of NSW councils' annual reports, presented in Figure 4.4, found that 80 per cent of reporting measures included measures of outputs, but less than 40 per cent included measures of outcomes.

Figure 4.4: Frequency of reporting measures by type, NSW



Source: Audit Office analysis of 105 published 2015–16 annual reports, 2017.

Source: Audit Office of New South Wales (2018)

Reporting on inputs and outputs provides communities with a general understanding of council's day-to-day activities. However, this type of reporting cannot demonstrate to communities whether councils are delivering services effectively or making improvements over time. The Victorian Auditor-General's Office²⁷ also concluded that the LGPRF is "not yet realising its full potential because it lacks good outcomes measures..."

A complicating factor in measuring outcomes is identifying the drivers of outcomes. This is especially the case when activities or services provided by councils are part of a complex web of services by multiple government agencies. In addition, there are external factors: for example, variations in business conditions are likely to have more impact than council effort under an economic development banner.

²⁵ <https://knowyourcouncil.vic.gov.au/compare-councils>

²⁶ Audit Office of New South Wales (2018), "Council reporting on service delivery", February.

²⁷ Victorian Auditor-General's Office (2019), "Reporting on Local Government Performance", May.

Targets and service standards

Targets provide a context around what a council is attempting to achieve and therefore can help to make performance information easier to understand.

The effectiveness of a program should be measured by the change in the outcome relative to this counterfactual. Operationalising this usually requires setting targets that imply an improvement on what would otherwise have happened. Where the counterfactual is an expected deterioration in the outcome, the appropriate target may be no change, or a smaller decline, which can be conceptually hard to explain. As targets should be achievable, this can create a quandary for measuring effectiveness.²⁸

The LGPRF currently does not require councils to adopt targets, however the Victorian Auditor-General's Office found that three of the five councils they audited had adopted targets for some of the LGPRF indicators.²⁹ Based on a previous audit, Local Government Victoria has committed to introducing targets for a subset of indicators, the 28 indicators that councils include in their annual performance statement, into the LGPRF from 2020-21.

An audit of council reporting on service delivery by the Audit Office of New South Wales found that one third of council reports did not have related target making it difficult for the community to assess a council's achievements in implementing its service delivery program.³⁰

Costs of reporting

Councils have expressed concerns about the additional burdens including costs of increased reporting requirements on councils. For example, the submission from the City of Charles Sturt refers to the "number of external data collection requirements for council in place" and suggests making use of and building on what is already in existence such as the SALGGC data.³¹

For some years, the Victorian Government has collected large amounts of data and cost comparisons from local government and shared them on the "Know Your Council" website. Unfortunately, the reporting regime created significant administrative costs for councils. While these costs can be easily quantified by councils, I am not aware that the Victorian Government has been able to quantify any efficiencies that the system has achieved for the sector. Should regular reporting of additional council data be a part of the Commission's proposed approach to improving efficiency and financial accountability of local government, it is essential to undertake this cost-benefit comparison from the outset. (Tatiara District Council Submission, p.2)

Achieving consistent data reporting across 68 councils will be a resource intensive exercise and consideration will need to be given to the items that are reported to ensure that they deliver some strategic, operational and policy benefit. Consideration should be given to the cost to implement any proposed model and that this doesn't become an additional cost driver that works against

²⁸ Productivity Commission (2013) p.7.

²⁹ *Ibid.*

³⁰ Audit Office of New South Wales (2018)

³¹ City of Charles Sturt submission, p 2.

local government's efforts to put downward pressure on council rates. (LGASA submission, p.16)

A review of the first two years of operation of the Victorian LGPRF conducted by Local Government Victoria in 2017 found that on average each council had more than 10 interactions per year with the Performance Reporting Analysis and Support Team.³² While the Commission understands that the number of interactions per year has reduced in more recent years as councils become familiar with the LGPRF and improve their internal reporting processes, councils have been required to allocate resources to the reporting.

Streamlining reporting to the state government

In all states, councils are required to report to state government departments on a range of statutory functions such as waste collection, health inspections and expenditure of government infrastructure grants. To minimise any additional costs to councils of a state-wide performance reporting approach, a streamlined reporting framework which minimises duplication in reporting is desirable.

In Victoria, one key barrier to minimising duplication in reporting has been timelines and frequency of reporting where regulatory periods differ across services and do not fully align with the performance reporting period.³³

There is no central reporting system in place in NSW, and a recent report by the Auditor-General concludes that consolidating and coordinating the reporting requirements will help lower council reporting burden and duplication, and lead to better reporting over time.³⁴

Another barrier is the different IT systems used by different councils and state government departments which have been developed to meet their individual circumstances. These different systems make data sharing difficult, resulting in increased reporting burden for councils.

Council input in the design of a framework

Performance monitoring improves transparency and provides the potential for decision-making that can lead to better outcomes for the community. In order to achieve this, the Victorian Auditor General considers that performance indicators should provide information which help leadership teams to make decisions. These indicators would "support leadership teams to manage strategic risks to the council and assess if the council is delivering services and meeting its strategic objectives".³⁵ Therefore, it is important to give councils the opportunity to shape information that would help them compare themselves to other councils and identify opportunities to improve service delivery and reduce costs.

The Victorian Auditor General's Report on Local Government Performance highlights the value of shifting councils' perception of performance reporting and monitoring from compliance to an opportunity for improvement.³⁶

³² Local Government Victoria (2017)

³³ Victorian Auditor-General's Office (2019)

³⁴ Audit Office of New South Wales (2018)

³⁵ Ibid.

³⁶ Ibid.

Involvement of councils in the development of a performance monitoring framework can also help to minimise the reporting burden on councils by designing indicators which are closely aligned with existing council recording systems and relatively easy for councils to collect.

Local Government Victoria established a steering committee, consisting of council CEOs, for the LGPRF. This steering committee oversees an annual program of review and continuous improvement of the framework and has responsibilities including providing recommendations on the overarching framework, the set of indicators and content of reporting by councils and state.

Information request 4.1: Performance reporting

How can these lessons from state-wide performance reporting frameworks in other jurisdictions be applied to South Australia?

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

4.2.3 Findings

Possible mechanisms that could be used by the local government sector to measure and improve performance over time include:

- a sector-wide public reporting framework;
- collaborations among councils to identify opportunities to improve processes and efficiency; and
- documenting service standards and reporting performance against those service standards.

These mechanisms are not, in the Commission's view, mutually exclusive.

There are several examples of sector-wide local government performance monitoring frameworks in other jurisdictions. There is currently no sector wide approach in South Australia. The Commission notes that 25 South Australian councils have joined the Local Government Professional's 'Australasian LG Performance Excellence Program' to benchmark their performance against other councils. In addition, the Commission identified many examples of councils attempting to compare their performance with other councils. However, the lack of a state-wide framework for performance reporting limits the comparability of data and limits the ability of councils, residents and ratepayers to make meaningful comparisons of performance.

After examining the performance monitoring frameworks in other jurisdictions, the Commission considers:

- standardised reporting on performance across the sector would assist decision making by councils, better inform residents and ratepayers and assist discussions between councils about their results;
- not all councils can be directly compared, therefore the definition of standardised comparator groups is valuable;

- performance reporting should be consistent over time whether being used to track performance of a council over time or compare councils at a point in time;
- efficiency should be considered along with measures of quality and effectiveness;
- context and circumstances are important, and councils should be able to comment on their performance before the results are reported publicly;
- targets and service standards are useful for councils to explain their priorities;
- additional reporting imposes a cost to councils and consideration should be given to streamlining any public reporting;
- high data integrity is central to valid comparisons, hence attention to consistency in definition and recording is important; and
- council input into the design of the framework and choice of indicators is important.

4.3 Partial productivity measures

The most widely used measures of local government productivity are partial productivity measures, which relate a single output to a single input. Labour productivity (output per hour worked) and capital productivity (output per unit of capital) are common examples of partial productivity measures.

Such measures are commonly used for benchmarking and provide a useful way of comparing a council's performance against similar councils. These measures have the advantage of being computationally simple and easy to understand. They also provide valuable insight into where a council's costs are higher or lower than comparable councils in certain areas. However, owing to their simplicity, partial productivity measures do not account for differences in council size, scale, service standards and underlying cost structures. Therefore, the interpretation of direct comparisons between councils using partial productivity measures should be undertaken with care.

While productivity is defined as output per unit of input, in this section the Commission has chosen to present the inverse, or inputs per unit of output. The indicator used here is total expenditure divided by an indicator of the level of activity in a service area. These can be interpreted as unit costs. An increase in unit costs represents a decrease in productivity, and vice versa.

As with all partial productivity measures, these estimates do not capture the effects of the scope and quality of service provided.

4.3.1 Estimates for South Australian councils

While South Australian councils use a range of different productivity measures, the Commission has not identified any sector-wide measurement and reporting of recognisable measures of productivity and efficiency. As part of the analytical approach to understanding patterns in local government productivity and efficiency, the Commission has created a set of partial productivity estimates for South Australian councils. These partial productivity measures could be used by the local government sector to measure and improve performance over time.

These partial productivity estimates are based on data available from the SALGGC, with estimates calculated for selected service areas where consistent data are available for both the quantity and expenditure categories reported.

Data availability has limited the number and quality of partial productivity indicators that the Commission has been able to estimate. There are also some concerns with the consistency of the financial data at the individual service level and their comparability across councils. For instance, there may be differences in how councils apportion indirect costs across services and allocate costs to each of the SALGGC expenditure subcategories. Moreover, output quantity data that are reported to the SALGGC but not used by them are subject to less thorough checking than the financial data.

Several councils, including City of Charles Sturt, City of Playford and the Limestone Coast Local Government Association, have raised concerns about the accuracy of the SALGGC data during consultation. However, most agree that it is the most accurate data available and that it is an appropriate starting point for analysis.

Data collection comes with an impost for councils thus Grants Commission data is a good starting point and is generally comprehensive for financial data. However, the sector has a not unreasonable degree of scepticism as to accuracy of some contained data sets due to the self-reporting nature of data collection and the inconsistency that arises from this and little structure around collection methodology. It would be preferable for consideration to be given as to how the data collection and compilation effort for councils can be minimised as the commission progresses its investigations. (City of Charles Sturt Submission, p.7)

The reliance on data from existing data bases (grants data bases for example), the existing data sets available, such as the grants data base, were developed for a range of purposes, evaluating performance and efficiency to inform economic models was not one of them. Therefore, these data bases are unlikely to provide valid information for the model and indeed a recent analysis using the SA Grants data base shows that this data has some significant difficulties. (Limestone Coast LGA Submission, p.2)

The Commission has made efforts to 'clean' the data, including adjusting some council expenditure data where expenditure appears to have been reported in thousands of dollars in the earlier years but dollars in the later years. In addition, councils that did not report expenditure in at least one year, while still providing that service, were excluded from the estimation of time series trends. However, there are likely to be some remaining issues with the data, largely relating to the consistency across councils of what expenditure is reported.

All expenditure figures used by the Commission have been converted to 'real' 2018 dollars using the LGPI discussed in Chapter 3.

The methodology paper proposed to investigate a ten-year period from 2008-09 to 2017-18. The Commission has excluded the first three years of this period from service level analysis due to changes in reporting of service level expenditure. In the years 2008-09 to 2010-11, a significantly higher proportion of council expenditure was allocated to the category of 'rates and balance of amounts not allocated to other functions'. Therefore, councils reported service level expenditure is likely to be much more accurate from 2011-12 onwards.

A summary of the types of services provided by councils across the 14 SALGGC service categories (excluding rates and balance of amounts not allocated to other functions) is available in Appendix 5.

The service areas that are responsible for the largest proportions of expenditure are likely to explain the greatest proportion of overall council productivity. Therefore, priority is given to these larger expense categories discussed in Chapter 3 such as transport, recreation, other environment and waste management although current data availability has made it difficult to assess recreation and other environment expenditure.

All councils are also required to report on activities undertaken in relation to a range of regulatory functions and other services such as libraries which has made estimating partial productivity measures for these services more meaningful.

Transport

Transport is the largest expense category for councils, accounting for 20 per cent of local government expenditure in 2017-18.

Councils currently report expenditure on sealed roads, unsealed roads and bridges and major culverts to the SALGGC. This expenditure includes depreciation, capital renewal, maintenance, upgrades and capital expansion. They are also required to report on the total length of sealed and unsealed roads and laneways and the estimated replacement cost for each.

Estimating a partial productivity ratio for the entire category of transport is likely to be misleading and difficult to interpret as councils have different types of roads and related expenditure. Therefore, separate ratios for sealed and unsealed roads have been estimated. No indicators for bridges and major culverts have been estimated as many councils did not have any and the underlying costs vary significantly depending on their size and topography.

Reported expenditure on roads compared to total kilometres of roads provides no insight into efficiency. Expenditure would have to be compared against kilometres of work completed, and possibly councils' sustainability ratios. Even then, low costs will not necessarily equate greater efficiencies but can simply be a reflection of construction materials like limestone having to be transported significant distances compared to a limestone quarry close by. Costs alone also provide no insight into the quality of the work undertaken or different construction methods, which may be reflected in the total expenditure. (Tatiara District Council Submission, p. 1)

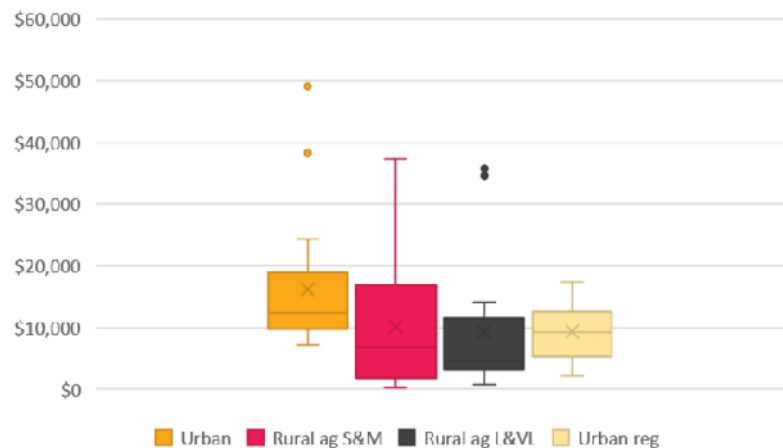
Sealed roads

There are significant differences between councils in total expenditure per kilometre of sealed roads (excluding depreciation). As a result, this measure may be difficult for benchmarking across the sector as some investigation would be required to identify reasonable 'peers' for councils to compare themselves. This distribution appears to be similar to that of earlier years in the sample, although there was one significant 'outlier' in 2013-14 and 2014-15.

Analysis of the expenditure/kilometre of sealed roads for the four groupings of councils, discussed in Chapter 3, shows that there is considerable variation within each group, as

demonstrated in Figure 4.5.³⁷ It also shows that overall expenditure per kilometre of sealed roads is higher for urban councils than for regional councils, and that the variation is highest among rural agricultural (small and medium) councils.

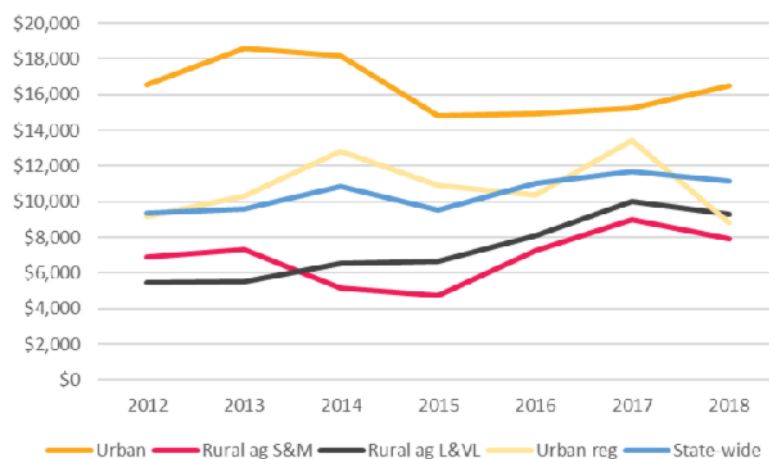
Figure 4.5: Distribution of expenditure per kilometre of sealed roads, by council group, 2017-2018



Source: SALGGC, SAPC estimates

Figure 4.6 below presents the simple average of expenditure per kilometre of sealed roads for each group of councils. There were five councils which reported zero expenditure in any one year³⁸ which are excluded from this calculation.

Figure 4.6: Average real expenditure per kilometre of sealed roads, by council group, 2011-12 to 2017-18



³⁷ The lines in a box and whisker plot correspond to the quartiles of the data, ranked in decreasing order, with the top line representing the maximum, then 75th percentile, the median, 25th percentile and the minimum. The cross represents the mean and the dots outside this range represent outliers, defined as data that is more than 1.5 times the interquartile range (the 75th percentile minus the 25th percentile)

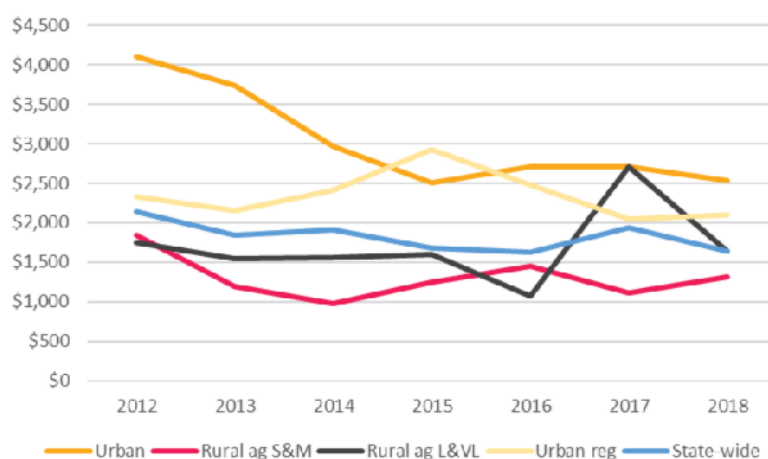
³⁸ One urban, three rural small and medium and one urban regional council.

Source: SALGGC, SAPC estimates

Over the seven-year period analysed, there has been an average annual increase of three per cent in the total expenditure per kilometre of sealed roads. This is mainly observed in rural areas, with rural agricultural large and very-large (9 per cent) and rural agricultural small and medium councils (2 per cent) having the most increase.

As this measure is based on total expenditure on sealed roads, the observed changes in expenditure per kilometre could be a result of greater capital expenditure rather than maintaining current roads or improving the quality of sealed roads. To test this, the Commission also estimated reported expenditure on maintenance of sealed roads per kilometre, presented in Figure 4.7.³⁹

Figure 4.7: Average real expenditure on maintenance of sealed roads per kilometre, by council group, 2011-12 to 2017-18



Source: SALGGC, SAPC estimates

Overall average expenditure per kilometre on the maintenance of sealed roads has fallen by four per cent a year across the state over the period. The reduction in expenditure is observed across all council groups, but greatest among urban councils (8 per cent) and rural agricultural small and medium councils (6 per cent).

This may indicate that the increase in expenditure per kilometre of sealed roads is a result of upgrades to existing roads rather than increased maintenance costs, however there is insufficient data available to test this further.

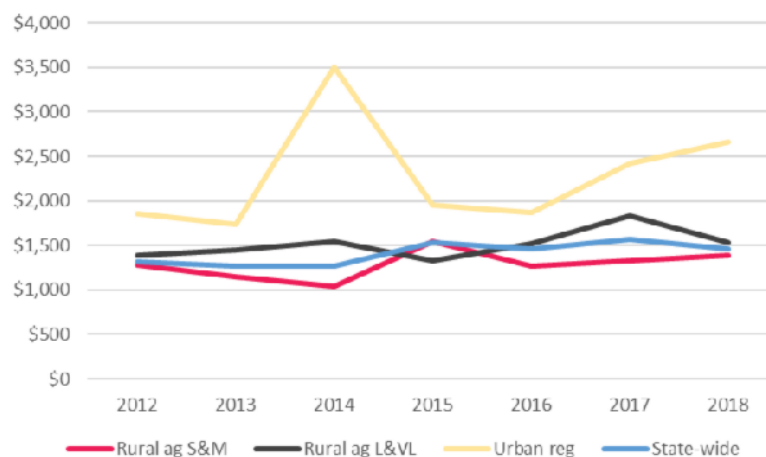
There has also been an increase in total kilometres of sealed roads of approximately 0.8 per cent per year, while the length of unsealed roads has declined by 0.15 per cent per year, suggesting some upgrading of unsealed roads to sealed roads.

³⁹ Reported expenditure on sealed roads is classified as either maintenance, capital renewal, capital expansion (expenditure on new roads) or upgrade. Comparing these other categories to total kilometres of roads is not meaningful and no data is available on the amount of activity for these other activities (such as the distance of road upgraded).

Unsealed roads

Across the state, there has been a two percent average annual increase in total expenditure per kilometre on unsealed roads (Figure 4.8). Urban councils were excluded from this analysis as they have very few unsealed roads.

Figure 4.8: Average total real expenditure per kilometre of unsealed roads, by council group, 2011-12 to 2017-18



Source: SALGGC, SAPC estimates

Waste Management

As discussed in Chapter 3, waste management (including recycling) accounted for 9 per cent of total council expenditure in 2017-18. Councils report the type and tonnage of waste collected annually to the SALGGC. This section presents partial productivity measures relating to recycling, general and green waste collection based on the data available.

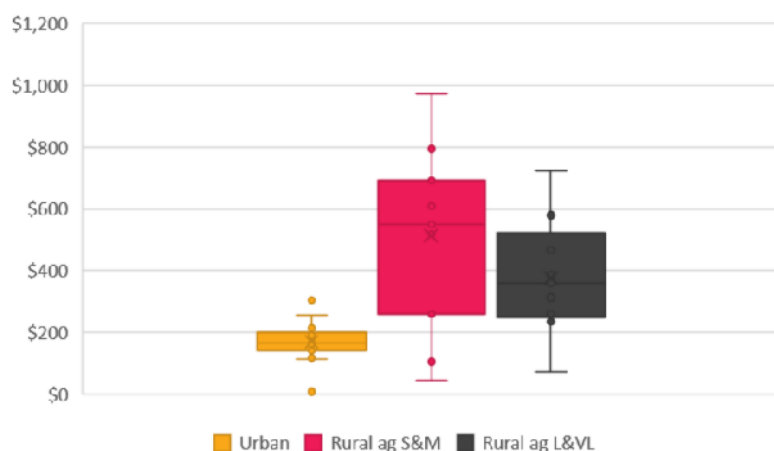
Recycling

During 2011-12 – 2017-18, approximately 88 to 98 per cent of councils reported tonnes of recycling collected annually. However, during the same period, only 60 to 74 per cent of councils recorded expenditure on recycling.

The distribution of expenditure per tonne of recycling for 2017-2018 is presented in Figure 4.9, which illustrates its variation across councils. Urban regional councils have been excluded from Figure 4.9 as only four out of the nine councils reported expenditure in 2017-18.

A council not reporting expenditure in any one year may reflect differences in reporting and accounting practices, including where recycling is managed by regional subsidiaries. As a result, this expenditure is likely included elsewhere in the SALGGC data but not separated out. The Commission has not investigated this at depth.

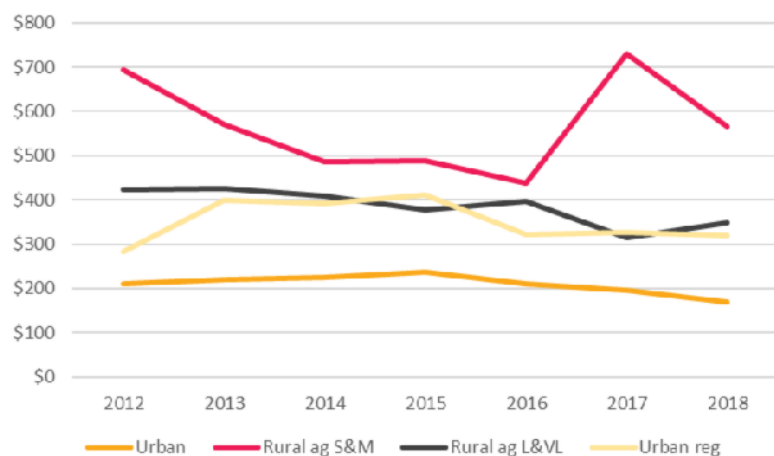
Figure 4.9: Distribution of expenditure per tonne of recycling collected, by council group, 2017-18



Source: SALGGC, SAPC estimates

Figure 4.10 shows the average expenditure per tonne on recycling between 2011-12 and 2017-18. Urban councils had the lowest cost per tonne of recycling and rural councils have the highest. As properties tend to be more spread out in rural and regional areas, the cost of waste collection can be higher compared with urban councils. The data also indicate that during the same period, the average annual real cost per tonne of recycling fell for urban councils (4 per cent), rural agricultural small and medium (3 per cent) and rural agricultural large and extra- large (3 per cent).

Figure 4.10: Average real recycling expenditure per tonne, by council group, 2011-12 to 2017-18



Source: SALGGC, SAPC estimates

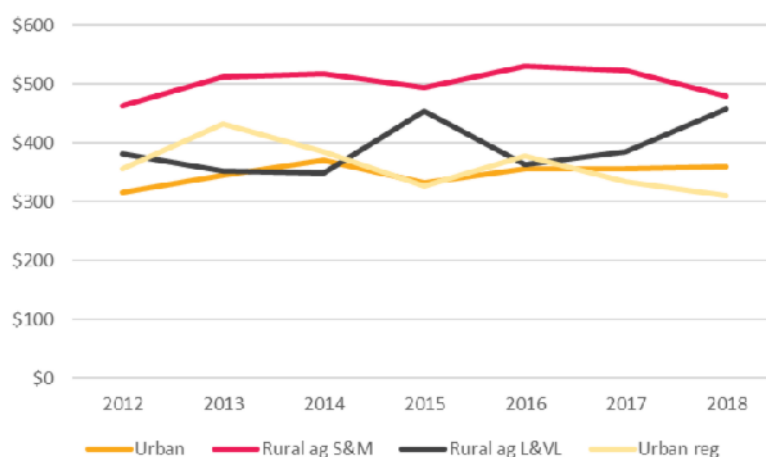
Urban regional councils recorded an increase in costs per tonne of two per cent per year. However, this was a very small group as only three councils reported costs for the entire period.

Overall, there has been a reduction in the cost of recycling per tonne across all councils. This seems to relate to a reduction in total expenditure, which fell by an average of four per cent per year, whereas the total tonnes of recycling collected remained relatively constant over the seven-year period analysed.

General waste collection

The average real expenditure per tonne of general waste collected between 2011-12 and 2017-18 is presented in Figure 4.11 below. Overall, average annual real costs per tonne increased by approximately two per cent. However, this increase has not been evenly shared by all councils. Large and extra-large rural agricultural councils had the greatest cost increase of three per cent per year, while urban regional councils achieved cost reductions of two per cent per year.

Figure 4.11: Average real expenditure per tonne of general waste collected, by council group, 2011-12 to 2017-18



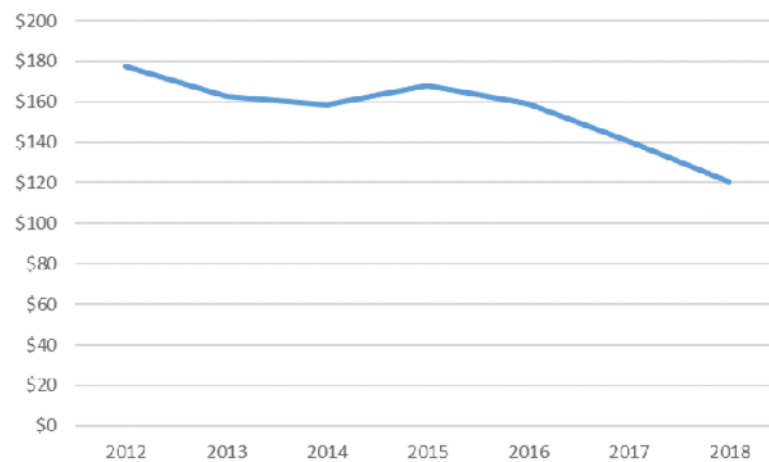
Source: SALGGC, SAPC estimates

During this period, the total tonnes of general waste collected have remained relatively constant for both urban and small and medium rural agricultural councils. However, rural agricultural large and very-large councils reported a decline in the tonnes of waste collected by an average of over five per cent per year, while urban regional councils had general waste collection cost increase by three per cent per year.

Green waste collection

Only fifteen of the 68 councils reported expenditure on green waste in all seven years analysed, therefore examination by council grouping is not meaningful in this instance. Among the fifteen councils whose data was available for all years, average expenditure per tonne of green waste collected declined by six per cent per year (Figure 4.12).

Figure 4.12: Average real expenditure per tonne of green waste, all councils, 2011-12 to 2017-18



Source: SALGGC, SAPC estimates

There is some evidence of an expansion of green waste collection by councils over this period. Approximately 70 per cent of councils reported having collected green waste in 2011-12. This figure rose to 79 per cent by 2017-18. There has also been an increase in total tonnes of green waste collected by an average of four per cent per year.

Planning

Town planning is the largest regulatory function councils perform, accounting for over 47 per cent of regulatory services expenditure in 2017-18.

Councils report to the SALGGC their total planning costs, as well as quantity data relating to the number of new development applications and additions and alterations by type. The costs of assessing a planning application vary significantly depending on its complexity.

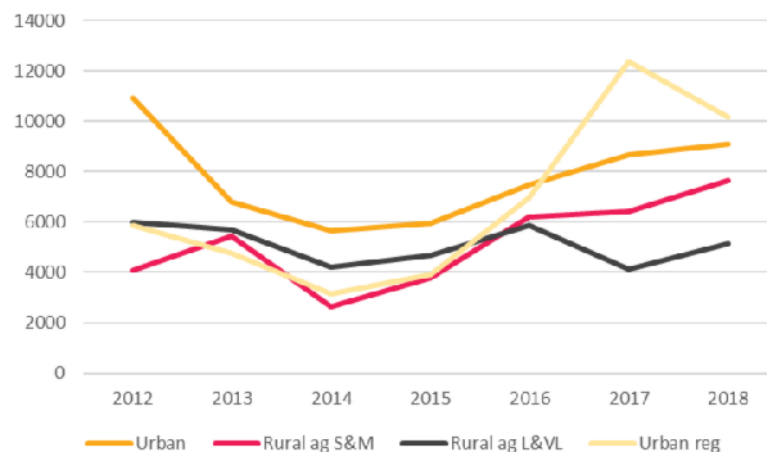
Factors other than the type of development also affect the costs of planning. Proximity to areas such as the Hills Face Zone and other environmental areas affect the level of analysis by a council as well as state authorities where concurrent advice is required. Impacts on existing infrastructure also need to be considered which can affect timeframes and costs of development assessment. In addition, if a council approves groups of the same type of house in bulk in a new development, compared to different houses each with a separate assessment process, their 'productivity' would be higher.

Therefore, comparisons across councils and over time should be interpreted with caution as they may reflect differences in the type and location of development activity rather than differences in efficiency. Nonetheless an estimate of the costs to councils per application can be useful in examining trends in council expenditure and activity.

The Commission has not received any data that separates planning costs by type. Therefore, the analysis is based on constructing partial productivity ratios of the total planning expenditure per number of applications for each new development and additions and alterations as shown in Figure 4.13 and Figure 4.14.

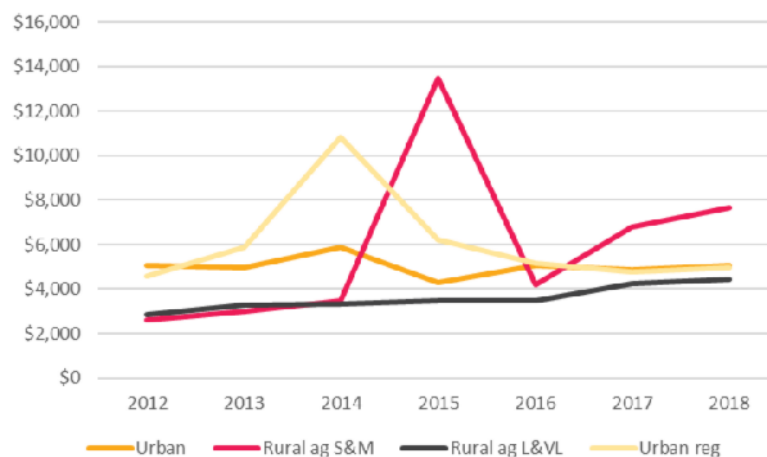
A council that has a higher proportion of additions and alteration applications can be expected to have a significantly higher total planning expenditure per number of new planning applications. Similarly, a shift in the type and level of development occurring in any year will have significant impact on the estimated ratios.

Figure 4.13: Average real total planning expenditure per number of new planning applications, by council group, 2011-12 to 2017-18



Source: SALGGC, SAPC estimates

Figure 4.14: Average real total planning expenditure per number of additions and alteration applications, by council group, 2011-12 to 2017-18



Source: SALGGC, SAPC estimates

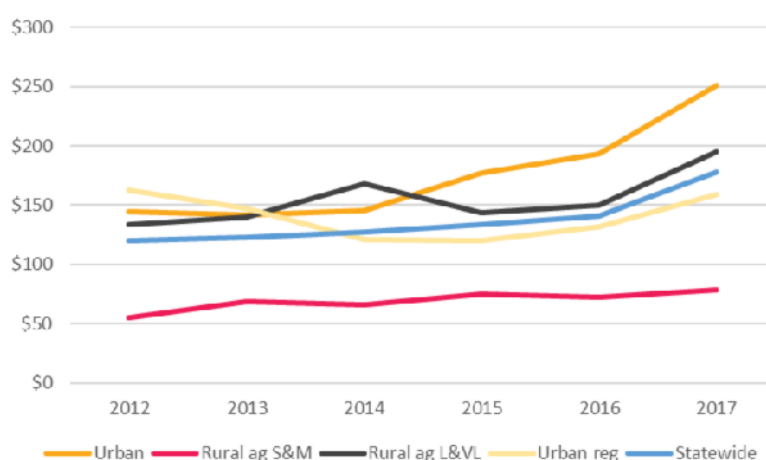
Overall, real costs per planning application have fallen for urban councils, with costs per new application falling by an average of three per cent per year and costs per addition and alteration application remaining constant. However, costs for rural agricultural small and medium and urban regional councils have increased across both measures.

Provision of library services

Library services accounted for six per cent of total expenditure across all councils in 2017-18. The LGASA estimates that library services cost \$89 per ratepayer per year on average for the period 2012-2018.⁴⁰

Councils report to the SALGGC the number of 'active borrowers' and the number of 'active borrowers' who reside outside the council area. The data indicate that the proportion of borrowers who reside outside the council area varied across councils from zero to 98 per cent in 2017. Therefore, expenditure per ratepayer may not be the best measure to estimate productivity of libraries. Instead the Commission has estimated real expenditure per 'active borrower', demonstrated in Figure 4.15.

Figure 4.15: Average real expenditure on libraries per active borrower, by council group 2011-12 to 2017-18



Source: SALGGC, SAPC estimates

Across the state, average annual real expenditure on libraries per 'active borrower' has increased by over eight per cent. This increase is across all councils, except urban regional councils where real expenditure per active borrower fell by an annual average of 0.4 per cent.

This apparent decline in productivity reflects falling numbers of active borrowers, as real expenditure has increased by only 1.5 per cent per year. On the other hand, the number of active borrowers across the state has declined by an annual average of 8.3 per cent. This decline in borrowers is higher for urban councils (9.2 per cent) and lower for urban regional councils (4.7 per cent).

One possible weakness of this measure is that the number of 'active borrowers' may not accurately reflect the number of people who use library services. Submissions from stakeholders also highlight that the type and number of services offered by libraries has expanded beyond the traditional provision of no-cost access to books.

⁴⁰ UHY Haines Norton (2019), "Analysis of Council Data – South Australia- Part 2 - services", Prepared for the Local Government Association of South Australia, Adelaide.

A library service can be a simple online service, it could be just books, or it could provide a community hub for knowledge, learning and to connect community. In each case the costs are for a library, but the inputs and outputs are different, and their cost allocations will vary across each Council. It will also vary over time as the nature and scope of services change, for example the outputs for a library 10 years ago will be different to the outputs provided today. (Limestone Coast LGA, p3)

The Commission notes that in light of these limitations, the Victorian LGPRF used an estimated number of visits to the library as the denominator of their productivity measure. A review of the LGPRF in 2017⁴¹ recommended that this be expanded as the door counts did not include online visits, whereas the expenditure amount included the costs of e-books.

4.3.2 Findings

Current data availability and quality issues severely limit the ability to conduct meaningful analysis of council performance at the service level. While there is data on expenditures on higher level service types, there are issues with the consistency of reporting across councils and missing values for some councils in single years limits the ability to analyse sector-wide trends over time.

Accounting changes in 2011-12 further limit the ability to compare service level expenditure prior to this period as changes to the amount of expenditure not allocated to a function decreased substantially.

These issues need to be addressed as part of a strategy to develop a common performance framework across all councils.

Nevertheless, the data demonstrates that urban councils face different unit costs than rural councils, and that metropolitan urban councils differ from urban regional councils. For example, urban councils have significantly higher expenditure per kilometre of sealed roads than other councils, but lower expenditure per tonne on waste collection. Furthermore, there is significant variation within each council group.

Despite the issues with the data, the Commission found some evidence of an expansion in the scope of services as the number of councils reporting expenditure on green waste collection increased from 70 to 79 per cent over the time period analysed. As discussed in Chapter 3, several councils argued that the scope of their services had expanded, and this had driven up expenditure.

There is also some possible evidence that the increased expenditure on roads is a result of an uplift in quality of roads. This is a result of real total expenditure per kilometre of sealed roads increasing over this period, while real expenditure on maintenance of sealed roads per kilometre has not.

However, there are issues with measuring expenditure per kilometre of total roads. Without data on the amount of activity conducted, these estimates must be interpreted with caution.

⁴¹ Local Government Victoria (2017) Local Government Performance Reporting Framework 2015/16 Reporting Period Review.

Information request 4.2: Partial productivity estimates

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

What other partial productivity estimates can be used with currently available data?

What additional data would councils be able to report on for minimal additional cost which would improve our understanding of council efficiency?

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

Is the current reporting to the SALGGC an appropriate process for any additional reporting by councils? Is there value in making any changes to this reporting?

4.4 Global efficiency measures

In addition to the partial productivity measures described above, the Commission has undertaken a global analysis that enables the estimation of multiple-input, multiple-output estimates of local government efficiency. This also enables some allowance for local conditions that affect performance.

As noted in section 4.1, our focus in this chapter is on the measurement of efficiency in terms of multiple inputs and outputs, which is referred to as technical efficiency. Different methods are available for this purpose, which are discussed in appendix 7. The Commission in this instance has chosen Data Envelopment Analysis (DEA) as the best method to apply to the data available. Box 4.3 contains some notes on constraints on the application of DEA in this situation and their implications.

Box 4.3 Data Envelopment Analysis

The application of the DEA method requires data on outputs and inputs. It produces a measure of the ratio of actual inputs used to an estimated minimum achievable amount of inputs, which is defined by the observed inputs used by the best performing councils in the sample if they were to operate in similar circumstances. For example, a score of 0.9 indicates that the council of interest could produce its current output using 10 per cent fewer inputs, according to the experience of others, while a score of 1 indicates the council is producing its current output using less inputs than other similar councils. The measures of technical efficiency are relative to the performance of others in the sample: they are not indicators of what can be achieved in absolute terms.

The technique can be used to assess changes over time, not only in the performance of an individual council, but also of the best performers in the sample, which is regarded as measure of technical change. A set of measures like this is potentially a powerful tool to provide advice and insight to council leaders.

The challenge, because of gaps in the availability of data, is that the method can produce measures of performance which may be the consequence of factors other than technical efficiency.

The most serious of these gaps is that related to measuring output. This issue is examined in more detail in appendix 7. Care must therefore be taken when interpreting the results in terms of either levels of technical efficiency or the patterns of technical change. Even so, the results can be used to identify interesting questions for further analysis. Examples of these situations and their consequences for the analysis are provided in the discussion of the results below.

4.4.1 Previous research on local government efficiency using DEA

The Commission has reviewed previous research on estimating local government efficiency to identify appropriate methodologies and lessons that could be applied to South Australia. It is important to note that the results of separate DEA studies cannot be compared as they relate to different frontiers and there is an established relationship between DEA efficiency scores and sample size⁴² (in this case the number of councils). Furthermore, as DEA efficiency scores are relative to those included in the study, it cannot be said that South Australian councils are on average more or less efficient than those in other states.

The existing body of literature on measuring global efficiency using DEA in local government in Australia predominantly relates to Victoria and New South Wales. The choice of inputs and outputs used in the DEA models is based on several factors including the research or policy questions analysed, data availability and quality, and applicability within local government. An overview of existing studies is summarised in table 4.1 below.

The Commission is aware of only one available study that estimates relative efficiency in local government in South Australia.⁴³ The analysis uses an input-oriented DEA with operational and staff expenditure as inputs and a series of output measures that capture the number of planning assessments and length of roads. It concluded that the relative efficiency of a typical council in South Australia had slightly decreased during the study period. The average relative efficiency fell from 0.863 in 2013 to 0.835 in 2014 and further decreased to 0.823 in 2016. The study also concludes that rural councils, on average, have a higher relative technical efficiency than their urban counterparts.

Other studies have used several different combinations of inputs and outputs in the DEA model which allows comparison of relative efficiency estimates under different specifications.

For example, the models estimated by the Essential Services Commission (ESC) of Victoria found that total factor productivity across Victoria's local government sector decreased between the period 2010-11 to 2015-16, which was attributed to reductions in technological change. DEA models estimated across 152 councils in New South Wales for the year 2011 found average efficiency scores ranging from 0.66 to 0.72. Based on a series of robustness analysis, the study presented a preferred model which consists of staff and capital expenditure as inputs and the number of businesses, households and length of roads as outputs.⁴⁴

⁴² Zhang, Y. & Bartels, R. (1998), The Effect of Sample Size on the Mean Efficiency in DEA with an Application to Electricity Distribution in Australia, Sweden and New Zealand. *Journal of Productivity Analysis* 9: 187.

⁴³ Drew, J. (2018), "Measuring Relative Technical Efficiency of South Australian Local Governments", University of Technology Sydney Centre for Local Government, Sydney, NSW.

⁴⁴ Drew, J., Kortt, M. and Dollery, B. (2015), "What Determines Efficiency in Local Government: A DEA Analysis of NSW Local Government", *Economic Papers*, 34(4), 243-56.

Table 4.1: Summary of Methodologies for Australian Local Government Efficiency Measurement

Author	Inputs	Outputs	Data
Victorian Essential Services Commission (2017) ⁴⁵	Council Staff (\$), Capital (\$)	Households, businesses, length of roads	79 Victorian councils
Victorian Essential Services Commission (2017) ⁴⁶	Council Staff (FTE), capital (\$)	Households, businesses, length of roads	79 Victorian councils
Victorian Essential Services Commission (2017) ⁴⁷	Council Staff (\$) Capital (\$)	Households, businesses, length of roads, waste collected	79 Victorian councils
Victorian Essential Services Commission (2017) ⁴⁸	capital (\$) operating expenses (excl. depreciation) (\$)	Households, businesses, length of roads	79 Victorian councils
Victorian Essential Services Commission (2017) ⁴⁹	operating expenses (excl. depreciation) (\$) + depreciation (\$)	Households, businesses, length of roads	79 Victorian councils
Fogarty and Mugerá (2013) ⁵⁰	employee costs, physical expenses and financial expenses	Population, number of properties, length of sealed and unsealed roads	98 Western Australian councils (2009,2010)
Worthington (2000) ⁵¹	Number of workers, financial expenditures (except depreciation), other expenditures	Total population, number of properties acquired to provide the following services: potable water, domestic waste collection, surface of rural and urban roads (km).	177 New South Wales councils (1993)
Drew, Kortt and Dollery (2015) ⁵²	Staff (\$), Capital (\$)	Businesses, Households, Roads	152 New South Wales councils
Drew (2018) ⁵³	Operational expenditure (\$), staff expenditure (\$)	Number of assessments (residential, business, other), length of roads (sealed, unsealed)	68 South Australian councils (2012-2016)

⁴⁵ Essential Services Commission (ESC) (2017), "Measuring Productivity in the Local Government Sector: Consultation Paper", September.

⁴⁶ *Ibid.*

⁴⁷ *Ibid.*

⁴⁸ *Ibid.*

⁴⁹ *Ibid.*

⁵⁰ Forgarty, J. and Mugerá, A. (2003), "Local Government efficiency: Evidence from Western Australia", Australian Economic Review, 46(3), 300-11.

⁵¹ Worthington, A (2000), "Cost Efficiency in Australian Local Government: A Comparative Analysis of Mathematical Programming and Econometric Approaches", Financial Accountability and Management, 16(3), 0267-4424.

⁵² Drew, Kortt, and Dollery (2015).

⁵³ Drew, J. (2018) "Measuring Relative Technical Efficiency of South Australian Local Governments", University of Technology Sydney Centre for Local Government, Sydney, NSW.

4.4.2 Global efficiency measures for South Australian councils

The methodology paper released by the Commission in May 2019 proposed a model for estimating the technical efficiency of South Australian local governments.⁵⁴ The Commission has since consulted extensively on the proposed model and analysed the suitability of data available.

The Commission also engaged Economic Insights Pty. Ltd. to provide advice on issues relating to productivity and technical efficiency measurement and to estimate local government efficiency using DEA.⁵⁵

In order to produce meaningful estimates for each of the 68 councils in South Australia, Economic Insights advised that a single model for all councils, with a maximum of five or six variables, was needed. As a result, it was not possible to include data on all council outputs (even if available). Therefore, several proxies that are likely to represent the outputs a council produces were chosen instead. Clearly, these proxies do not capture all the outputs produced by any council, therefore the estimated efficiency scores must be interpreted with caution.

After consideration, the preferred DEA model proposed by Economic Insights and agreed by the Commission was⁵⁶:

Inputs:

Opex = labour expenses + materials, contracts and other expenses

Capital = depreciation expenses

Outputs:

Residential properties

Other properties

Total road length

A detailed discussion of the variables included in the model is in the Economic Insights report.

Having analysed the peers selected by the model, the Commission has chosen to exclude one council, the City of Adelaide, from the results. As described in their submission, the City of Adelaide faces significantly different expenditures than other metropolitan councils, and as a result, the peers selected by the model for City of Adelaide were not informative.

A direct comparison with other metro Councils to determine efficiency may be misleading as being a Capital City Council, our service provision often extends to those outside its ratepayers' catchment area. This is particularly evident in Council's support for key city events and activation activities such as the Adelaide Fringe, Supaloo500 and the various Christmas and New Year's Eve events extending beyond the event itself to the cost impact associated with the management of key infrastructure components that enable these activities. (City of Adelaide Submission, p.1)

⁵⁴ A similar methodology to that discussed in Drew, Kortt and Dollery (2015).

⁵⁵ Detailed analysis available in Economic Insights (2019), "Efficiency and Productivity Analysis of Local Government in South Australia", Report prepared for the South Australian Productivity Commission, July.

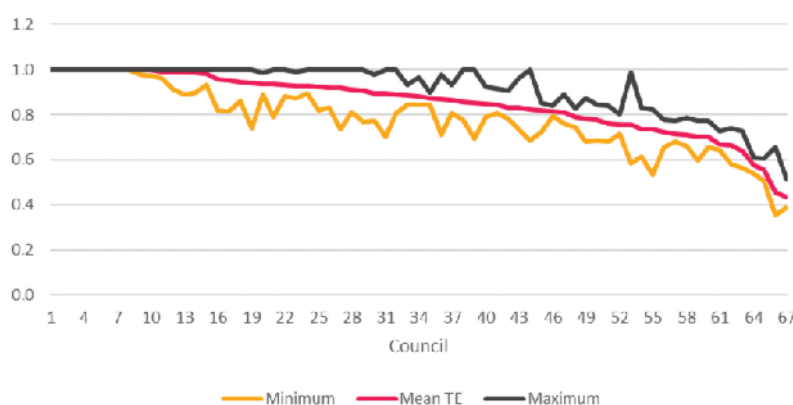
⁵⁶ Ibid.

While the City of Adelaide has been excluded from the presentation of the results, it was included in the model, however this does not affect the results for any other council. Figure 4.17 presents technical efficiency scores of each council in the four council groups, estimated using the single 68 council model.

Sector-wide estimates

The analysis by Economic Insights indicates that with a few notable exceptions, South Australian councils overall estimated technical efficiency scores were relatively close to the maximum score of one. For example, 43 per cent of South Australia's councils had an estimated mean technical efficiency over the 10-year period greater than 90 per cent. A further 35 per cent of councils had a mean technical efficiency of over 75 per cent. This is demonstrated in Figure 4.16, which presents the mean technical efficiency for each of the 67 councils over the ten-year period (in descending order) as well as the maximum and minimum technical efficiency score by each council in any year.

Figure 4.16: Minimum, Maximum and Mean Technical Efficiency Scores, by council ranked in descending order 2008-09 to 2017-18



Source: Economic Insights (2019), SAPC estimates

The efficiency scores in Figure 4.16 are an estimate of efficiency relative to all other councils in the sample, not an estimate of absolute efficiency. The Commission is unable to estimate the levels of council efficiency and a value of one does not mean a council cannot become more efficient.

Analysis by council group

The methodology paper proposed to conduct separate DEA studies for each of the groupings of councils used in Chapter 3 and partial productivity analysis. However, advice from Economic Insights was that this may result in too few observations in each model to have reliable estimates and that a single model for all councils is preferred. This single model would then self-select appropriate 'peers' for each council and rural councils would be compared against other rural councils (based on their high ratio of roads to properties) and urban councils would be compared against other urban councils.

Compared to urban councils, rural and urban regional councils had a higher variation in mean technical efficiency. Urban regional councils had the widest range of estimated technical

efficiency, which could be because it is a small group with a few members that are quite unique. As discussed in Chapter 3, urban regional councils also had the highest proportion of expenditure on non-mandated services.

Figure 4.17: Minimum, Maximum and Mean Technical Efficiency Scores, by council type ranked in descending order 2008-09 to 2017-18



Source: *Economic Insights* (2019), SAPC estimates

4.4.3 Service-specific DEA estimates

As discussed in the methodology paper, estimating service-specific global efficiency of councils can potentially avoid some of the limitations of whole of council estimations, particularly in defining a comparable and comprehensive set of inputs and outputs. Estimating service-specific efficiency also largely addresses the criticism that councils providing additional services may be deemed inefficient as variability of costs between councils is likely to be more contained when looking at specific services and analysis of differences is simpler than for whole-of-council comparisons.

Several submissions from councils also supported estimating service-specific efficiency (for example, City of Tea Tree Gully, City of Charles Sturt, Copper Coast Council, and Playford City Council). Councils noted that as "non-specific" measures do not account for the variability across councils, they are not comparable.

Other submissions, including those from Campbelltown City Council and the LGASA raised concerns about such measures:

Due to the differences in service levels between councils (and also potentially in the way a council financially accounts for that service) it may be difficult to get to a point where service-specific metrics are directly comparable. There is also a risk that councils operating in thin markets (more likely in regional areas) which need to pay more to procure certain services could be viewed as 'inefficient' when compared to others. (LGASA Submission, p.29)

The risk with these types of comparisons is that the areas being compared may not be a focus of all Councils. Establishing comparisons of this nature may place an expectation on perceived low performing Councils to improve in this area,

meaning that other services may need to be reduced or further rate increases required to fund the extra services. (Campbelltown City Council, p.5)

The Commission investigated possible options for measuring service-specific global efficiency estimates, including obtaining expert advice from Economic Insights, and has concluded that currently available data do not support this exercise at this point. Nevertheless, the Commission sees value in further work in this area. The submission from Copper Coast Council suggests that:

a working party be established through the Local Government Association of South Australia to develop service-specific efficiency models for councils. (Copper Coast Council Submission, p.5)

Information request 4.3: Service-specific efficiency

Acknowledging the gaps in data currently available, how can data quality be improved in order to measure service-specific efficiency across councils?

4.4.4 Efficiency changes through time

As previously discussed, DEA efficiency scores are defined relative to the efficiency frontier of the sample under consideration. It is therefore not meaningful to compare efficiency scores calculated against different efficiency frontiers. This means that it is not possible to directly compare estimated efficiency scores over different time periods, even for the same underlying sample.

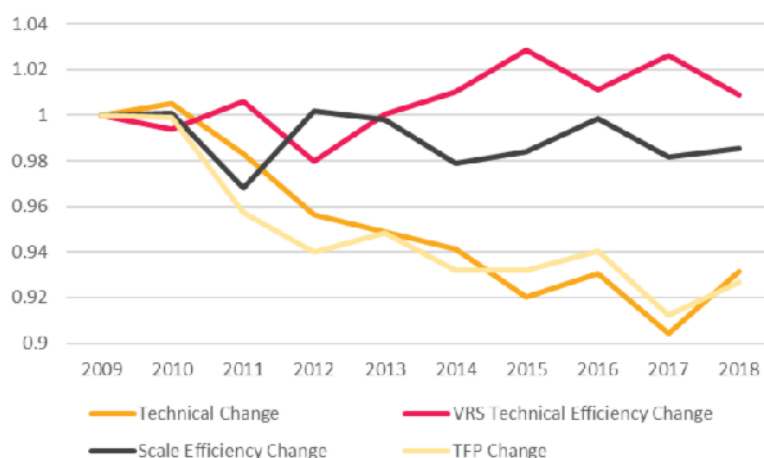
The technical efficiency scores, discussed in section 4.3.2, relate to the distance from the frontier. However, over time the frontier can also move. This is known as technical change.

Economic Insights estimated changes in efficiency and Total Factor Productivity (TFP) for each council over each pair of adjacent years. These estimates can be decomposed into measures of changes in technical efficiency, technical change and changes in scale efficiency.⁵⁷ This technique enables comparisons of productivity and efficiency over time without directly comparing the estimated efficiency scores.

The analysis by Economic Insights includes estimating TFP growth for the 10-year period from 2008-09 to 2017-18. This provides measures of TFP growth for each council between each pair of adjacent years. The results are presented in Figure 4.18.

⁵⁷ Further details are available in Economic Insights (2019).

Figure 4.18: Malmquist DEA TFP change aggregate indices 2008-09 to 2017-18



Source: *Economic Insights* (2019)

The results indicate that TFP has fallen by an average of 0.8 per cent per year over the ten-year period. This decline is primarily due to the technical change component declining by an average of 0.8 per cent per year over this period. There are also minor contributions from technical efficiency and scale efficiency (of approx. 0.1 per cent) but these tend to be minor compared to the larger effect of technical change.

In most sectors one would expect technical change to be positive. There are several explanations for the estimated negative technical change. They include:

- declining performance across our sample;
- an increase in the volume, scope or quality of services that are not measured by the output proxies used in the model; or,
- measurement issues.

Based on the feedback from the Local Government Reference Group and consultation with stakeholders, the Commission understands that increases in scope, quality and quantity of services are likely to be a factor in the explanation of these results. This is consistent with the Commission's findings in Chapter 2 that the legislative framework has enabled an expansion in functions and in Chapter 3 that growth in the volume and quality of outputs are a significant driver of increased operating expenditure.

However, quantifying changes in the volume and scope of council services is problematic. The Commission has not been able to identify any standardised measures of service quality across councils, which limits incorporating service quality into the model.

Some Councils have embarked on community surveys to ascertain Council service quality. In my view, it is considered that a sector wide community survey could be explored, but subject to a review of the cost benefit of such survey. Previously, some years ago, the Local Government Association of South Australia coordinated a community survey for councils that chose to participate on a cost basis. (Copper Coast Council Submission, p.4)

Data issues have also prevented the Commission from quantifying any expansion in the scope of services provided by councils. Therefore, estimates of declining productivity should be interpreted with caution. However, the Commission has found some evidence of an expansion in the scope of services (as discussed in section 4.3), with the number of councils reporting expenditure in green waste collection increasing from 70 per cent to 79 per cent in seven years. Further evidence provided by councils in their submissions, discussed in Chapter 3, also supports the view that the scope of services provided has grown.

Information request 4.4: Efficiency changes through time

How can the change in volume, scope or quality of services be quantified or otherwise incorporated into an evaluation of local government efficiency?

4.5 Understanding factors that influence efficiency of councils

Council performance may be influenced by factors outside their control, including socio-economic and demographic characteristics of council areas, their geographic location, and operating and policy environments, as discussed in Chapter 3. Submissions from stakeholders also noted factors such as growth areas, ageing populations, labour market shocks (for example, large scale redundancies such as the closure of automotive manufacturers) and thin markets (LGASA submission, p.32).

Some of the limitations of the DEA efficiency estimation described in earlier sections can be addressed by analysing the effect of external factors on council efficiency scores. This will also assist in establishing a context with which the estimated efficiency scores from the DEA analysis can be more meaningfully interpreted.

The most commonly used methodology is Two-Stage DEA. It involves using the DEA efficiency scores in a regression model to explain differences in estimated efficiency scores of councils.

The Commission acknowledges that such an analysis will be limited by the data available and may not capture the context in which councils operate in its entirety.

4.5.1 Previous studies of two-stage DEA in local government

The type of factors analysed depends on the specific research or policy questions addressed. Existing studies have used a range of variables summarised in Table 4.2. While it is not possible to directly compare possible factors that are associated with council efficiency across different jurisdictions, they provide useful insight into the nature and extent of differences and similarities of councils.

Table 4.2: Factors associated with council efficiency

Study	Factors used in the study
Comparing cost efficiency of NSW councils. Worthington (2000) ⁵⁸	Grant dependence; debt service; current assets; number of staff; average residential property rate
Local government efficiency in WA. Fogarty and Muger (2013) ⁵⁹	Population density; rate share of total expenses; ABS disadvantage index; employee cost per resident
Local government efficiency in NSW. Drew et al (2015) ⁶⁰	Population; population density; percentage of population over/under 65; percentage of ATSI ⁶¹ population; percentage of NESB ⁶² population; annual unemployment rate; average annual wage; total liabilities; total infrastructure value; grant funding; depreciation; sealed and unsealed roads (km)
Planning and regulatory efficiency in NSW. Worthington and Dollery (2000) ⁶³ Waste management in NSW. Worthington and Dollery (2001) ⁶⁴	Geographic and demographic conditions classified into five categories (urban developed; urban fringe; urban regional; rural significant growth' rural agricultural)
Efficiency measurement in municipal water services in NSW. Woodbury and Dollery (2004) ⁶⁵	Population, properties per km of main location; rainfall; proportion of residential properties; unfiltered water; groundwater.
Measuring productivity in the local government sector in VIC. Applied Econometrics (2017) ⁶⁶	Population, population density, proportion of population under 15; proportion of population over 65, percentage of ATSI population, percentage of NESB population; unemployment rate; median annual wage rate; total liabilities; total infrastructure value; total grants, annual depreciation; length of roads
Local government efficiency in SA. Drew (2018) ⁶⁷	Population, population density, proportion of population under 15, on Newstart allowance, NESB, ATSI; median wage; financial assistance grants; urban; shared services

⁵⁸ Worthington (2000)⁵⁹ Fogarty and Muger (2013)⁶⁰ Drew *et al* (2015)⁶¹ Aboriginal and Torres Strait Islander⁶² Non-English-speaking background⁶³ Worthington, A. and Dollery, B (2000), "Measuring Efficiency in Local Governments' Planning and Regulatory Functions", *Public Productivity and Performance Review*, 23(4), 469-485.⁶⁴ Worthington, A. and Dollery, B. (2001), "Measuring Efficiency in Local Government: An analysis of New South Wales Municipalities' Domestic Waste Management Function", *Policy Studies Journal*, 29(2), 232-249.⁶⁵ Woodbury, K. and Dollery, B. (2004), "Efficiency Measurement in Australian Local Government: The Case of New South Wales Municipal Water Services", *Review of Policy Research*, 27(2), 77-91.⁶⁶ Applied Econometrics (2017), "Measuring Productivity in the Local Government Sector, A Reply to Stakeholder Comments concerning DEA", Response to the Essential Services Commission, VIC.⁶⁷ Drew, J (2018).

4.5.2 Estimates for South Australian councils

The Commission engaged Economic Insights to conduct second-stage DEA analysis of a range of social and economic factors that might influence council efficiency. A detailed discussion of the analysis is available in the Economic Insights report.⁶⁸

The Commission notes that several other factors are not accounted for in the analysis due to data and/or analytical constraints that may contribute to differences between councils in measured efficiency scores. Some of these noted in the consultation process, including submissions are outlined below:

- multiple towns/service delivery centres – might reduce efficiency because a duplication of services such as libraries may be required;
- climatic factors – such as higher rainfall might influence efficiency through increasing maintenance requirements on roads and bridges due to water damage;
- soil types – such as reactive clays versus more stable gravels and loams might affect road maintenance costs;
- topographic differences – such as hilly versus flat terrain might also influence maintenance costs of roads and parks to some degree;
- coastal versus inland setting – humid salty air might imply extra maintenance is valuable for buildings plus there might be more parks, jetties and wharves to maintain in coastal areas;
- tourism – extra seasonal populations might put additional pressure on parks and waste facilities; and
- quality of services – some councils might deliver higher quality services because they are demanded by their residents.

The issue of quality of services provided by councils was regularly raised in the consultation process. However, the absence of appropriate data that captures service quality in a consistent manner across the sector has precluded further analysis.

Given that there are considerable data limitations, further analysis would be required to investigate what factors and how they are related to estimated council efficiency and productivity.

Information request 4.5: Factors that influence estimated council efficiency

What other factors can explain the estimated efficiency differences between councils or over time?

What factors can explain the estimated productivity differences between councils over time?

What other possible data sources can improve this analysis?

What further information could be considered to analyse and interpret estimated partial and global efficiency scores?

⁶⁸ Economic Insights (2019)

4.6 Conclusions

This chapter brings together the Commission's analysis of local government efficiency, which includes a portfolio of partial and global efficiency measures supplemented by contextual analysis based on qualitative information available from submissions and consultations. It is expected that this analysis will help initiate constructive conversations across the local government sector.

The Commission notes that many councils are attempting to compare their performance against other councils. However, it is evident that issues around the comparability and quality of currently available data limit the usefulness of such comparisons and impose analytical constraints with respect to efficiency analysis across the sector as a whole. The Commission's analysis also highlights the benefits of a standardised sector-wide performance measurement reporting framework.

Based on a review of local government performance monitoring nationally, the Commission regards best practice in performance monitoring as including: standardised comparator groups to enable meaningful comparisons across councils and over time. Any estimate of council efficiency should also acknowledge the context influencing this efficiency estimate, including measures of quality and effectiveness as well as council targets or service standards. The value of performance monitoring can be further improved by allowing councils the opportunity to comment publicly on their performance, prior to any estimates being publicly released. Furthermore, any reporting framework should balance the costs of reporting against the benefits of the additional information and every effort made to streamline existing reporting and remove duplication. Council input into the design of the framework and choice of indicators is critical to its success.

While mean technical efficiency has remained relatively constant over the ten-year period, the DEA model indicates that TFP has fallen by an average of 0.8 per cent per year.

This observation may be at least partially explained by a combination of declining performance, an increase in the volume, scope or quality of services that are not measured by the outputs chosen in the model, or inherent measurement issues. Based on stakeholder consultations, the Commission is of the view that this fall could largely be attributed to the unmeasured changes in volume, scope or quality of services provided.

In terms of the relative efficiency scores by council grouping, compared to urban councils, rural and urban regional councils had a higher variation in mean technical efficiency. Urban regional councils had the lowest estimated technical efficiency, which could be due to the fact that it is a small group with a few members that are quite unique.

The Commission has sought to analyse the councils that were identified as either the most efficient, or relatively inefficient to identify possible reasons and problems with the DEA model. However, further comment is constrained by the Commission's commitment to not publicly identify individual councils.

Many of the less 'efficient' councils according to the DEA study were quite unique compared to other councils in terms of their size, location or service mix. As a result, their levels of operational expenditure per property or kilometre of roads is higher than their 'peers' in the model.

The Commission's estimates of partial productivity highlighted the limitations of available data for this purpose, particularly relating to the quality and consistency of reported data, across councils and over time.

The Commission has identified some limited evidence, presented in section 4.3, to demonstrate an expansion of the scope or quality of services. However, quantifying changes in scope of services requires additional information and data, highlighting the value of further work to understand the underlying influences on efficiency.

While DEA provides an important starting point for an analysis of council efficiency and is the best methodology available to provide an overall estimate of council efficiency, it is imperfect. The inability to capture all council outputs requires the use of proxies that are unable to capture all aspects of every councils' activities. Therefore, DEA is an important first step in efficiency analysis and can be more meaningful when complemented by analysis of partial productivity and service quality measures.

5. Costs and efficiency improvements

5.1 Introduction

The inquiry's terms of reference require the Commission to analyse, and report on, the following terms of reference in relation to costs and efficiency in the local government sector:

- provide advice on possible options to guide and assist councils to improve efficiency and create capacity to pass on cost reductions to ratepayers;
- provide recommendations on actions by the South Australian Government to lower local government costs and enhance local government financial accountability.

The Commission is expected to have regard to the changing service expectations of communities and the long-term financial sustainability of councils.

The Commission's analysis of the observable trends in, and potential drivers of, costs and efficiency in the sector, together with consideration of input received from councils and other stakeholders, provides the basis for the recommendations to the South Australian Government and advice to councils presented in this chapter.

The Commission's focus has been on identifying measures that can be implemented by state and local governments in the short to medium term to effectively frame and inform councils' decision-making. These measures can be broken down into three broad elements.

First, the Commission seeks to identify ways in which councils can obtain a deeper understanding of their costs and related aspects of their performance. This is intended to provide councils with better information to inform their decisions on what services to provide and how to provide them. Better decision making, in turn, will help councils to improve their efficiency and create a capacity to pass on cost reductions to ratepayers. The Commission's draft recommendations and advice in this area are focused on enabling councils to respond more effectively to their communities' preferences, both now and into the future.

Second, the Commission seeks to identify ways in which councils can improve their performance over time, potentially contain expenditure growth and utilise efficiency dividends from the more effective use of their resources. The Commission's draft recommendations and advice in this area relate to improving the ways in which councils make use of data and analytical tools to monitor and improve performance.

Third, the Commission's focus is directed towards identifying ways in which councils can use performance and expenditure reporting to demonstrate and achieve greater accountability and financial sustainability. This involves giving consideration to the way in which councils interact with other levels of government and their ratepayers.

In sum, the recommendations and advice aim to achieve the following interrelated key outcomes sought by the terms of reference:

- reduce growth in councils' costs;
- improve efficiency in the sector;
- create greater capacity within local government to pass on any reductions in costs to ratepayers; and
- enhance councils' financial accountability.

The Commission's findings, views and councils' views on costs, efficiency and accountability are discussed below. This is followed by draft recommendations to the South Australian Government and draft advice to councils.

5.2 Cost drivers and improved decision-making

5.2.1 Commission's findings

The analysis in Chapter 3 of trends in, and possible drivers of, expenditure in the local government sector shows that the growth in local government operating expenditure over the last decade has been relatively high. Urban metropolitan and fringe councils consistently recorded higher growth in operating expenditure than other councils during this period. This growth has been greater than underlying measures of inflation and has been funded, in the main, by increases in rate revenue, thereby putting upward pressure on the cost of living for ratepayers.

The Commission has found that councils' operating expenditure is mainly made up of employee costs and materials, contracts and other costs, which accounted for 35 per cent and 41 per cent of total sector operating expenditure in 2017-18. These proportions have not changed significantly since 2008-09.¹

Sector expenditure on employee costs increased more, in percentage terms, over the decade than any other expenditure category at an annual average increase of 4.5 per cent, although growth has moderated over the decade in both urban and rural councils.

The number of council employees across the state has increased by an annual average of 0.8 per cent over the decade, resulting in higher employee expenditure per FTE employee. The extent to which this has been offset by productivity growth is difficult to determine in the absence of data on council outputs.

Finance costs have been negligible and falling over the decade as councils have tended to finance their operations using internal funds, or equity, rather than debt. This results in their operating costs being lower than they would be if debt levels approaching economy wide norms were used by councils.

More than half of councils' operating expenditure is accounted for by the four largest service categories – transport, recreation, other environment and waste management. Analysis of operating expenditure by the fourteen service categories indicates that the mix of services delivered has not changed significantly over the last seven years.

While mandated services are relatively small in number, they accounted for 46 per cent of sector operating expenditure in 2017-18.

Mandatory services consistently accounted for a higher proportion of operating expenditure for rural councils, at close to 60 per cent, compared to 40 per cent for urban councils. The most significant service mix difference between council groupings is that expenditure on the transport function is proportionally greater for regional councils than urban councils.

¹ As noted in Chapter 3, data limitations have prevented the Commission from analysing the extent to which the average annual growth in materials (and other costs) reflect increases in prices paid, volumes purchased or changes in efficiency.

Growth in population and property numbers, while low, is likely to have caused some increase in the volume of services demanded, with the exception of small and medium rural councils. This could explain part of the growth in council operating expenditure. Slowing population growth in the later part of the decade would likely have contributed to the observed moderation in operating expenditure growth. In addition, the effect of an ageing population is likely to have altered the mix of services demanded, although this impact is not evident in the fourteen categories of operating expenditure examined by the Commission.

Instances of cost-shifting from federal and state governments to local government have been argued by councils to have increased their costs. The Commission is not in a position to quantify the cost impact of cost shifting. Councils have sometimes decided to continue to deliver a service or program after federal or state funding commitments have expired, possibly in response to community expectations. In the Commission's view, a decision to continue to provide a service after funding has been withdrawn by a higher level of government does not constitute cost shifting. Cost shifting is discussed further in section 5.4.

In addition to the expansion of responsibilities under various pieces of state legislation, some of which are unfunded, councils have raised the issue of a cost pressure resulting from an increased regulatory compliance burden imposed by state government.

Councils have varying degrees of control over factors which influence their cost. Some are externally determined, including, for example, the broader regulatory or taxation environment or growth in ratepayer or property numbers, which drive up demand for services. Other factors, such as the prices councils pay for labour and other inputs, are influenced by industrial relations arrangements and procurement practices. Councils are also able to influence community expectations through consultation and informing ratepayers regarding changes in service mix and quality.

A third group of cost drivers is more strongly controlled by councils and includes scale, scope and quality standards particularly for non-mandated services, and productivity and efficiency levels through choice of technology and business processes.

5.2.2 Councils' views

The Commission notes that councils have highlighted a range of factors that could, either separately or collectively, account for the observed increase in expenditure over the last decade.

A large number of councils, both in metropolitan and regional areas, have noted in their submissions that state government legislation has expanded the scope of councils' responsibilities. Councils have contended, in particular, that the increased scope of their responsibilities under new or amended legislation has not been matched by an increase in state government funding sufficient to cover the costs of providing additional services or regulatory functions.

The City of Prospect, for instance, cites a number of examples of legislative requirements imposing greater costs on the local government sector, including functions under the *Dog and Cat Management Act 1995* and the *Local Nuisance and Litter Control Act 2016*. Under the latter piece of legislation, for example, councils are defined as the principal authority for dealing with local nuisance and littering in their areas.

Several councils, including the City of Charles Sturt, have argued that some legislated requirements, such as the mandatory 75 per cent rate rebate for community housing properties, have become a substantial cost burden.²

Other councils argued that the burden of complying with state and federal legislation has grown significantly over the last decade, thereby increasing their overall cost burden. While data limitations have prevented quantification, consultations with councils have suggested that the cost impact is likely to be comparatively small. This remains an issue that is likely to require further analysis.

A number of councils have submitted that rising service standards have been a significant contributor to growth in expenditure. However, the Commission has not been able to obtain any sector-wide service level data to enable an assessment of the extent to which increases in the scope or quality of services or facilities have caused increases in councils' costs.

In addition to an increase in costs as a result of new or enlarged functions mandated by legislation, councils have highlighted other fees imposed by the state government as significant cost drivers, including the solid waste levy. Councils have been clear in their submissions to the Commission that the levy – which is seen by the local government sector as a prominent example of cost shifting – contributes significantly to overall costs:

The waste levy increase equates to 0.58% increase in rates and Council has no choice but to pass the cost of the State Government Tax on to our ratepayers.³

The Commission notes that a concern about the costs mandated by state legislation are pervasive within the sector, taking in a range of areas beyond community housing and the waste levy.

Councils have also expressed concerns about the overall effects, which are borne out by the Commission's analysis in Chapter 3, that employee costs have had, and are likely to continue to have, on councils' costs.

A number of councils have contended that Enterprise Bargaining Agreements, which are not sector-wide and include 'no forced redundancy' clauses, have been a major cost pressure point. The South Australian Local Government Financial Management Group (SALGFMG) points out that, beginning in 2008-09, annual wage increases for many councils were in the order of 4 to 6 per cent. This had fallen to approximately 3 per cent by 2014-15, with more recent increases averaging around 2 per cent, which is broadly reflective of growth in wages throughout the wider economy.⁴

At present, councils negotiate Enterprise Bargaining Agreements (EBAs) individually, with different conditions in place for staff classified as either 'indoor' or 'outdoor' employees. A number of councils have expressed the view that the current industrial relations environment requires reform, and that moving towards a sector-wide system of bargaining could have significant benefits. The Commission understands that the LGASA has convened a working group to consider potential opportunities for moving towards sector-wide enterprise bargaining.

² City of Charles Sturt, Submission, p.4

³ *Ibid.*, p.2

⁴ SALGFMG, Submission, p.10.

Information request 5.1: Employee costs

Are there any benefits from streamlining the current industrial relations arrangements by moving to sector-wide enterprise bargaining?

5.2.3 Commission's view

As noted above, the Commission's analysis of councils' costs showed that, over the last decade, there has been real growth in operating costs, but little significant change in the composition of input costs and output mix.

Moreover, the Commission's analysis of the sector's major cost drivers, both in relation to inputs and outputs, suggest that the most plausible explanation, at least in part, for the real increase in the sector's expenditure over the last decade is a growth in output costs, including the volume, scope and quality of services supplied. Some of these services are mandated by legislation, while others are provided on a non-mandatory basis.

The Commission is of the provisional view that enhancing councils' capacity for sound decision making is likely to have a positive effect on improving their performance over time, reducing costs and enhancing efficiency and financial sustainability.

As local decision-makers, councils have a broad remit. The LG Act, for instance, makes clear that councils are expected to take a leading role in ensuring, either by direct provision or through coordination, equitable access to "public services and facilities", and to ensure that their communities and resources are developed in a "socially just and ecologically sustainable manner".⁵

In the Commission's thinking, sound decision making by councils requires a clear conception of which services are most effectively and efficiently delivered at the level of local communities.⁶ Various organisations, individuals or business provide services. Sometimes it may be appropriate for the council itself to manage the provision of the service, but councils always look for roles of others.

The services provided tend to be used by groups of people and often the benefits are greater because the facility or activity is shared. The services might be social, cultural recreational or political. The bundle of services provided at local level will be responsive to local preferences, innovative and effective. The service bundle is not based on a list fixed by a higher level of government but is an outcome of local decision making. Local governments fund their own activities by raising revenues, notably rates. They operate in a financially sustainable manner; weigh the interest of current and future generations; look to minimise costs; and seek cooperation with their neighbours, or buy from an at scale provider, when scale matters.

⁵ See section 6(b) of the Local Government Act 1999, p. 2.

⁶ The Commission has been guided by its reading of the assessment of the principle of subsidiarity presented in Drew, J and Grant, B., (2017), 'Subsidiarity: more than a principle of decentralization – a view from local government', *Publius: The Journal of Federalism*, 47(4), pp. 522-545.

Some implications of this framework are that local governments would observe the following principles:

- regularly review current service functions, and divest if the case is made for some form of cooperation or the private sector, if possible, to provide the service;
- look for options to reduce the dependency on funding from other governments, including through joint arrangements with users and/or councils (among other service providers), or methods of managing demand through pricing or other forms of rationing;
- regularly consider the options for provision including comparisons of in-house provision to contracting out in order to lower costs;
- foster the development of a variety of forms of cooperation within their areas which might have the capacity to undertake existing services or meet new demands that emerge;
- make transparent the relationships between taxpayers and recipients of funds and make users accountable for funds;
- apply mechanisms that demonstrate in a credible manner the accountability of local government elected officials and staff for their decisions and use of the funds.

Local government can be supported in these processes by operating in a legal and policy framework that is defined by a higher level of government, in which these principles are embodied, and which creates the expectation of reporting against them. Local governments themselves may regulate to establish an environment at the local level which supports the operations of the cooperative bodies in their jurisdictions.

Given councils' broad legislated remit, especially in relation to non-mandatory services, it is possible for councils to provide a wide range of services reflecting community preferences and values. As already noted, councils' expenditure has been increasing at a higher rate than underlying measures of inflation. This is true of both mandatory and non-mandatory services and is likely to be strongly influenced by decision-making at the local level.

In the case of services required by legislation, the Commission accepts that councils have no control over the ultimate decision about *what* services are mandated by legislation. However, they retain a considerable degree of local autonomy over decisions on *how* they deliver mandatory services.

Mandatory services are comparatively small in number but accounted for 46 per cent of the sector's operating expenditure in 2017-18. The Commission has formed the view that councils could achieve greater efficiency and lower costs by improving information and analysis as a basis for decisions on what services they provide and how they deliver them. Adjusting the scope, volume and quality of services, both mandatory and non-mandatory, can help councils to manage the further expansion of their operating expenditure.

The Commission's identification of cost drivers has been constrained by a lack of data, particularly with respect to outputs and quality. It has formed the provisional view, through consultation with councils, that increases in the scope, volume and quality of outputs have been a significant driver of growth in councils' operating expenditure.

The Commission notes that managing and containing this growth requires improved data on council inputs and outputs. It also requires the development of analytical tools to deepen understanding of cost drivers and manage their impacts. Council decisions on volume, scope

and standard of services, if based on quality data and robust analytical techniques, will help to clarify the trade-offs between more or better services and higher expenditures and improve transparency and accountability.

Information request 5.2: Quality and quantity of data

How can councils be assisted to work collectively to improve the quantity and quality of the available data on inputs, outputs and outcomes for services?

5.3 Efficiency and continuous improvement

5.3.1 Commission's findings

The analysis in Chapter 4 of the local government sector's efficiency and productivity, over the period 2008-09 to 2017-18, shows that technical efficiency has remained relatively constant and indicates that measured total factor productivity (TFP) fell by an average of 0.8 per cent a year.

While the Commission has been unable to determine the causal relationships that might fully explain this observation, it could be partly explained by an increase in the volume, scope or quality of services that are not measured by the outputs chosen in the model. Based on stakeholder consultations, the Commission has formed the view that the declining trend in measured efficiency could be largely attributable to the unmeasured changes in scope, quality or volume of council services provided. This conclusion is also supported by the analysis of cost drivers undertaken in Chapter 3.

In terms of the relative efficiency scores by council groups, rural and urban regional councils, when compared with their urban counterparts, had a higher variation in mean technical efficiency. Urban regional councils had the lowest estimated technical efficiency. This could reflect the fact that the group is comparatively small, with a few members that are unique in their defining characteristics.

Significantly, the Commission's estimates of partial productivity measures have highlighted the significant limitations in available data for this purpose. The Commission notes that this is particularly marked in relation to the quality and consistency of reported input and output data, both across councils and over time.

The Commission has identified some limited evidence that demonstrates an expansion of the scope or quality of services. However, quantifying these changes in service scope requires additional data, which highlights the potential value of additional work aimed at understanding the relationships between cost and service mix.

While DEA provides a useful starting point for an analysis of council efficiency, it is clearly imperfect, and the results should be interpreted with a degree of caution. DEA is therefore only a first step, albeit an important one, in analysing councils' efficiency, and further analysis is required.

This analysis also highlights the need for a standardised sector-wide performance measurement and reporting framework.

5.3.2 Councils' views

Several councils have begun, or are in the process of beginning, to compare their performance against other councils. It is also evident from councils' engagement with the inquiry, both through submissions and on the basis of consultation, that there is qualified support for the development of a performance measurement framework. In its submission, the City of Charles Sturt offers some support for a form of benchmarking, provided that the framework uses and builds on current data sources:

Data collection comes with an impost on councils. There are already a number of external data collection requirements for council in place. It would be good to build on and refine those rather than replicate.¹

The Commission notes the LGASA's view, which is supported by a number of councils, such as the City of Prospect, that much of the data on councils' performance is currently dispersed and difficult for stakeholders to access in a meaningful form. This contributes to the overall difficulty of developing performance measurement standards for councils' activities. As submissions make clear, this caveat lends some additional weight to the need to devise a form of performance monitoring that is appropriate to the sector's diversity.

A number of councils, such as the City of Salisbury and the City of Prospect, noted that any benchmarking framework would require, as a minimum, a source of consistent and reliable data. It must also have sufficient analytical flexibility to account for the differences in councils' pertinent characteristics that affect costs, efficiency and effectiveness. Councils have suggested that these differences are particularly important in relation to explaining differences in service mix, which may often arise from the diversity between council areas.

The Commission notes that this analytical concern is closely related to, but is also separable from, concerns around the comparability and quality of currently available data. These limitations, when linked with the diversity of councils' services, impose significant analytical constraints on any form of efficiency analysis across the sector as a whole.

Councils' submissions have cautioned that any form of performance measurement and analysis involves potentially significant administrative costs and could lead to the redirection of considerable resources from other activities. The submission from the SALGFMG addresses this concern in relation to the difficulty of comparing the service provision of inherently disparate councils:

Benchmarking across Councils will not improve efficiency, it takes resources away from service delivery, increases red tape and administrative overheads and is a distraction from improvement initiatives.²

In addition to the mandatory reporting requirements contained in the LG Act, individual councils have provided the Commission with examples of the benchmarking and continuous improvement activities that have been, or are currently being, undertaken.

The City of Charles Sturt, for instance, provided the Commission with a detailed overview of the benchmarking project that it is undertaking along with the City of Marion and the City of Port Adelaide Enfield.³ The Commission notes that, given the methodological and data limitations

¹ City of Charles Sturt, Submission, p.2.

² SALGFMG, Submission, p.11.

³ City of Charles Sturt, Submission, p. 13.

that affect comparisons of diverse council activities, a salient feature of the group's program is that comparisons are based on activity-level data at the function and sub-function levels:

The fact the allocations and drivers are undertaken by a common resource across the 3 entities and are performed at close to a transactional level has meant the benchmark comparisons are factual, fair and impartial. This has contributed significantly to the effectiveness of the change management program that follows to enable improvements to be made and reduces the ability for stakeholders to discredit the comparability of functions.⁴

The experience reported to the Commission suggests that these efforts can yield high returns. In particular, this group of three councils reported that, to date, they have subjected less than 10 per cent of their total spending to deep analysis, yet this has yielded resource savings of 11 to 22 per cent. Were this ratio to apply to all spending across the sector, then the estimated benefit could be substantial (for further details on the joint performance improvement project, see appendix 8).

5.3.3 Commission's view

The Commission notes that recent reforms in the local government sector have focussed on shaping the relationship between state and local government and lifting the financial sustainability of the sector.

Moreover, there is considerable evidence to suggest that the financial management reforms initiated by the sector have contributed significantly to strengthening the financial performance of councils.

Conversely, the Commission has found little evidence to date on significant reforms in other areas, especially in relation to management and workplace practices, at least in recent years. It is possible that individual councils might have undertaken reforms in these areas, but the Commission has been unable to find significant information on reform projects initiated within the sector.

The Commission is aware that a number of councils have sought to utilise, with varying levels of measurable success, a variety of collaborative initiatives aimed at, amongst other things, lowering costs or improving efficiency often in the area of resource sharing. However, the available evidence is insufficient to enable the Commission to quantify the outcomes, cost and efficiency impacts of these initiatives.

The Commission is seeking further information on the opportunities and challenges associated with resource sharing.

The findings of the efficiency analysis now point to the need for concerted and consistent sector-wide efforts to measure and improve performance. While most councils engage in some form of performance monitoring at the council level, there is no sector-wide framework to support rigorous and consistent comparisons or monitoring of productivity or efficiency over time.

The Commission notes that performance monitoring initiatives, such as the joint project being undertaken by the cities of Marion, Charles Sturt and Port Adelaide Enfield, will necessarily place greater demands on councils' resources, including existing databases, reporting systems

⁴ Ibid., p. 13.

and workforce skill sets. Any expansion of performance monitoring, especially on a sector-wide basis, will therefore require councils to develop their workforces' abilities to manage data collection and analysis. The investment in staff skills will also require a matching upgrade of the systems needed to support larger-scale data analytics.

The Commission's analysis of partial productivity and global efficiency measures highlighted the importance of an appropriate framework and consistent data to facilitate sector-wide benchmarking. It also highlighted the value of collaborative efforts to identify continuous improvement opportunities, as well as the importance of council input into the design of a suitable framework and choice of indicators.

The Commission is of the view that an analysis of council efficiency and productivity is an important starting point in improving business processes and management decisions aimed at lifting efficiency across the local government sector. Access to timely, reliable and comparable information on council performance can provide the basis for the development of continuous improvement programs at the council level.

Current SALGGC data is not adequate for performance measurement or benchmarking, but a significant investment has been made by state and local governments in its development. It could provide the basis for an improved local government sector data-set for performance measurement and monitoring. The quality and consistency of council reporting to the SALGGC would need to be improved. State government leadership is required to improve the value of the data that it requires councils to provide to the SALGGC. Action to define, measure and collect data on service levels is critical to understanding unit costs and efficiency. Improved output data is also needed.

The Commission has formed the view that all councils can benefit from benchmarking activity. Good data alone, however, will not drive better outcomes. An improvement in data is a necessary, but not a sufficient, condition for the successful implementation of change. Individual councils are unlikely to consider the benefits for the sector as a whole that will arise from their individual efforts, and the Commission believes that this strengthens the case for state government support for the development of a benchmarking program.

Any measurable sector-wide improvement in efficiency in the short to medium term is highly unlikely to succeed if it relies on optional or voluntary initiatives alone. State government action could contribute to addressing critical information gaps and ensuring the adoption of standardised approaches, that provide the basis for performance comparisons to drive change. Leadership, collaboration and a culture that supports innovation are also required. The Commission also recognises the importance of minimising increases in costs to councils associated with any increase in reporting requirements.

5.4 Governance, accountability and transparency

5.4.1 Commission's findings

The Commission's examination of the legislative and governance framework within which councils currently operate, largely undertaken in Chapter 2, indicates that South Australian councils, when compared to some of their interstate counterparts, exercise a comparatively high degree of autonomy in relation to decisions about the appropriate service mix for their communities and its form of delivery. The state government's legislative reforms had the effect of increasing autonomy, combined with strengthening governance and transparency, with an

expectation, articulated in section 8 of the LG Act, that councils would take responsibility for managing their activities in an efficient manner.

The relative autonomy of councils in relation to oversight by the state government, along with the broad powers and functions assigned to the local government sector, is a fundamental feature of the LG Act, especially in the provisions, contained in sections 7 and 8, that define councils' functions and the principles that must inform their decision-making.

The Commission notes that the very general nature in which councils' functions are defined in the act has helped to enable an expansion in the non-mandatory services provided by councils. While the LG Act did not cause the current mix of non-mandatory services – with councils' current service mix a consequence of a number of complex causes, including community preferences – the legislative and governance environment has a potentially significantly effect on costs and efficiency in the sector by increasing the scope of non-mandatory services.

The Commission has also found evidence that councils' decision-making processes, especially in relation to changes in the mix, scope and standards of their services, are not always articulated clearly by councils or communicated to ratepayers. This could adversely affect councils' capacity to justify a decision to withdraw from, or contain the expansion of, non-mandatory services.

On the basis of the available evidence, that reforms initiated by the local government sector have focussed predominantly on efforts to ensure councils' financial sustainability.

5.4.2 Councils' views

In their submissions to the Commission, a number of councils have highlighted the fact that the state's legislative and governance environment, while granting local government considerable autonomy, has also facilitated a generally unfunded transfer of regulatory and service responsibilities by both the State and Australian governments.

Some councils, such as Campbelltown City Council, have argued that councils' costs and responsibilities have increased substantially as a direct result of legislation assigning responsibilities to the sector, including statutory fees and charges that are set by the state government, but which do not always cover councils' costs.⁵ Councils have consistently argued that many of the responsibilities transferred or assigned under legislation involve a form of cost shifting.

Several councils have contended that the LG Act, particularly the principles enumerated in section 8, place an obligation on councils to be responsive to community needs and expectations beyond considerations of efficiency and subsidiarity. The City of Salisbury, for instance, argues that section 8 demands a focus on ensuring that councils are meeting the expectations of their communities, both in terms of the scope and quality of service delivery:

Proper consideration of these principles requires broader thinking as well as innovative approaches that add greater value when delivering council services to a standard that at least meets community expectations, rather than focussing solely on efficiency and effectiveness.⁶

⁵ Campbelltown City Council, Submission, p.2.

⁶ City of Salisbury, Submission, p. 4.

Apart from the potentially rivalrous nature of community expectations and technical efficiency, the Commission notes councils' concerns that the current legislative and governance arrangements are frequently affected by an imprecise division of responsibilities between the state and local levels of government.

The current legislative framework does not always provide clear or sufficient guidance on the respective responsibilities of the two spheres of government, especially where functions or responsibilities might overlap. As the City of Charles Sturt observes in its submission, "Unfortunately without clear roles defined in the *Local Government Act 1999* for local government, much cost shifting occurs with associated impact on costs to Council".⁷

5.4.3 Commission's view

South Australia's legislative framework, particularly the LG Act itself, not only recognises local government as a separate and legitimate sphere of government in its own right, but also provides councils with a high degree of autonomy to act as decision makers in their communities. The quality of councils' decision-making will therefore have a significant effect on the service mix that councils provide in their communities. This is especially important in relation to non-mandatory services, where councils' discretionary authority is greatest, but is also important when councils consider the scope and quality of service provision for mandatory services.

The Commission acknowledges the important role that councils play as decision makers in relation to services that can be provided at a local scale and at least cost. Similarly, communities have legitimate preferences in relation to the most locally appropriate service mix, including in relation to scale and quality. These preferences are more easily determined and addressed at the local level, as envisaged by the LG Act.

Councils' capacity to exercise autonomy in making decisions in the best interests of their communities, however, can be affected by a variety of forms of 'cost shifting' by other levels of government. The Commission notes that the LG Act can facilitate 'cost shifting' by requiring that councils "...undertake other functions and activities conferred by or under an Act". The Commission is aware that councils have repeatedly emphasised the adverse effects on their overall costs of functions and services required under other state legislation. Submissions received by the Commission generally argue that this amounts to a form of cost shifting, where the higher level of government 'shifts' responsibility for service delivery without commensurate funding to councils.

The Commission has concluded that 'cost shifting' is an accurate description of situations where the higher level of government removes or reduces a previously agreed cost sharing arrangement. This can leave councils with service delivery or regulatory responsibilities without sufficient funding to cover the ongoing costs of delivering the function. However, the Commission has also formed the view that, in some situations, especially when local government has accepted tied and time-limited funding, 'cost sharing' is a more appropriate description of the division of delivery and funding responsibilities.

While mindful of the complex nature of service delivery responsibility, the Commission believes that councils' decision making could become more effective. As already noted, councils' legitimate authority as decision makers, as outlined in the LG Act, imposes a corresponding

⁷ City of Charles Sturt, Submission, p. 8.

responsibility to make decisions that take seriously the distinction between mandatory services and non-mandatory services.

The Commission has formed the view that the functions undertaken by councils should, in general, be guided by the principle of subsidiarity which holds that lead responsibility should be devolved to the lowest level of government practicable, allowing for the significant diversity of the state's 68 councils.

A clear and consistent division of responsibilities between state and local governments is fundamental to the efficient allocation of resources between them. This, and legislative clarity regarding mandatory service provision by councils, would assist council understanding of the boundaries around their autonomy and would provide a stronger foundation for council decision making and resource management.

This also provides a basis for resolving any debates about cost-shifting. Councils should then have a solid basis on which to engage more effectively with their communities regarding their plans and performance with respect to the scope and quality of facilities and services and the use of any dividends from efficiency improvements.

The Commission's consideration of options for containing cost growth and improving efficiency have led it to consider the alternatives of the state government imposing mandated requirements on the sector as against promoting voluntary action by councils. The Commission seeks views from stakeholders on these alternative approaches to the use of external audits.

Information request 5.3: Strengthening councils' accountability and transparency

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

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

Should councils be required to undertake an independent external audit of their expenditure and efficiency in the event of that they record relatively high operating expenditure growth in a given period?

Would growth in operating expenditure over any three year period (normalised for population growth) which exceeds the rise in the Local Government Price Index for that period be an appropriate trigger for such an audit?

Draft recommendations to South Australian Government

To lower local government costs and enhance local government financial accountability, the Commission proposes that the South Australian Government:

1. Lift the capacity of *local councils to identify and address opportunities to reduce their cost base and improve their operations* by:

In conjunction with local government, defining and establishing a sector wide performance monitoring framework that would enable comparisons between councils and over time to assist decision making by council leaders and to inform communities, including by:

- i. Establishing common key performance indicators (KPIs) for inputs, outputs, service standard and financial indicators;
 - ii. Optimising existing information held by the South Australian Government, especially that gathered by the South Australian Local Government Grants Commission;
 - iii. Filling the gaps in the current information;
 - iv. Publishing this information in a contextualised form designed to assist individual councils.
2. Facilitating benchmarking by clusters of councils through an appropriate mix of incentives for councils to participate and expectations that they will report information publicly in a format consistent with the framework.

3. Further lower council costs by addressing aspects of the relationship between the South Australian Government and local government by:

In the short term

- i. Identifying and addressing inefficiency and red tape from the South Australian Government mandated services and other legislated requirements on:
 - a. Councils
 - b. communities
 - ii. Adopting a strong South Australian Government review process for any measures affecting local government;
 - iii. Clarifying local government responsibilities, including service standards, for mandated services.

In the medium term

- iv. Clarifying the respective responsibilities of the South Australian and local governments to remove unnecessary overlaps, or duplication and reduce uncertainty between governments.

In the long term

- v. Clarifying relevant aspects of s6, s7 and s8 of the *Local Government Act 1999* to reflect an appropriate division between the levels of government and to make clearer the range of options available to councils in the performance of legislated functions.

Draft advice to councils

To guide and assist councils to improve efficiency and to create capacity to pass on cost reductions to rate payers, the Commission suggests that local government:

- 1 As a body, facilitate in depth benchmarking between councils by:
 - a) Establishing a Community of Practice, sponsored by the Local Government Association, to share among other elements:
 - i. methods, tools and approaches;
 - ii. a panel of competent providers; and
 - iii. lessons learned and examples of success.
 - b) Assisting in "matchmaking" South Australian councils that seek deeper benchmarking opportunities (noting value of groups of councils at different levels) with other councils, including interstate comparisons;
 - c) Collectively undertaking a regular sector-wide analysis of efficiency measures.
- 2 Prioritise, in any systems upgrades, a focus on improving collection and retrieval of information for planning, monitoring and managing performance.
- 3 Enhance the transparency and accountability of their operations by councils:
 - a) When considering new, or material changes to, council services, undertaking an independent analysis that includes consideration of alternatives to councils providing the service directly, community consultation; and publishing a report;
 - b) Including in their external audits an examination of service reviews and program evaluations; and
 - c) Incorporating in their published long-term asset and financial plans and draft annual budgets whether changes to the scope or level of services are planned and their implications for council expenditure.

Appendices

Appendix 1. Submissions to the Methodology Paper

Organisation	
1	Campbelltown City Council
2	City of Adelaide
3	City of Charles Sturt
4	City of Mitcham
5	City of Prospect
6	City of Salisbury
7	City of Tea Tree Gully
8	City of West Torrens
9	Copper Coast Council - includes Appendices 1 to 2 Copper Coast Council - includes Appendices 3 to 4
10	Councillor Martin Bray
11	Councillor Ruth Trigg
12	Councillor Ruth Trigg - Supplementary
13	HomeStart Finance
14	Limestone Coast LGA
15	Local Government Association
16	Local Government Association - Supplementary
17	Martin Morris
18	Playford Council
19	SALGFMG
20	Tatiara District Council
21	Town of Gawler
22	Town of Walkerville
23	Town of Walkerville - Supplementary
24	Winni Pelz

Appendix 2: Local Government Reference Group Terms of Reference

As part of the inquiry and the systematic approach to engagement the commission has established a reference group which will assist the SAPC by providing:

- relevant data and information;
- expert advice, insights and understanding about the drivers of productivity and efficiency in the South Australian local government sector;
- feedback on the commission's analysis and possible improvement options; and
- advice on communicating with stakeholders.

The group will last for the duration of the inquiry and have an advisory status only. Meetings will be chaired by the Commission. The meeting agenda will be distributed to members and meeting notes will be circulated to members of the group following each meeting.

The Local Government reference group comprises:

Dr Helen MacDonald, Chief Executive Officer, Clare and Gilbert Valley Council

Ms Annette Martin, Manager Financial Services, City of Charles Sturt

Mr John Comrie, Consultant

Ms Natasha Cheshire, Director, ESCOSA

Mr Matt Pinnegar, Chief Executive Officer, Local Government Association

Mr Peter Ilee, Executive Officer, Local Government Grants Commission

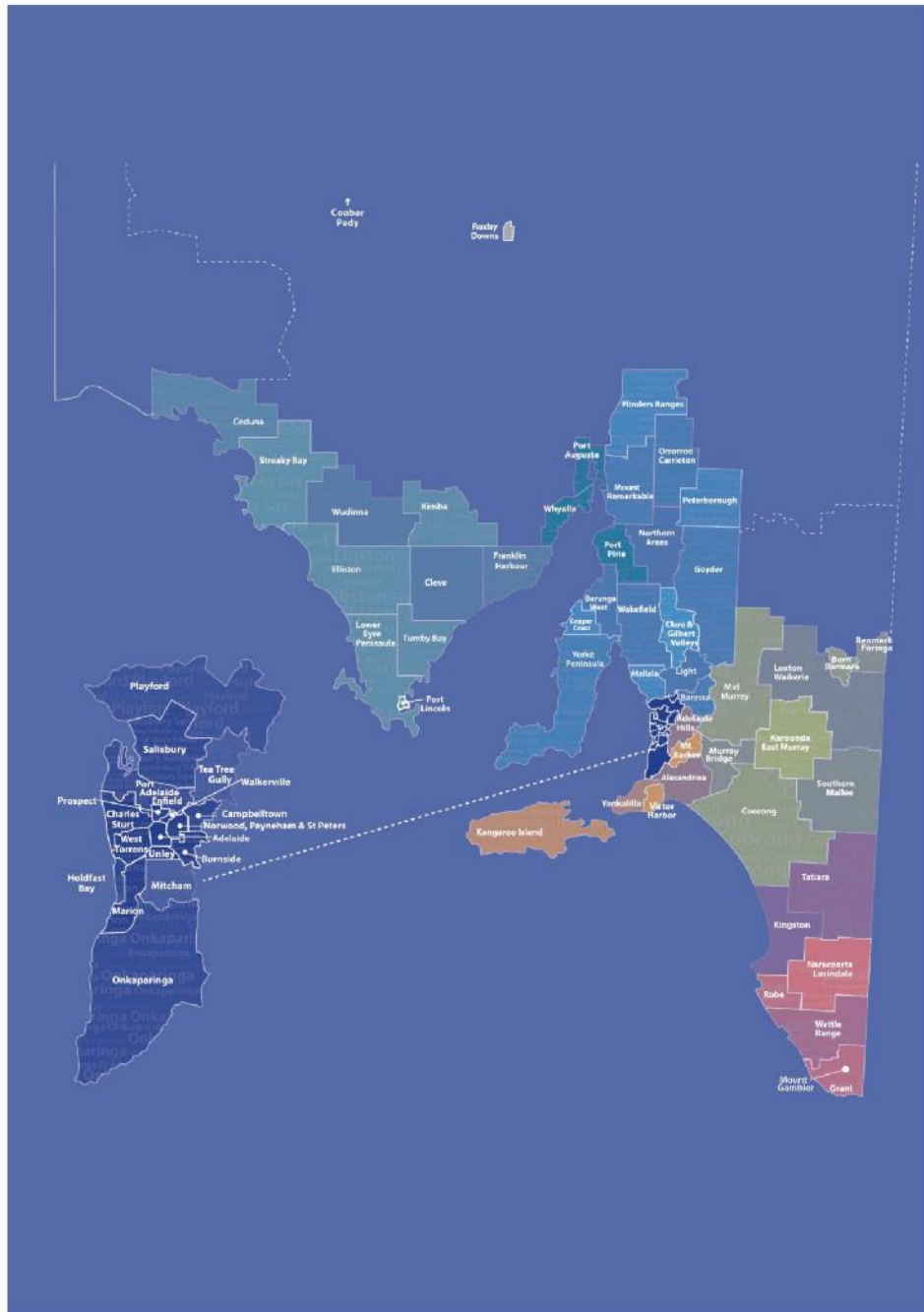
Mr Adrian Skull, Chief Executive Officer, City of Marion

Dr Matthew Butlin, Chair SAPC

Mr Jeff Tate, Commissioner SAPC

Professor Christopher Findlay, Commissioner SAPC

Appendix 3: Map of councils and SA Government regions



Source: Local Government Association of South Australia

Appendix 4: List of mandatory and non-mandatory activities

Community Services	Art gallery services and programs *	Control of soil erosion *	Telecommunications networks *	Visitor centres ✕ *
Community Centres and Halls *	Cultural development *	Land reclamation and conservation *	Bus shelters *	Markets /Saleyards *
Libraries ✕ *	Child care centres ✕ *	Landcare programs ✕ *	Jetties ^ *	Emergency Management
Home Library Services *	Worksite Immunisations *	Agriculture pest control *	Roadside verges □	Fire Prevention
Literacy Programs *	Children and youth services *	Street cleaning *	Marine facilities ✕ *	Enforcement □
Community transport (passenger networks)*	Holiday programs for youth *	Infrastructure	Sports facilities – indoor ✕ *	Emergency Management □
Town Bus Service ✕ *	Family and neighbourhood support *	Road construction and maintenance □ ✕	Sports facilities – outdoor ✕ *	Public order and safety *
Aged care home support and facilities *	Community networks *	Car parking - off street *	Swimming centres ✕ *	Climate Adaptation Planning ✕ *
Services for the Aged and Disabled ✕ *	Victims of domestic violence support *	Street scaping *	Building control □	Coastal Risk Management Planning ✕ *
Food Business Health Inspections ^	Cemeteries/Crematoria □ *	Street lighting *	Town planning □	Community Events
Cooling Tower Inspections □	Drug action teams *	Heritage protection □	Public toilets *	Citizenship ceremonies *
Management of Hoarding and Squalor *	Health Risk from hoarding and squalor □	Footpath Construction and maintenance *	Parks and Gardens	Community Days *
Environmental Protection Control □	Environmental Services	Playground Construction & Maintenance *	Caravan Parks / Tourist accommodation *	Australia Day events *
Shaded recreational areas *	Rubbish collection □	Community wastewater management □ ^	Irrigation *	Christmas Decorations *
Public Health and Community Wellbeing *	Recycling Metro □	Water supply – domestic *	Landscaping and Management *	Christmas Parades *
Heritage Advisory Service *	Recycling Regional *	Electricity supply undertakings *	Street Tree Program *	Carols by Candlelight *
Heritage Assessment □	Green waste – Metro councils □	Pedestrian malls *	Public Reserves – Maintenance *	Event Support *
Museums and art galleries *	Green waste – Regional councils *	Drinking fountains *	Street Beautification *	Sponsorship and grants *
Other arts and culture programs *	Hard Rubbish Collection *	Public clocks *	Economic Development	Finance
Heat refuges *	Waste disposal facilities □ *	Street furniture *	Regional development ✕ *	Rate Postponement for seniors □
Migrant resource centres *	Coastal protection □	Bicycle racks *	Support to local businesses ✕ *	Rate postponement for others *
Busking permits*	Stormwater and drainage □	Development assessment □	Employment creation programs *	
Community IT Programs *	Flood mitigation □	Bicycle path construction and maintenance*	Youth work experience *	
Youth outreach services *	Noise and nuisance controls □	Graffiti removal *	Youth traineeships ^ ✕	
Volunteers programs *	Dog management and control □	Drainage Maintenance □	Tourism and regional promotion ✕ *	
Immunisation – Infants and Youth ✕ *	Cat management and control *	Private works *		
Disability services*				

Legend
 □ – Required by legislation/regulation
 ^ – MOU or agreement
 ✕ – Receives Funding
 * – non-mandatory activities

Source: LGA of SA ECM 65110 2017 – Council Service List

Appendix 5: Summary of SALGGC data sets used

Statistical and general information (Database Report 1); for example:

- *size of council area*
- *population (resident)*
- *employees*
- *road lengths (various categories)*
- *rateable properties (total number)*
- *capital value of properties*

Operating income **information** (Database Report 2 and Report 10); for example:

- *general rates and other rates collected*
- *late payment charges etc*
- *rebates, remissions and write-offs*
- *statutory charges*
- *user charges*
- *grants, subsidies and contributions*
- *investment income*
- *Joint venture profits*

Operating income information is further broken down (in Report 10) on a functional basis.

Operating expenditure information (Database Report 3); for example:

- *employee costs*
- *material, contracts, and other expenses*
- *finance costs*
- *depreciation and other charges*
- *Joint venture losses*

Operating expenditure information is further broken down (in Report 9) on a functional basis.

Physical asset and associated capital expenditure information (Database Report 4); for example:

- *expenditure on renewal/replacement of existing assets*
- *expenditure on new/upgraded assets*
- *amounts received for new/upgraded assets*
- *proceeds from sale of replaced assets*
- *proceeds from sale of surplus assets*

Summary statement of financial position statutory accounting information (Database Report 5) and **net financial liabilities** information (Database Report 7)

Council rates and rating information (Database Report 6); for example

- *total rates*
- *rateable residential properties (number)*
- *minimum rate*
- *rates as a proportion of total operating income*
- *total residential rates (including on a per property basis)*
- *rating basis*
- *fixed charge declared*
- *percentage of general rates raised by fixed charge*
- *total rate income change from previous year*

Financial ratio information (Database Report 8); for example

- *operating surplus ratio*
- *net financial liabilities ratios*
- *adjusted operating surplus ratio*
- *adjusted net financial liabilities ratio*

Table 14 Summary of activities provided by councils by SALGGC service area

Service area	Types of activities	
Business Undertakings	Caravan/tourist accommodation Real estate development Car parking – on street controlled Car parking – fee paying Community Waste Water Management Domestic Water Supply	Town Bus Service Gravel Pits/Quarries Markets/Saleyards Private works Investment Property Electricity
Public Order & Safety	Emergency Services & fire prevention Beach inspections and patrols; Surf life saving	Crime prevention Road safety/driving schools General Inspectors
Health Services	Immunisations Nursing Homes Support for home nursing Community health and dental clinics	Family planning CAFHS/CAMHS Housing for health workers
Community Support	Community Centres & Halls Child Care Centres Community Transport Services for Aged and Disabled; Children and Youth Services; Family & Neighbourhood support Grants, donations or 'in-kind' assistance to persons and community welfare groups	Assistance for homeless people Aboriginal welfare programmes Immigrants/refugees Disaster relief Suicide prevention programs Community Halls/centres used by welfare groups
Community Amenities	Cemeteries/Crematoria Telecommunications Networks; Public Conveniences Street furniture Bicycle racks	Pedestrian Malls Drinking fountains Public clocks Bus shelters Municipal directories Free off-street parking
Library Services	Static Libraries Mobile Libraries	Housebound services
Cultural Services	Performing Arts Museums & Art Galleries Heritage	festivals/concerts/artist/writers; Flora and Fauna parks Zoos; Botanical Gardens
Economic Activity	Employment Creation Programs Support for Local Businesses	Regional Development Tourism and regional promotion
Agricultural Services	Agriculture water Agriculture pest control	Agriculture Land
Waste Management	Ordinary solid waste collection & disposal Recycling collection and disposal; Green waste	Street bins; Public area bins Hard rubbish collection Drum Muster; Chemicals and paint collection

Service area	Types of activities	
Other Environment	collection and disposal	Purchase and sale of wheelie bins
	Waste disposal facilities	
	Coastal Protection	Flood mitigation works
	Street Cleaning	Riverbank environment protection; Non-agricultural land programmes; Water conservation programmes
	Streetscaping	
Recreation	Stormwater & Drainage	
	Street Lighting	
	Jetties; Parks & Gardens	Marine Facilities
Regulatory Services	Sports Facilities	Swimming Centres
	Dog & Cat Control;	Building Control
	Town planning;	Health Inspection
	Environmental Protection Control	
Transport	Aerodromes	Bridges & Culverts
	Footpaths & Kerbing	Traffic Management
	Roads	Wager Transport

Source: LGASA (2019) Analysis of Council Data -South Australia – Part 2 – Services.

Appendix 6: Local government groupings

Step 1	Step 2	Step 3	Identifiers	Category
URBAN (U)				
Population more than 20 000	CAPITAL CITY (CC)	Not applicable		UCC
OR	METROPOLITAN DEVELOPED (D)	SMALL	up to 30 000	UDS
If population less than 20 000,	Part of an urban centre of more than 1 000 000 or population density more than 600 per square kilometre	MEDIUM	30 001–70 000	UDM
EITHER		LARGE (L)	70 001–120 000	UDL
Population density more than 30 persons per square kilometre	REGIONAL TOWNS/CITY (R)	VERY LARGE (V)	more than 120 000	UDV
OR	Part of an urban centre with population less than 1 000 000 and predominantly urban in nature	SMALL	up to 30 000	URS
90 per cent or more of the local governing body population is urban		MEDIUM	30 001–70 000	URM
		LARGE (L)	70 001–120 000	URL
		VERY LARGE (V)	more than 120 000	URV
	FRINGE (F)	SMALL	up to 30 000	UFS
	A developing LGA on the margin of a developed or regional urban centre	MEDIUM	30 001–70 000	UFM
		LARGE (L)	70 001–120 000	UFL
		VERY LARGE (V)	more than 120 000	UFV
RURAL (R)				
A local governing body with population less than 20,000	SIGNIFICANT GROWTH (SG)	Not applicable		RSG
AND	Average annual population growth more than three per cent, population more than 5000 and not remote			
Population density less than 30 persons per square kilometre	AGRICULTURAL (A)	SMALL	up to 2000	RAS
AND		MEDIUM	2001–5000	RAM
Less than 90 per cent of local governing body population is urban		LARGE (L)	5001–10 000	RAL
		VERY LARGE (V)	10 001–20 000	RAV
	REMOTE	EXTRA SMALL (X)	up to 400	RTX
			401–1000	RTS
		SMALL	1001–3000	RTM
		MEDIUM	3001–20 000	RTL
		LARGE (L)		

Source: Department of Infrastructure and Regional Development (2015), *Local Government National Report, 2012-13*, Canberra

Rural – Small and medium: 20 councils

Council Name	Group	ACLG	Other Association	Regional grouping
Barunga West	Rural-Small & Medium	RAM	Legatus Group	Yorke Peninsula
Ceduna	Rural-Small & Medium	RAM	Eyre Peninsula LGA	Eyre
Cleve	Rural-Small & Medium	RAS	Eyre Peninsula LGA	Eyre
Elliston	Rural-Small & Medium	RAS	Eyre Peninsula LGA	Eyre
Flinders Ranges	Rural-Small & Medium	RAS	Legatus Group	Far North
Franklin Harbour	Rural-Small & Medium	RAS	Eyre Peninsula LGA	Eyre
Goyder	Rural-Small & Medium	RAM	Legatus Group	Mid-North
Kangaroo Island	Rural-Small & Medium	RAM	Southern & Hills LGA	Fleurieu
Karoonda East Murray	Rural-Small & Medium	RAS	Murraylands & Riverlands LGA	Murraylands
Kimba	Rural-Small & Medium	RAS	Eyre Peninsula LGA	Eyre
Kingston	Rural-Small & Medium	RAM	Limestone Coast LGA	South East
Mount Remarkable	Rural-Small & Medium	RAM	Legatus Group	Mid-North
Northern Areas	Rural-Small & Medium	RAM	Legatus Group	Mid-North
Orroroo Carrieton	Rural-Small & Medium	RAS	Legatus Group	Mid-North
Peterborough	Rural-Small & Medium	RAS	Legatus Group	Mid-North
Robe	Rural-Small & Medium	RAS	Limestone Coast LGA	South East
Southern Mallee	Rural-Small & Medium	RAM	Murraylands & Riverlands LGA	Murraylands
Streaky Bay	Rural-Small & Medium	RAM	Eyre Peninsula LGA	Eyre
Tumby Bay	Rural-Small & Medium	RAM	Eyre Peninsula LGA	Eyre
Wudinna	Rural-Small & Medium	RAS	Eyre Peninsula LGA	Eyre

Rural – Large and very large: 18 councils

Council Name	Group	ACLG	Other Association	Regional grouping
Adelaide Plains	Rural-Large & Very Large	RAL	Legatus Group	Barossa Light and Lower North
Berri Barmera	Rural-Large & Very Large	RAV	Murraylands & Riverlands LGA	Riverlands
Clare & Gilbert Valleys	Rural-Large & Very Large	RAL	Legatus Group	Mid-North
Coorong	Rural-Large & Very Large	RAL	Murraylands & Riverlands LGA	Murraylands
Copper Coast	Rural-Large & Very Large	RAV	Legatus Group	Yorke Peninsula
Grant	Rural-Large & Very Large	RAL	Limestone Coast LGA	South East
Light	Rural-Large & Very Large	RAV	Legatus Group	Barossa Light and Lower North
Lower Eyre Peninsula	Rural-Large & Very Large	RAL	Eyre Peninsula LGA	Eyre
Loxton Waikerie	Rural-Large & Very Large	RAV	Murraylands & Riverlands LGA	Riverlands
Mid Murray	Rural-Large & Very Large	RAL	Murraylands & Riverlands LGA	Murraylands
Naracoorte Lucindale	Rural-Large & Very Large	RAL	Limestone Coast LGA	South East
Port Pirie	Rural-Large & Very Large	RAV	Legatus Group	Mid-North
Renmark Paringa	Rural-Large & Very Large	RAL	Murraylands & Riverlands LGA	Riverlands
Tatiara	Rural-Large & Very Large	RAL	Limestone Coast LGA	South East
Wakefield	Rural-Large & Very Large	RAL	Legatus Group	Mid-North
Wattle Range	Rural-Large & Very Large	RAV	Limestone Coast LGA	South East
Yankalilla	Rural-Large & Very Large	RSG	Southern & Hills LGA	Fleurieu
Yorke Peninsula	Rural-Large & Very Large	RAV	Legatus Group	Yorke Peninsula

Urban – Metropolitan & fringe: 21 councils

Council Name	Group	ACLG	Other Association	Regional grouping
Adelaide	Urban-Metro	UCC	n/a	Capital City
Adelaide Hills	Urban-Metro	UFM	Southern & Hills LGA	Adelaide Hills
Alexandrina	Urban-Metro	UFS	Southern & Hills LGA	Fleurieu
Barossa	Urban-Metro	UFS	Legatus Group	Barossa Light and Lower North
Burnside	Urban-Metro	UDM	Eastern Region Alliance	Eastern Adelaide
Campbelltown	Urban-Metro	UDM	Eastern Region Alliance	Eastern Adelaide
Charles Sturt	Urban-Metro	UDL	n/a	Western Adelaide
Gawler	Urban-Metro	UFS	n/a	Barossa Light and Lower North
Holdfast Bay	Urban-Metro	UDM	n/a	Southern Adelaide
Marion	Urban-Metro	UDL	n/a	Southern Adelaide
Mitcham	Urban-Metro	UDM	n/a	Southern Adelaide
Norwood, Payneham & St Peters	Urban-Metro	UDM	Eastern Region Alliance	Eastern Adelaide
Onkaparinga	Urban-Metro	UFV	n/a	Southern Adelaide
Playford	Urban-Metro	UFL	n/a	Northern Adelaide
Port Adelaide Enfield	Urban-Metro	UDV	n/a	Western Adelaide
Prospect	Urban-Metro	UDS	Eastern Region Alliance	Eastern Adelaide
Salisbury	Urban-Metro	UDV	n/a	Northern Adelaide
Tea Tree Gully	Urban-Metro	UDL	Eastern Region Alliance	Northern Adelaide
Unley	Urban-Metro	UDM	Eastern Region Alliance	Eastern Adelaide
Walkerville	Urban-Metro	UDS	Eastern Region Alliance	Eastern Adelaide
West Torrens	Urban-Metro	UDM	n/a	Western Adelaide

Urban – Regional towns/cities: 9 councils

Council Name	Group	ACLG	Other Association	Regional grouping
Coober Pedy	Urban – Regional	URS	n/a	Far North
Mount Barker	Urban – Regional	URM	Southern & Hills LGA	Adelaide Hills
Mount Gambier	Urban – Regional	URS	Limestone Coast LGA	South East
Murray Bridge	Urban – Regional	URS	Murraylands & Riverlands LGA	Murraylands
Port Augusta	Urban – Regional	URS	Upper Spencer Gulf Common Purpose Group	Far North
Port Lincoln	Urban – Regional	URS	Eyre Peninsula LGA	Eyre
Roxby Downs	Urban – Regional	URS	n/a	Far North
Victor Harbor	Urban – Regional	URS	Southern & Hills LGA	Fleurieu
Whyalla	Urban – Regional	URS	Eyre Peninsula LGA Upper Spencer Gulf Common Purpose Group	Eyre

Numbers of councils by geographic category

Type	Geographic category	Number
Urban – Metro & Fringe	Capital City	1
Urban – Metro & Fringe	Metropolitan Developed (suburban)	14
Urban – Metro & Fringe	Metropolitan Fringe (developing)	6
Urban – Regional	Non-metropolitan regional urban centre	9
Rural	Eyre Peninsula	9
Rural	Legatus Group	14
Rural	Limestone Coast	6
Rural	Murraylands and Riverlands	7
Rural	Southern and Hills	2
Total		68

Appendix 7: Estimation of global efficiency measures

Data Envelopment Analysis (DEA)

DEA is the most commonly used methodology in measuring the relative efficiency of local councils in Australia. This approach does not require assumptions regarding the relationship between inputs and outputs. It uses a technique known as linear programming to construct an 'efficiency frontier' (comprising of councils that convert inputs into outputs most efficiently), and then estimates the relative efficiency of councils based on the distance from the frontier.

The results from the DEA estimation can be further analysed to examine the effect of external factors and council characteristics on estimated council efficiency.

Questions that can be answered using DEA¹:

- How to select an appropriate role model to serve as a benchmark for performance improvement?
- What are the most efficient councils within a local government area?
- What are the characteristics of efficient councils?

Advantages of using DEA in analysing local government performance are that it:

- provides the observed efficiencies of individual councils, which helps in benchmarking against performance targets;
- identifies possible peers or role models, which also helps in benchmarking;
- readily incorporates multiple inputs and outputs using information on output and input quantities.
- does not require price data – this makes it particularly useful in analysing efficiency in government service providers (such as councils), where it may be difficult to assign prices to inputs and outputs;
- provides a way of identifying possible sources of inefficiency as well as levels of efficiency;
- provides simple efficiency scores that are easy to interpret and understand;
- does not require an assumption regarding the relationship between inputs and outputs (as is required in the use of the SFA approach); and
- allows for different assumptions regarding economies of scale (see Box 1).

The literature discusses several limitations of DEA including the following:

- DEA measures efficiency relative to best practice with the given sample – therefore, it is not meaningful to compare across groups outside the sample;
- efficiency scores are sensitive to input and output specification and the size of the sample.

The Commission acknowledges the limitations of DEA, particularly within the context of a policy framework. However, it is useful in providing a broad understanding of the relative efficiency of councils and is the most widely used methodology in local government efficiency analysis, including by the Essential Services Commission of Victoria (ESC 2017).

¹ Steering Committee for the Review of Commonwealth/State Service Provision (1997)

Stochastic Frontier Analysis (SFA)

An alternative to DEA efficiency estimation is Stochastic Frontier Analysis (SFA). The concepts are similar, however SFA is a parametric method for estimating the production frontier, first proposed by Aigner, Lovel and Schmidt (1977) and Meeusen and Ben den Broeck (1977).

Under SFA, rather than the production frontier being a series of straight lines between the most efficient firms, the production frontier can be represented mathematically as a function of the inputs used by councils.

The main advantage of SFA is its parametric nature, which means that it is less sensitive to outliers or measurement issues with the data. It is also simple to obtain measures of reliability for estimates such as standard errors, making it relatively easy to conduct statistical inference using confidence intervals and hypothesis testing.

However, SFA has several disadvantages including the need to assume the form of the production function (typically Cobb-Douglas, however there are several alternatives), and the results can be sensitive to the choice of function. In addition, results can be unreliable in small samples and estimation of models with multiple-inputs and multiple-outputs can be problematic.

Because of these factors, SFA is usually preferred to DEA when a single measure of output is available (such as GDP when measuring total factor productivity of economies), and DEA is usually preferred for multi-input, multi-output models. Most economic studies of local government efficiency have applied DEA for these reasons.

Further considerations

Regardless of the choice of DEA or SFA methodology, a few additional considerations need to be made about the nature of local government production, and as a result, their efficiency. This includes whether local governments face constant or variable returns to scale, and whether they seek to maximise their output or to produce a certain level of output for the minimum amount of inputs.

Returns to scale

The shape of the production frontier depends on the scale assumptions that underpin the model. There are two scale assumptions generally used: constant returns to scale (CRS), and variable returns to scale (VRS).

Given that councils have little control over the scale of their operations, it is preferred to estimate a VRS frontier. This will ensure that councils that are 'scale inefficient', either smaller or larger than the point of optimum scale, are not unfairly labelled as inefficient due to their size.

However, the Commission's analysis also includes estimating the CRS frontier to allow for investigation of the extent to which council size might affect their efficiency.

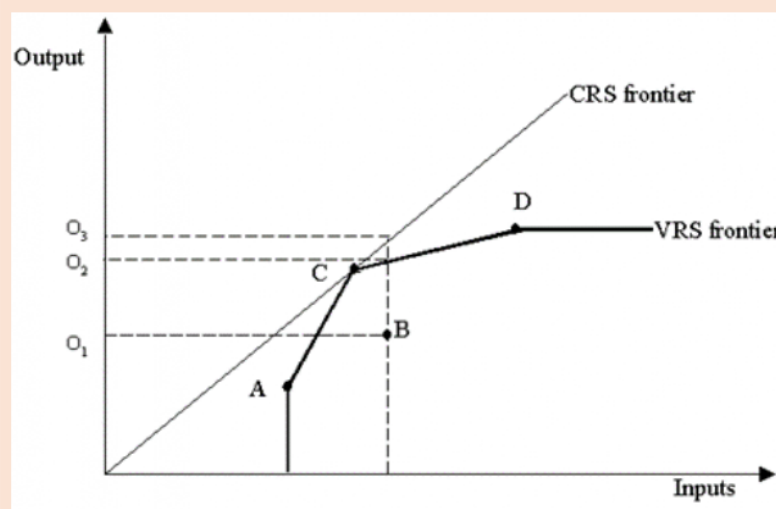
Box 1 Returns to scale

Constant Returns to Scale (CRS) and Variable Returns to Scale (VRS) frontiers

CRS assumes that output will change in the same proportion as the proportionate change in inputs (e.g. a doubling of all inputs will double output). It evaluates inefficient councils against any peer on the frontier (regardless of size).

VRS takes into account the fact that production technology may exhibit increasing, constant and decreasing returns to scale. The effect of the scale assumption on the efficiency measure is illustrated in Figure 19.

Figure 19 Simplified single-input -output production frontiers



Source: Pascoe et al (2003)

Points A, B, C, and D (which refer to input and output pairs for different councils) in Figure 19 are used to estimate the efficient frontier under both scale assumptions. Points along the frontier are defined as efficient. With constant returns to scale, the frontier is defined by point C, with all other points falling below the frontier (hence indicating relative inefficiency).

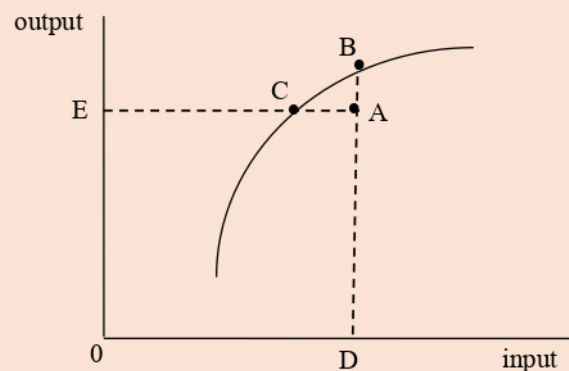
Under variable returns to scale, the frontier is defined by points A, C and D. In this scenario, only point B lies below the frontier indicating relative inefficiency. Under both estimates, efficient councils are given a score of 1 and (relatively) inefficient councils are assigned a score between 0 and 1, with a lower score indicating lower relative efficiency.

Input/output orientation

DEA models can be constructed as either input-oriented or output-oriented depending on the assumptions made about the behaviour of firms, or in this case councils, in the model. An input-oriented DEA assumes that a firm attempts to minimise the level of inputs to produce a given level of output, whereas an output-oriented model assumes that a firm attempts to maximise its outputs for a given level of inputs.

Box 2 Output and input orientation

Figure 20 Output and input orientation



Source: Coelli (2019)

Figure 20 above demonstrates the difference between an output and input orientation. In an output-oriented model, for firm A, the maximum amount possible to produce for a given level of inputs, therefore firm A's output-oriented technical efficiency is defined as the ratio of the distance AD to BD. Similarly, in an input-oriented model, firm A's input-oriented technical efficiency is defined as the ratio of the distance EC to EA.

Given that local councils are obliged to service the residents, ratepayers and roads that are within their jurisdiction, an input-oriented model is likely to be more appropriate for an analysis of local government efficiency as council management have more control over input levels than output levels.

Estimating productivity and efficiency change over time

DEA efficiency measures are defined relative to the efficiency frontier of the sample under consideration. It is therefore not meaningful to compare efficiency scores across different samples as all calculations are based on different efficiency frontiers. This also means that it is not possible to directly compare estimated efficiency scores over different time periods, even for the same underlying sample.

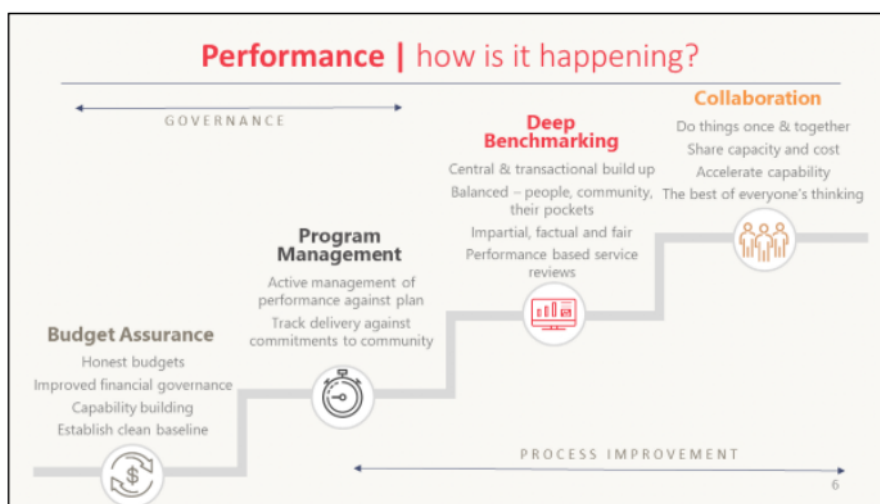
One way of comparing efficiency through time is to construct a Malmquist TFP index, which can be decomposed into measures of changes in technical efficiency (catch up to the frontier), changes in scale efficiency and technical change (shifts in the frontier). A full discussion of how Malmquist indexes are calculated can be found in the Economic Insights report.

Appendix 8: Performance improvement

BACKGROUND

Since 2017, the Cities of Marion, Charles Sturt and Port Adelaide Enfield have been working collaboratively on performance improvement. The three councils partnered based on the shared values of the Chief Executive Officers (CEO's) and their collective aspiration to contain rate increases and do more for their communities.

The councils jointly funded a performance improvement resource to lead a program across the councils to identify, justify and deliver performance improvement into the three organisations.



GOVERNANCE | ACHIEVEMENTS

Initial stages of the program focussed on financial governance, supporting the finance teams to drive increased ownership of financial outcomes, trimming funds from budgets that were no longer required and increasing rigour around project delivery to ensure commitments to the community were both met and achieved as cost effectively as possible.

This activity has driven greater engagement in how community funds are used at all levels of the organisations. Budgets have been reduced by more than three per cent to date (with more possible as the change process continues) and two of the councils achieved record low rate rises in 2018 and 2019. Two of the three councils were in the lowest four rate increases in South Australia in 2019, with Charles Sturt achieving its lowest ever rate rise since amalgamation 22 years ago. Project delivery has increased by more than 80% at one of the councils with all having greater data-driven focus on delivery than two years prior.

PROCESS IMPROVEMENT | ACHIEVEMENTS

The second phase of the program has focussed on sustainable performance improvement through process change. This has been informed by detailed activity and driver analysis which has enabled benchmarking and identification of an opportunity pipeline.

This critical phase was undertaken centrally for the three councils to ensure comparability and meaningfulness of the data from the ground up. The benchmarking is sufficiently detailed to not only point to areas where difference in performance or costs exists, but to inform each council on what to focus on to improve. Improvements are generated by taking the best of each council's performance, and then testing the functions under review against criteria designed to find further improvement opportunities.

Initiatives implemented to date include open space transformation at Marion, shared procurement between Charles Sturt and Marion and a cross-council irrigation construction crew operating across all three council boundaries. A further three initiatives are underway and will be implemented by the end of the 19/20 financial year.

To date less than 10% of the costs of the organisations have been subject to detailed optimisation reviews. Outcomes range from 11-22% improvement in costs and capacity (17% overall) with reviews typically identifying around 20% improvement. These improvements have been achieved with minimal disruption to staff and an increase in service levels delivered. The additional optimisation analysis has seen even the "better" performing areas of the three councils improve by up to 20% again, demonstrating good sector performance can be improved upon. Collaboration has also allowed the councils to deliver benefits beyond what the any of the councils could achieve alone.

CHALLENGES

Key challenges have been:

- Reliance on key individuals, in particular the CEO's to drive the program. Driving performance is more challenging in the public sector than the private sector due to the absence of dynamic price signals to provide rapid performance feedback. With a focus on rate stability and avoiding price shocks, an unintended consequence can be an organisational reluctance to vigorously pursue performance improvement.
- The magnitude of change the program has driven has at times been underestimated and required effort and consistency of vision to remain on track.
- Being equipped with change and collaboration capabilities throughout the organisations at a level that actively supports the program, combined with a willingness to be humble and open to new ways of doing things cannot be underestimated.

The ability to attract, develop and retain highly developed analytical and commercial skills to the public sector on scale is also expected to be a challenge.

SUPPORT FOR THE SECTOR

The experience of the councils and the sector to date has highlighted that league table benchmarks alone will not drive sector performance. They can typically lead to defensiveness rather than encouraging people to be open to improvement and actively seeking the best solution.

Detailed, comparable, data-based benchmarking is considered an important foundation to performance improvement. This needs to be supported in turn by the skills and capability to convert observations to realised performance outcomes, and these skills need to be accessible and affordable to all councils.

Additionally, measurement needs to be supported by motivators for good performance (and consequences for poor performance) and active change management in order to drive deep and sustainable sector wide improvement.

Benchmarking sector experience Different models appear to drive performance to different degrees								
Method Comparison	Budget assurance / rate capping	PEP	Know your council	AG	Grants Commission	Cross Council	Published Value Driver Analysis	Supported performance improvement
Irrefutable comparisons						✓	✓	✓
Drives performance	✓					✓	✓	✓
Sustainable performance improvement		✓	✓			✓	✓	✓
Better than sector performance						✓		✓
External drivers	✓						✓	✓
Community needs considered			✓			✓		✓
Transparent performance			✓				✓	✓
Able to be supported/afforded by individual councils	✓		✓	✓	✓			✓



Efficiency and Productivity Analysis of Local Government in South Australia

Report prepared for
South Australian Productivity Commission

1 August 2019

by
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Local Government Productivity in South Australia



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Local Government Productivity in South Australia

**ACRONYMS**

ABS	Australian Bureau of Statistics
AOV	Analysis of Variance
CPI	Consumer Price Index
CRS	Constant Returns to Scale
DEA	Data Envelopment Analysis
DRS	Decreasing Returns to Scale
FTE	Full Time Equivalents
IRS	Increasing Returns to Scale
KW	Kruskal Wallis test
LG	Local Government
OLS	Ordinary Least Squares
LP	Linear Program
PAG	Predictive Analytics Group
RTS	Returns to Scale
SA	South Australia
SALGGC	South Australian Local Government Grants Commission
SALGPI	South Australian Local Government Price Index
SAPC	South Australian Productivity Commission
SAVG	South Australian Valuer General
SE	Scale Efficiency
TE	Technical Efficiency
TFP	Total Factor Productivity
VESC	Victorian Essential Services Commission
VRS	Variable Returns to Scale

EXECUTIVE SUMMARY

Introduction

Economic Insights (EI) has been engaged by the South Australian Productivity Commission (SAPC) to conduct an empirical analysis of efficiency and productivity in Local Government (LG) in South Australia (SA). This report will in part inform the current SAPC *Inquiry into Local Government Costs and Efficiency*.

The SAPC have requested that we calculate global efficiency measures, which require the estimation of local government production frontiers using the Data Envelopment Analysis (DEA) method.

Regarding data, it has been proposed that 10 years (2008/09–2017/18) of annual data on 68 councils, obtained from the South Australian Local Government Grants Commission (SALGGC), be used in this exercise, along with some complementary ABS data as required.

Methodology

A number of choices can be made when estimating DEA models.

DEA models can be formulated as either input or output orientated. We have chosen an input-orientated DEA model in this study. This choice is usually made in DEA analyses of local government services because council management is generally viewed as having greater control over their various input choices (eg. labour, materials, contractors, etc.) relative to the outputs that they are required to produce (eg. services to properties, maintenance of roads, etc.).

DEA models can be formulated as either Variable Returns to Scale (VRS) or Constant Returns to Scale (CRS). Given that councils are required to service the properties and roads, etc. located within a fixed geographical area, they are clearly unable to alter the scale of their operations. We hence have chosen to estimate a VRS model so that a scale inefficient council (eg. one that might be too small or too large relative to an optimal scale) is not unfairly labelled as inefficient because of its pre-determined scale size.

However, we also estimate a CRS model so that we can separately identify the degree to which council size might be contributing to inefficiency. This is done by decomposing the CRS technical efficiency (TE) score into a VRS TE score and a scale efficiency (SE) score. All these efficiency scores vary between 0 and 1, with a score of 1 indicating full efficiency.

We also use Malmquist DEA methods to obtain measures of Total Factor Productivity (TFP) change over time – for each council over each pair of adjacent years. These indices can be decomposed into changes due to technical efficiency change (catch up to the frontier) plus technical change (shift in the frontier) and scale efficiency changes over time.

All mathematical details on the DEA methods used in this study are provided in Appendix A, along with some useful illustrations.

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Outputs and Inputs

The selection of output and input variables used is a critical part of any DEA exercise. After considerable analysis and discussion our preferred DEA model is selected as follows:

Inputs:

Opex = labour expenses + materials, contracts & other expenses

Capital = depreciation expenses

Outputs:

Residential properties

Other properties

Total road length

Nominal expenses have been converted into 2018 dollar values using an appropriate price deflator. In the case of opex, the deflator used was the *South Australian Local Government Price Index* (SALGPI) for *Total Recurrent Expenditure*, while for depreciation expenses the deflator used was the SALGPI for *Total Capital Expenditure*.

Considerable discussion was devoted to the choice of depreciation as the measure of capital, relative to alternative choices such as capital expenditure. The strengths and weaknesses of the different choices were outlined before a final decision was made. An empirical analysis indicated that this choice did not have a notable effect on mean efficiency measures.

A variety of alternative output variables, such as population levels and sealed versus unsealed roads were also considered, before the final model choice was determined. Again, these choices were found to not have a substantive impact on mean efficiency measures.

Exogenous factors

Variations in measured efficiency levels across councils may be a consequence of management decisions, but may also be a result of exogenous factors which are not under the control of management. Hence in this study we identify a number of exogenous factors that may be relevant in the case of local government in South Australia, with the aim of conducting a second stage regression analysis of the efficiency and productivity scores obtained.

Using data from the Australian Bureau of Statistics (ABS) and the SALGGC we have collected data on the following 16 variables:

1. U15 = % population aged under 15
2. ABTSI = % population Aboriginal or Torres Strait Islander
3. NES = % population who speak a language other than English at home
4. PEN = % population who receive the age pension
5. UNEM = % population who receive unemployment benefits
6. MWAGE = median wage
7. GPOP = % growth in population between 2009 and 2018

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8. GPROP = % growth in rateable properties between 2009 and 2018
9. DEN = Population density in persons per hectare
10. POP = Population
11. SEALRD = % sealed roads
12. BUSINC = % income from business undertakings
13. IRSED = Index of Relative Socio-economic Disadvantage
14. IRSEAD = Index of Relative Socio-economic Advantage and Disadvantage
15. IER = Index of Economic Resources
16. IEO = Index of Education and Occupation

We also investigate the degree to which the performance measures differ among groups of councils. The Australian Classification of Local Governments (ACLG) outlines 22 different categories of councils. In this study we follow the SAPC Methodology Paper suggestion that these 22 categories be aggregated into four larger groups:

- urban regional;
- rural agricultural (small and medium);
- rural agricultural (large and very large); and
- urban (including capital, development and fringe).

and assess the degree to which performance varies across these four groups.

Efficiency scores

Our results section commences with a discussion of the 2018 DEA model results before then summarising the DEA results for the full 10-year period.

In 2018 the sample mean values of CRSTE, VRSTE and SE are estimated to be 0.798, 0.841 and 0.946, respectively. The VRSTE mean value of 0.841 indicates that the average council could be using 15.9% fewer inputs and still produce the same bundle of outputs if it were able to emulate the performances defined by the efficient councils that define the VRS DEA frontier. The SE mean value of 0.946 indicates that the average council could save an additional 5.4% in inputs if it was to be able to increase (or decrease) its size to achieve optimal scale. This value is approximately one third of the VRS inefficiency value, indicating that scale inefficiency is not a major factor in these councils. Note also that the CRSTE scores are an aggregate of VRSTE and SE scores in the sense that: $CRSTE = VRSTE \times SE$.

An analysis of the efficiency scores for each individual council finds that there are three councils in the data set which have low estimated VRSTE scores of below 0.5. All three of these councils are unique in certain ways and hence these low scores are explainable. However, given the anonymity requirements in this report, we do not comment further.

The above discussion relates to the DEA results obtained using the 2018 sample data. A DEA model has been estimated for each of the ten years of the 2009 to 2018 data sample. It is interesting to note that the ten-year means are quite similar to the 2018 means. That is, the ten-year means are 0.802, 0.841 and 0.950 for CRSTE, VRSTE and SE, respectively, while the corresponding mean values for 2018 were 0.798, 0.841 and 0.946, respectively.

v

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The annual means do not vary much over the ten-year study period. For example, mean VRSTE is observed to vary from 0.836 in 2009 to 0.841 in 2018 with means in the intervening years also quite similar. One might hence be tempted to conclude that this could indicate that productivity has been quite steady over this ten-year period. However, this would only be correct if we could establish that the DEA frontier has not shifted upwards (or downwards) over time. Malmquist TFP growth measures allow us to address this issue.

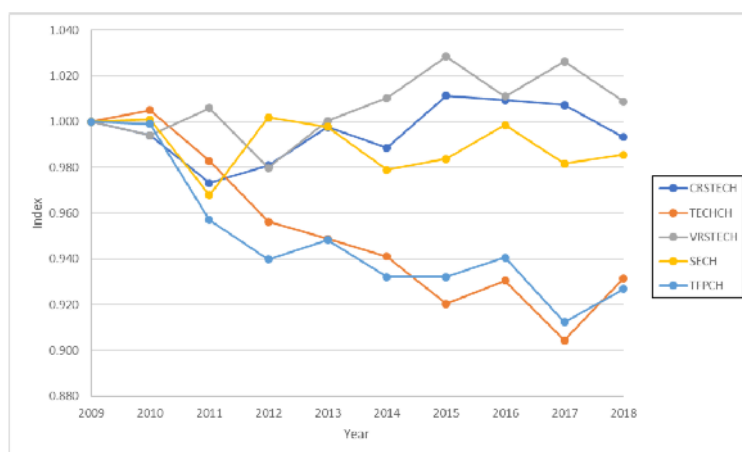
Productivity indices

We also calculate estimates of Malmquist TFP growth for the 10-year sample period. We obtain measures of TFP growth for each council between each pair of adjacent years. Thus, providing a set of 68 chained TFP indices for each of 9 periods. These TFP indices are then decomposed into that part due to frontier shift or technical change (TECHCH) and that part due to catch up or CRS technical efficiency change (CRSTECH). These latter CRSTECH measures are also then decomposed into VRS technical efficiency change (VRSTECH) and a scale efficiency change (SECH) effect.

The contributions of changes in CRSTE, VRSTE or SE over the sample period are minor. However, technical change is observed to play a major role, with an average annual decline in the frontier of 0.8% pa driving an overall decline in TFP of 0.8% pa, as illustrated in Figure 6.1 that is reproduced below.

In most sectors one would expect to observe positive technical change, as improvements in technology and knowhow cause the frontier firms to improve further and push the frontier outwards. The calculation of negative technical change (or technical regress) in this study appears to be counter-intuitive as it indicates that SA councils have collectively increased expenditure per unit of output, as measured in this study (property numbers and road length). The exact reasons for this are unclear at this stage. One possible explanation could be an increase in the volume, quality and/or range of council services that are not captured by the two output variables that are used in the DEA model. Another might be a general decline in sector performance. A third possible explanation could be measurement errors affecting the data that has been used. Testing these alternative explanations for the observed rising trend in expenditure per unit of output is a matter for further work.

Figure 6.1 Malmquist DEA TFP change aggregate indices 2009-2018



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Measures of mean TFP change for each individual council is also calculated over the 10-year period. These range from a low of 0.940 for council #13 to a high of 1.027 for council #17. A value of 1.027 implies an annual average increase in TFP of 2.7% pa while 0.940 implies an annual average decrease in TFP of 6% pa. Additional analysis is required for one to be able to judge if these differences are due to management issues or other issues such as a unique environment or data measurement errors.

Second stage analysis

Our second stage analysis commences with an analysis of differences in mean efficiency scores and TFP indices across the four groups of councils identified above, the results of which are summarised in Table 7.1 which is reproduced below. Scale efficiency and TFP change are found to not differ significantly across the four groups, while VRSTE is found to differ significantly, with urban regional councils having the lowest mean VRSTE score. This latter group does contain some councils from remote areas and hence warrants further analysis.

Table 7.1 Analysis of group means

	VRSTE		CRSTE		SE		TFPCH	
Group	mean	stdev	mean	stdev	mean	stdev	mean	stdev
urban	0.866	0.033	0.827	0.034	0.953	0.016	0.993	0.003
rural ag S&M	0.871	0.033	0.835	0.034	0.959	0.016	0.993	0.003
rural ag L&XL	0.841	0.036	0.806	0.038	0.959	0.018	0.989	0.004
urban regional	0.714	0.050	0.659	0.052	0.907	0.024	0.990	0.005
Test	prob	null hyp	prob	null hyp	prob	null hyp	prob	null hyp
AOV	0.058	accept	0.039	reject	0.298	accept	0.863	accept
KW	0.025	reject	0.067	accept	0.527	accept	0.526	accept

Regression analysis was also used to see if variations in VRSTE scores and TFP indices across councils could be explained in part by the various exogenous factors outlined above. In the case of VRSTE, five of the 16 regressor variables were found to have a statistically significant influence on scores at the 5% level. Namely, ABTSI, NES, PEN, GPOP and IER. Some of these estimated coefficients (ABTSI and GPOP) had the expected signs while others were not as expected. A discussion of the possible reasons for the unexpected signs is provided, including the possibility that variables such as NES and PEN might be acting as proxies for low-socio economic demographics and hence reflect populations that demand fewer extra council services.

A regression analysis of the council-level mean TFP change indices was also conducted, where we found that all 16 regressor variables were statistically insignificant at the 5% level and that the R-squared value was only 26%. As a consequence, we conclude that none of

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these 16 variables are useful in explaining variations in TFP change indices across these 68 councils.

Concluding comments

The conclusions section of this report contains a brief summary of the main empirical results of the study along with a discussion of some the possible reasons for the observed decline in productivity over the ten-year study period. Particular mention is made of the possible effects of changes in the quality and range of services provided, as well as the possible influence of enterprise bargaining agreements being more generous than other sectors in the early part of this period. The need for future analysis of these and other factors is encouraged.

It is also noted that the efficiency scores for each council that are reported in this study are estimated relative to the 68 South Australian (SA) councils included in our database. Thus, these measures are only relative to the best performers in SA. If councils from other locations, such as other States in Australia were included in our database, it is possible that these estimated efficiency scores could change. It might be a useful exercise to attempt to conduct some interstate comparisons of council performance at some stage. However, issues of data comparability and differences in services delivered across different States would need to be properly addressed for this to be a useful exercise.

Additionally, we note that the tables of council-level performance measures presented in this report have been masked so that individual councils cannot be identified. In our assessment, it may be a useful exercise for the performance measures of individual councils to be made public at some point in time. This might have the effect of encouraging councils to critique the models and data measures used and hence lead to better model structures and data quality in future analyses of local government performance in SA.

Finally, it is important to emphasise that this study, like all DEA studies, is imperfect. The input and output variables that have been chosen are the best available, but they are unable to capture all minute aspects of every individual council's activities. Hence, the council-level efficiency scores and TFP indices should be interpreted with a degree of caution. Any councils which are found to be performing particularly well or not so well should be carefully studied to see if their results are a consequence of managerial performance or alternatively a consequence of a unique environment or provision of extra services or different quality services or due to data measurement issues.

1 INTRODUCTION

Economic Insights (EI) has been engaged by the South Australian Productivity Commission (SAPC) to conduct an empirical analysis of efficiency and productivity in Local Government (LG) in South Australia (SA). This report will in part inform the current SAPC *Inquiry into Local Government Costs and Efficiency*.

The Terms of Reference of this Inquiry are available here:

<https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/notice-of-inquiry>

The SAPC has also written a Methodology Paper: SAPC (2017), which provides guidance on the methods to be used in this analysis.

The SAPC have requested that we calculate global efficiency measures, which require the estimation of local government production frontiers using the Data Envelopment Analysis (DEA) method.

Regarding data, it has been proposed that 10 years (2008/09–2017/18) of annual data on 68 councils, obtained from the South Australian Local Government Grants Commission (SALGGC), be used in this exercise, along with some complementary ABS data as required.

Our terms of reference ask that we undertake work on calculating relative efficiency levels in the local government sector including the following activities:

- develop the data requirements to calculate efficiency scores using DEA;
- assist SAPC staff to compile a suitable data set to calculate relative efficiency using DEA;
- for every one of the ten years calculate indicative relative efficiency levels for all councils using a single frontier for all 68 councils;
- estimate efficiency trends through the time period using an appropriate methodology;
- clearly outline details behind the methods chosen and key assumptions used;
- provide analysis and commentary on scores by sub groups as well as the total 68 councils; and
- clearly explain the factors influencing efficiency trends in the sector – either through a regression analysis of DEA outputs, or an appropriate alternative methodology.

The remainder of this report is divided into sections. In Section 2 we outline the DEA methodology used in this study. In Section 3 we discuss the selection of output and input variables, while in Section 4 we discuss exogenous factors that may influence efficiency scores across councils. In Section 5 we present and discuss our empirical estimates of efficiency, while in Section 6 we present and discuss our estimates of total factor productivity growth over time. Section 7 then contains our empirical analysis of the effects of various exogenous factors upon these estimates of efficiency and productivity, while Section 8 finishes with some concluding comments.

2 METHODOLOGY

The methodology used to estimate efficiency levels in this report will be Data Envelopment Analysis (DEA). Details of all methods used are provided in Appendix A.

Data Envelopment Analysis (DEA)

DEA models can be formulated as either input or output oriented. Given that local councils are obliged to service the residents, ratepayers, roads, etc. that are located within their jurisdiction, we have chosen an input-oriented DEA model, since it is evident that council management generally have more control over input levels relative to output levels.

DEA models can be either Variable Returns to Scale (VRS) or Constant Returns to Scale (CRS). Given that councils do not have control over the scale of their operations, we have chosen to estimate a VRS model so that a scale inefficient council (eg. one that is too small or too large relative to optimal scale) is not unfairly labelled as inefficient because of its scale size. However, we also estimate a CRS model so that we can separately identify the degree to which council size might be contributing to inefficiency. This is done by decomposing the CRS technical efficiency (TE) score into a VRS TE score and a scale efficiency (SE) score. All these scores vary between 0 and 1, with a score of 1 indicating full efficiency.

The above models are applied to all 68 councils in each of the 10 years of the 2008/09-2017/18 study period. VRS TE, CRS TE and SE scores are produced for each council in each year, providing valuable information on the evolution of efficiency over time.

Malmquist DEA

However, one must keep in mind that these efficiency scores are relative to the estimated DEA frontier in each year. If the estimated DEA frontier shifts up or down from one year to the next, these annual efficiency measures will provide a misleading indication of actual productivity changes over time.

As a consequence, we also estimate Malmquist DEA Total Factor Productivity (TFP) indices – for each council over each pair of adjacent years. These indices can be decomposed into indices of changes due to technical efficiency change (catching up to the frontier) plus technical change (shifts in the frontier) and scale efficiency changes. Thus we obtain a full comprehensive view of performance changes over time and the various factors that contribute to these changes.

Further mathematical details on the DEA methods described above are provided in Appendix A, along with some simple diagrams to help explain the various measures. For additional information please refer to Coelli et al (2005).

DEA versus partial productivity ratios

A DEA model has particular advantages over a simple ratio analysis, because it is able to accommodate multiple input and output variables in a single analysis. It might be tempting for a council to argue that DEA is a “black box” and has no value to them. But it is worth noting that if one was to consider a very simple DEA model with two outputs (properties and roads) and one input (opex) the DEA scores obtained from this model will always be equal to or larger than (ie. more flattering than) the individual partial productivity ratios of properties/opex and roads/opex for each and every council. This is because of the convex

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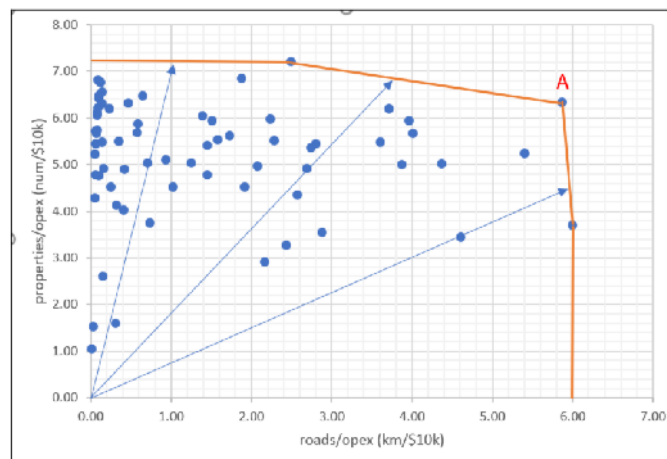


nature of the DEA frontier and the way in which councils are only compared to similar “peer” councils, which have a similar mix of inputs and outputs and also have a similar scale size.

This statement can be partially illustrated by plotting these two partial productivity ratios on a scatter plot and using a ruler and pen to draw a piece-wise CRS DEA frontier over the data points and then measuring the DEA scores relative to this frontier. This is done in Figure 2.1 below. The council represented by point A provides a simple example in support of the above statement. This council is on the DEA frontier and hence has an efficiency score of 1, even though it does not have the highest properties/opex ratio nor the highest roads/opex ratio.

Furthermore, note that if we could draw the equivalent VRS DEA frontier in three dimensions (opex, roads and properties) we would also see that similar sized councils would be benchmarked with each other, producing VRS TE scores that are equal to or higher than the CRS TE scores implicit in Figure 2.1. For more on this aspect of VRS frontiers, please refer to the discussion surrounding Figure A.2 in Appendix A.

Figure 2.1 DEA versus simple partial productivity ratios



Additional issues

It should be noted that the DEA analysis conducted in this report adopts many of the suggestions outlined in the Methodology Paper.¹ However, a few of the suggested options have not been taken up in this report due to a combination of time constraints, data constraints and other factors. These are now discussed below.

DEA models for individual services

We have chosen to model the services provided by the entire council and have not attempted to individually estimate DEA models for individual service categories, such as transport, recreation, waste management, etc. This choice was made for a number of reasons. In particular, we were not confident that the expenses information that has been reported in each

¹ SAPC (2019).

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individual service category for each council in the LGGC data is of a uniformly high quality. Our main concern here relates to the fact that different councils are likely to allocate overheads, such as admin services and office space costs, etc. in different ways. For example, if a particular council tends to allocate less overheads to transport and more to waste management, it might appear to be unusually efficient in transport and inefficient in waste management, relative to the actual situation.

In addition to this, the data on service-level output measures, such as kilometres of roads resealed and tonnes of waste collected, etc. was not available in the SALGGC data set provided to Economic Insights at the commencement of this project. Thus, additional data would need to be extracted and collated and assessed and cleaned prior to this type of analysis being feasible. This activity was deemed to be not achievable given the time constraints faced in this DEA project. However, if this data did become available at some later stage and if it was deemed to be accurate and reliable, the construction of some simple partial productivity ratios, such as operating expenses per tonne of garbage collected, could provide some service-level insights into the various aggregate council-level efficiency scores reported later in this document.

DEA models for groups and sample size issues

We have chosen to estimate our DEA frontiers using the full sample of 68 councils and have decided to not attempt the estimation of DEA frontiers for each of the four individual groups as suggested in the Methodology Paper. Those groups being:

- urban (including capital, development and fringe); and
- rural agricultural (small and medium);
- rural agricultural (large and very large);
- urban regional.

The above four groups have sample sizes of 21, 21, 17 and 9, respectively.

We are aware that the previous Victorian Essential Services Commission (VESC) analysis conducted by the Predictive Analytics Group (PAG) had estimated DEA models for five different groups of councils (of sizes 9, 19, 22, 10 and 19) from the 79 councils in Victoria.²

In our assessment, all of these sample sizes are too small for one to be able to obtain reliable estimates of DEA frontiers in local government, when estimating complex DEA models with multiple input and output variables. For example, the PAG analysis estimated DEA models involving a minimum of three outputs and two inputs, that are similar in nature to the models considered in our analysis here. That is, DEA models which are constructed in a five-dimensional space.

The question of what defines a suitable sample size in DEA is open to debate. In the management science literature, one sometimes sees “Nunamaker’s Rule” quoted, which essentially says the sample size should be at least three times the number of inputs plus outputs in the model.³ Hence in a five-dimensional model, this rule suggests that at least 15 observations are needed. Thus, we immediately observe that the above sample sizes of 9 and 10 would violate this rule.

² VESC (2017).

³ For example, see Drew (2018).

Local Government Productivity in South Australia



However, most economists and econometricians (ie. statisticians) that specialise in efficiency analysis would argue that this rule is not at all adequate. Perhaps the best way to explain this is to observe that it is generally agreed that a DEA frontier is considerably more flexible than an econometrically estimated *translog* production frontier. A translog is a functional form that is quadratic in logs and is popular in frontier efficiency measurement studies.⁴ If K is the number of inputs plus outputs in the model, then the number of parameters (P) estimated in a translog model is $P=K+K(K-1)/2$. Hence for K=5, we have $5+5(5-1)/2=15$ parameters to be estimated.

In general, statisticians will argue that a model estimation should involve degrees of freedom of at least 30, where degrees of freedom equal the number of observations (N) minus the number of parameters to be estimated (P). Hence, one could argue that the minimum sample size one should normally consider for K=5 would be N=45, so that the implied degrees of freedom are then $N-P=45-15=30$.

Thus, in our case where we have 68 observations, we would argue that one should ideally not split the sample into smaller sub-groups because the implied degrees of freedom would be inadequate for one to obtain reasonable estimates of a DEA frontier.

Note that when one attempts to estimate a complex DEA model (eg. a five-dimensional model) using a small number of observations one tends to find that many of the observations (firms) are found to be “efficient by default”, because they have no other similar firms located near them that have similar mixes of inputs and outputs. This issue is well illustrated by the results reported in the VESC (2017) Victorian study, where their DEA models involving the full sample had found approximately 25% of councils identified as being fully efficient (ie. located on the VRS DEA frontier) but when the smaller sub-sample DEA models were estimated this percentage increased markedly to over 50% of councils on the frontier in most cases and as high as 80% on the frontier in some cases.⁵ Thus, a DEA model is unable to discriminate between the different councils when sample sizes are this small.

In addition to having many councils identified as being on the frontier, a small sample size will also have the effect of inflating the mean efficiency scores obtained. This is evident in the PAG study, where their model #1 mean VRS TE increases significantly from 0.81 in the full sample DEA model to 0.94 in their sub-sample models.

The effects of sample size on the mean efficiency scores obtained from DEA models are well known. For example, see the often-cited monte carlo simulation study by Zhang and Bartels (1998) and the large meta-analysis of 95 hospital efficiency studies reported in Nguyen and Coelli (2009). In the latter study, their Figure 10 illustrates the clear effects of sample size and number of inputs+outputs on the mean efficiency scores obtained across these 95 studies.

In addition to the sample size issue, another reason why we are comfortable with estimating a single DEA model for the full data sample is that we have carefully chosen our set of output variables and our model structure (VRS) so that the DEA model will in general identify appropriate sets of frontier “peers” for each council. That is, by using a VRS DEA model we ensure that similar sized councils are benchmarked with each other (see the discussion around Figure A.2 in Appendix A). Furthermore, rural councils (with high ratios of roads to properties) are benchmarked with similar councils and urban councils (with low ratios of

⁴ See Coelli et al (2005).

⁵ See Tables 1.4 to 1.8 in the PAG (2017) study.

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roads to properties) are also benchmarked with similar councils. For an illustration of this, see the example benchmarking arrows drawn in Figure 2.1 above.

As a result of this, we would argue that there is no need to estimate a separate DEA model for each group as the peer sets will in essence do this work for us in a single pooled DEA model (given that an appropriate model structure and set of output variables are chosen). Furthermore, one would expect that the pooled DEA model will do a much better job of measuring efficiency scores for those councils that are located on the arbitrarily selected boundary between two groups because they will be able to make use of frontier peer information from both groups in this pooled case.

Window-DEA

The Window-DEA method of Flokou et al (2017) was suggested as one possible method that could be used to monitor efficiency changes over time. We have instead chosen to use the more widely applied Malmquist DEA method. The Malmquist DEA method does not only calculate changes in technical efficiency over time, but is able to provide comprehensive information on changes in technical efficiency, scale efficiency and frontier shifts overtime, which are collectively used to form aggregate measures of total factor productivity (TFP) change over time for each council across each pair of adjacent time periods.

Furthermore, we observe that the Window-DEA method does not appear to be widely used in the literature, relative to the Malmquist DEA method. The Malmquist DEA method was adopted by PAG in its recent analysis of efficiency and TFP change in Victorian councils for the VESC. Furthermore, the Malmquist DEA method has also been widely used in analysing changes in relative performance over time in many sectors for a number of decades. For example, refer to the recent survey of DEA applications by Emrouznejad and Yang (2018) where they analyse a database of 10,300 DEA-related journal articles over the 1978-2016 period. In a table of the 50 top keywords, the keyword "Malmquist" is ranked #14 with 359 mentions while the keyword "Window" does make it into this top 50 list.

3 OUTPUTS AND INPUTS

When estimating a DEA model, the careful selection of output and input variables is an important exercise. In this study we have considered a number of factors including: what data is available; a review of the empirical literature on local government studies;⁶ the degree to which different variable sets help to identify good peer sets (eg. how the combined use of properties and roads data helps divide the data space into low and high population density councils); and degrees of freedom constraints which limit the number of variables that can be included in a DEA model without losing too much discriminating power.

In our assessment, based on the above criteria, we have looked to identify possible DEA models that involve a maximum of five or six variables (ie. dimensions). A series of scatter plots, time series plots and correlation matrices were also used in helping us identify candidate variables and models.

After considerable analysis, our preferred DEA model is as follows:

Inputs:

Opex = labour expenses + materials, contracts & other expenses

Capital = depreciation expenses

Outputs:

Residential properties

Other properties

Total road length

Please refer to Appendix B, where we provide additional discussion of our model assessment processes and provide a summary of the empirical estimates obtained from a number of different DEA models.

With regard to the selected input and output variables listed above, the following discussion provides additional detail.

Price deflators

Nominal expenses have been converted into 2018-dollar values using an appropriate price deflator. In the case of opex, the deflator used was the *South Australian Local Government Price Index (SALGPI)* for *Total Recurrent Expenditure*, while for depreciation expenses the deflator used was the SALGPI for *Total Capital Expenditure*. For further detail on these price indices see:

<https://www.adelaide.edu.au/saces/economy/lgpi/>

Note that the Consumer Price Index (CPI) was not chosen because movements in the wages and material input prices, etc. used in local government activities need not mirror movements in the prices of groceries, household goods, residential housing and other items that are normally included in the CPI basket of commodities constructed by the Australian Bureau of Statistics (ABS). For example, see the data plots provided later in this section.

⁶ For example, see Drew (2018), Drew et al (2015), Fogarty and Muger (2013), PAG (2017) and VESC (2017).

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Operating expenses

In the SALGGC data provided to Economic Insights, operating expenses were reported in the following five general categories:

- Employee Costs
- Materials, Contracts and Other Expenses
- Finance Costs
- Depreciation, Amortisation and Impairment
- Share of Loss - Joint Ventures & Associates

The *Finance* expenditure category has been omitted from our analysis because this is generally viewed as being a consequence of past council decisions and not current activities.

The *Share of Loss - Joint Ventures & Associates* expenditure category has also been omitted because this relates to a small number of non-core council activities which are not directly captured on the output side of the DEA model.

Data was available on number of employees measured in full time equivalents (FTE). It was decided to not use this measure and instead use labour expenses (included as part of opex). This was for various reasons. First, the FTE data was for the entire council and was not broken up into operating and capital activities. As a result, the use of FTE would involve double counting if a capital measure (eg. capex or depreciation) was used in the model. Second, the FTE data does not reflect quality differences across employees. Those councils with a higher ratio of road lengths to properties are likely to have a higher ratio of outdoor staff compared to office staff and hence FTE measures are likely to provide an overstated measure of quality-adjusted labour for those councils. Third, it was observed that some previous DEA studies of local government had chosen to use FTE in place of the above opex input measure. In our view this could be problematic if the degree of outsourcing varies across councils, because those councils who use less outsourcing might incorrectly appear to be inefficient because they have higher FTE levels relative to those councils which do more outsourcing.

Roads data

The roads output variable used in the model is kms of total road length. A DEA model in which the total road length output variable was broken up into sealed road length and unsealed road length variables was also considered. This change was observed to have a very minimal effect on the efficiency scores obtained, with only a small number of small changes on a few scores in the third decimal place. Hence the single roads measure was adopted.⁷

A DEA model was also considered with a population output variable added into the model.⁸ This also had only a small impact, with a 1% increase in mean efficiency scores. This is not surprising given that a high correlation (in excess of 99%) was observed between the population and residential properties variables.

⁷ For further detail see Appendix B.

⁸ For further detail see Appendix B.

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Properties data

The DEA model includes properties data divided into residential and other categories. This is done to reflect the differing requirements for servicing residential versus non-residential properties. The latter would primarily be farms in rural council areas while they would be mostly commercial businesses in the case of urban councils.

The properties data that was initially provided by the SALGGC was plotted over time (along with various other data variables) so that we could study the general trends in the various data variables (see further discussion of our data plots below). The plot of the properties data series was observed to generally trend up by approximately 1% per year over the 10-year period, except for a notable drop in 2015, where it was observed that total properties data fell by 1% and “other” properties data fell by almost 20%. Given that properties are unlikely to “disappear” in aggregate, we suspected that this may be a consequence of some definitional changes in the data. After discussions with the SAPC and the SALGGC we discovered that the system used to calculate properties data did in fact change at that point in time, with the SALGGC shifting from the Land Ownership Tenure System (LOTS) to the South Australian Integrated Land Information System (SAILIS).

After a number of very useful discussions with the SAPC and the SALGGC and the SA Valuer General (SAVG), we were able to identify the main differences between these two systems, and then source some alternative data from the SAVG. We are grateful to the SALGGC and SAVG for their generous assistance with this.

We were advised that a number of changes were introduced in the new SAILIS properties system in 2015. Most changes related to moving various types of properties (eg. rural residential properties) into different classifications, the effect of which was a net decrease in the ratio of residential properties to other properties. However, the main problem we faced related to “Administrative records” being included in properties data in the early years and then being excluded post 2015. This was a logical change to make because these administrative records were generally not actual rateable properties, but were instead administrative records used by SA Water and others for billing purposes.

As a consequence, the inconsistent treatment of these administrative records across the two parts of this 10-year period had introduced an artificial decrease in the SALGGC properties data series in 2015 which then had the effect of overstating the decrease in measured productivity over time in some earlier draft versions of our DEA models.

The new properties data that we now use in this study has been supplied directly from the SAVG with the data on “Administrative records” separately identified so that we could then remove them from the 2009-2015 properties data to create a 10-year series that now uniformly excludes these “Administrative records” data.

It is important to note that the SAVG properties data (that we now use in this study) includes both rated and unrated properties in its database, while the original SALGGC properties data excluded unrated properties and also made a number of other small adjustments. However, we have observed that the differences in the total number of properties between the SAVG and SALGGC data was less than 0.7% in 2018 and hence we conclude that these factors are unlikely to have a substantive effect upon results. Furthermore, it could be argued that the inclusion of total rated and unrated properties may be a more appropriate measure to use in this instance, given that some councils would argue that they are still required to provide

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services to some properties (eg. churches, hospitals, etc.) even though they do not collect rates on those particular properties.

Capital measures

The selection of depreciation as a measure of capital input was made after a significant number of issues were carefully considered. In our assessment, all available capital measures can be criticised to some degree, but on balance the depreciation measure was the best available in these data. The issue of capital measurement is discussed in some detail below.

The selection of an appropriate capital quantity measure is a complex exercise in any empirical analysis of the productive performance of a group of businesses or organisations, because capital inputs generally provide services over more than one accounting period. The case of local government is particularly complex. Hence, let us discuss a simple example first, before then tackling the case at hand.

Consider the case of a dairy farm. The capital items you might expect to see on a dairy farm (excluding land) would include the milking shed, milking equipment, tractor, ute, trailer, motor bike, plough, slasher, hay baler, irrigation pump, etc. The first thing to note is that we have listed 10 items (and there would be more if we tried). It is not feasible to include 10 capital variables in our dairy DEA model because we would quickly run out of degrees of freedom. Also, how do we distinguish between different sizes and brands of tractors, etc so as to correctly reflect the service potential of these various capital input items? Hence it is common place to construct an aggregate measure (or measures) of capital input. This requires aggregation weights, and given data availability, dollar values from the firm's accounts are normally used.

One possibility is to collect the capital values from the balance sheet for each of these items and add them together to form an aggregate measure of capital stock. This capital quantity measure would implicitly assume that a \$50,000 tractor would produce 5 times the services of a \$10,000 irrigation pump and so on. This might not be reasonable if the tractor has an assumed life of 10 years while the pump has an assumed life of 5 years. Hence an alternative is to use the measure of annual depreciation reported in the firm's accounts instead.

However, both of these possible measures might be sub-optimal for various reasons. First, the effects of price inflation and accounting depreciation might understate the service potential of older capital items. For example, consider the situation where two farms have near identical tractors purchased nine years apart, the old tractor has a book value of less than \$5,000 versus the book value of \$50,000 for the new tractor – yet both tractors produce very similar services. The farm with the new tractor might incorrectly be labelled as inefficient because it appears to be using more capital – based on a nominal written down capital stock measure. A depreciation measure will be less affected by this issue (if straight line depreciation is used) but it will still be in part affected by the effects of price inflation on the original purchase price of the older tractor.

The issue of price inflation can be addressed by doing regular revaluations of the capital stock items to reflect the current unwritten down replacement cost. In this situation, depreciation on the current unwritten down replacement cost arguably provides a good measure of the service potential of the capital item. However, this measure can still be criticised because some capital items might be more degraded because they have been used much more over the years (eg. a tractor used 30 hours per week on one farm versus 3 hours per week on another). Furthermore, current replacement cost valuations can be challenging and vary a lot across

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firms – as can the depreciation assumptions used (eg. when accelerated depreciation rules offered by the tax office are used).

In many cases, a researcher only has access to the data reported by the dairy farm in its annual accounts and hence only has access to capital measures based on written down historical cost based on a myriad of accounting rules. One alternative is to instead use data on reported annual capital expenditure, assuming that capital expenditure is proportional to the quantity of capital on the farm. This is obviously a brave assumption in those situations where a business is expanding or when investment in capital is lumpy from one year to the next. For example, a farm buying a large new tractor in one year will appear to be more inefficient than it actually is, relative to other farms which spend less on capital purchases that particular year. Hence, we rarely have access to good quality capital measures in this industry and many other industries for that matter.

Now let us consider the case of measuring capital input quantity in a DEA analysis of local governments. Many of the above dairy farm comments apply equally here. However, there are a number of key differences worth noting. First, we are informed that capital stock measures are regularly revalued in most SA local councils, which is a positive. Second, we have been informed that there has been a concerted effort put into trying to make valuation methods and depreciation assumptions as uniform as possible across all SA councils over the past decade. Third, capital expenditure can vary from year to year as a result of lumpiness in grants income provided by State and Federal Governments, as is evident from the available data. Given the above three points (and the discussion above), we have chosen to use depreciation as our measure of capital input quantity in this DEA study, in preference to the use of a capital expenditure or capital stock measure.

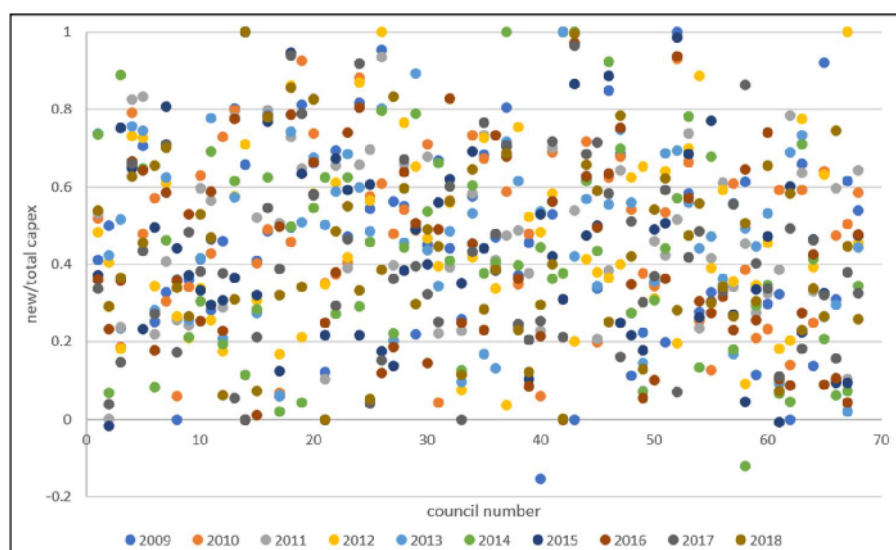
Note that we did investigate a DEA model with capital expenditure used instead of depreciation and observed that mean VRS TE decreased by only 1%, which might have been a consequence of the greater variability in capital expenditures driven by variations in grant funding available, etc.

A few additional complications regarding capital measurement in local government need to be noted. The first relates to the fact that some councils have growing populations and hence do not only renew and replace existing assets but also invest in new and upgraded assets to accommodate this growth. These two types of capital expenditure are reported in the data base. Given that our DEA model does not include growth measures (in roads or properties) as outputs, this provides an additional argument for the use of a depreciation measure in preference to a capital expenditure measure. We did consider the possibility of using a capital expenditure measure relating to renewals and replacements only (ie. excluding expenditure on new and upgraded assets) however an investigation of the council-level data on these items suggested that the allocation of expenditures into these two sub-categories was essentially random. In Figure 3.1 we present a scatter plot of the ratios of capital expenditure on new and upgraded assets over total capital expenditure to illustrate this. We also noted that the ratios of capital expenditure on renewals and replacements over depreciation averaged 0.74 while that of total capital expenditure over depreciation averaged 1.49. The latter measure being greater than one could be explained in part by growth, but the former measure being less than 1 is hard to explain unless asset management plans for some reason systematically deviate from depreciation measures by a factor of 26% across the sector?

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Figure 3.1 Plot of new/upgrade capex over total capex



The second issue relates to the fact that (unlike in our dairy farm example) local government assets can be divided into two categories:

1. Those which provide production services – such as plant and equipment (backhoes, trucks, etc.), depots, offices, etc., and
2. Those which provide consumer services – such as roads, drains, parks, libraries, etc.

One might argue that the correct capital input quantity variable for our DEA model relates to category 1 and not category 2. This might seem reasonable at first glance, because category 2 assets do not actually provide productive services. However, given that the expenditures recorded in our opex input measure explicitly excludes all expenditures relating to renewal and replacement of these consumer assets (ie. these latter expenses are capitalised) it is important that these expenses appear somewhere, since the provision of assets that provide consumer services (roads, drains, libraries, etc) is a significant part of council services. As a result, we conclude that expenses on category 1 and 2 assets should both be included in the input set, and since total depreciation is arguably a more reliable measure than reported annual total capital expenditures, we use total depreciation as our best (but less than perfect) measure of capital input in this study.

A third issue worth mentioning, is how well do council accounts accurately delineate between capex versus opex activities? For example, for sealed roads a resurface would be classified as capex while fixing potholes would be classified as opex. For gravel roads, regular grading would be classified as opex while a once-off reforming would be classified as capex. The various categorisations would be fairly well set out in the annual LGGC data request material, but the reality of day-to-day record keeping might be less consistent across different councils. Furthermore, if a council does more regular opex on roads, is this reflected in a longer assumed asset life and hence lower annual depreciation in the accounts? Or does this council instead appear to be more inefficient because the assumed asset life is left unchanged? We

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have no immediate answer to these questions, but they are questions worth considering when comparing the estimated relative efficiencies of different councils in this study.

Data plots

It is instructive to plot the aggregate data over time to assess the degree to which the various measures are changing over the ten-year study period. This is best done using index numbers where the aggregate data for each variable in each year is converted into an index. Each variable is given an index value of one in the first year (2009) and then subsequent values reflect proportional changes relative to that base year. A number of indices are plotted in Figures 3.2 to 3.5 below. The indices themselves are also presented in a table under each plot and the annual average change in each index is listed in the final column of each table.

Consider first Figure 3.2, where a selection of input, output and prices indices are presented. The first listed index is labour in full time equivalents (FTE). This index shows that FTE labour has increased by 1% between 2009 and 2010 and then increased by 2% between 2010 and 2011 and so on. In the final year of 2018, labour FTE has increased by a total of 7% relative to 2009, with an annual average change of 0.79% pa.

We note that population has increased by 0.75% pa and properties have increased by 0.98% pa which are broadly similar to the labour FTE change. Hence one could argue that labour productivity has remained fairly constant over this period. However, given that the length of roads has only increased by 0.08% pa one might argue that labour productivity could have fallen to some extent. Furthermore, we have not taken into account non-labour inputs yet in this discussion, and if there has been a change in the degree of outsourcing over time this discussion of partial productivity measures becomes more complicated. Hence the need for an aggregate performance measure such as DEA, which can accommodate multiple inputs and outputs (more on that shortly).

Next, we observe that labour expenses have increased by 4.52% pa over this period, which is larger than the 0.79% pa increase in FTE. This difference can be in part explained by wage increases of almost 3% pa (see Figure 3.5 below). The remaining difference of approx. 1.5% could perhaps a consequence of small changes in the mix of white-collar and blue-collar workers in councils over this period, or alternatively due to some generous enterprise bargaining results in the early part of the study period. Additional investigation of these issues could be useful.

Materials Contract and Other Expenses (MCO Exp) has also increased by 4% pa, with Opex (Labour and MCO expenses) increasing in aggregate by 4.24% pa. When depreciation expenses are added to Opex we obtain our aggregate Opex2 measure, which has increased by 4.29% pa. Given that the local government price index (LGPI) has only increased by 2.48% pa over this period and the output measures (eg. properties and roads) have increased on average by 0.53% ($(0.98+0.08)/2=0.53$), one might argue that collectively these data point towards a productivity decline of approximately 1%. However, these calculations are very rudimentary. The Malmquist DEA calculations will provide a more accurate picture of this.

Three capital measures are reported in Figure 3.2, capital stock, depreciation and capital expenditure (capex), which increase by 5.14, 4.46 and 4.77% pa, respectively. The fact that capex growth is slightly higher than depreciation growth could be partly a consequence of investment in new and upgraded capital (in addition to renewals and replacements). The

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faster growth in capital stock relative to depreciation could be partly due to faster growth in long lived assets (ie. roads and bridges versus plant and equipment) increasing the average life span of capital assets.

The capex index in Figure 3.2 stands out in that it is much more stochastic than the other indices, with a notable drop in 2013 and a large increase in 2018. This is most likely a consequence of the impacts of variations in grant income from State and Federal sources over this ten-year period.

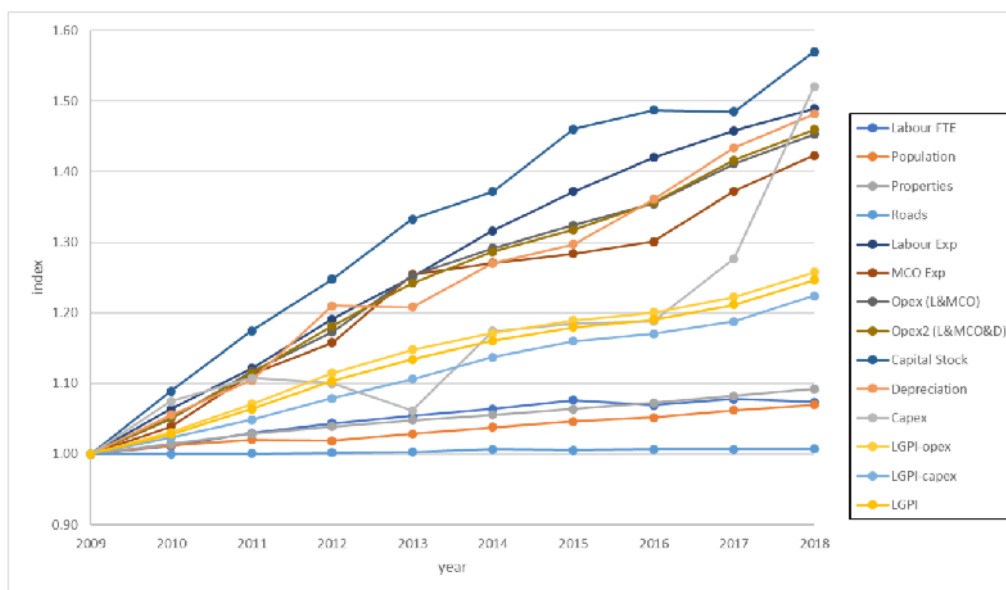
Figure 3.3 contains additional capital indices. The three main components of capital stock – buildings, structures and plant and equipment (equip) – are plotted individually. We note that plant and equipment is growing at approximately half the rate of buildings and structures, which would explain the slower growth rate in depreciation versus capital stock. We have also plotted the two main types of capital expenditure – renewals/replacements and new/upgrades – and observe that these tend to follow similar (stochastic) patterns. It is also interesting to note that the LGPI capex price index is growing at 2.27%, implying real growth in capex of $4.77 - 2.27 = 2.50\%$ which is faster than the growth in the output measures in Figure 3.2. This could be due to a number of factors, such as lumpiness in grant income streams, improvements in capital services for ratepayers (eg. more sealed roads), declining efficiencies in capital construction projects, etc. However, further analysis is needed to know the exact reasons for the observed growth in capex.

Figure 3.4 contains plots of some additional output indices. Properties are divided into residential and other categories. As discussed earlier, the introduction of the SAILIS system in 2015 resulted in a number of property types being reclassified. For example, this included moving accommodation businesses (eg. hotels, motels and hostels) from residential to commercial categories and moving “rural living” (ie. a house with primary production) from residential to primary production categories. The net effect of this on our data in 2015 was a reduction in residential properties of 2% and a corresponding increase in other properties of 12%. Although not ideal, we note that this adjustment across categories has only resulted in approximately 3% of total properties moving from the residential category to the other category and hence is unlikely to have a substantive impact on our empirical results.

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Figure 3.2 Data indices

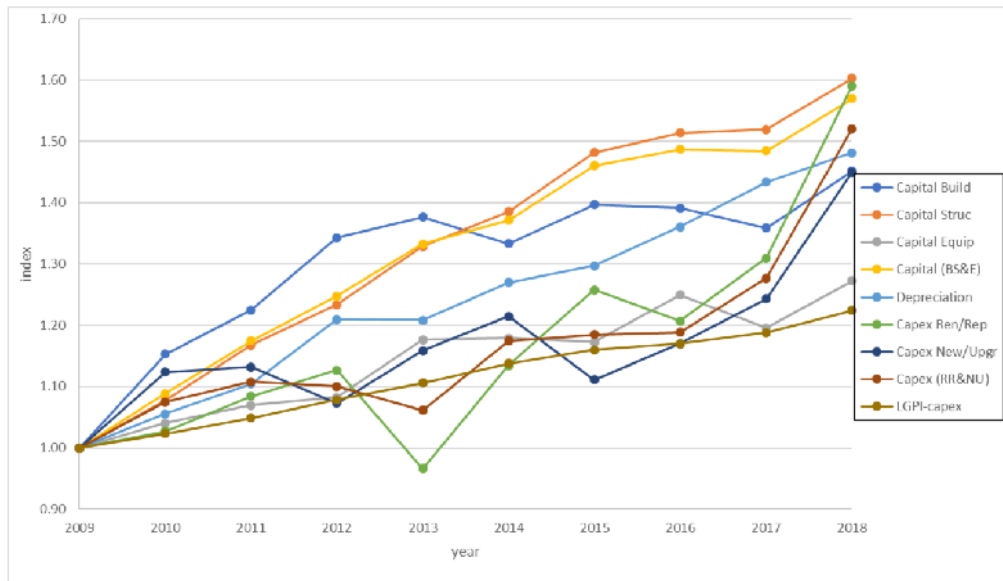


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	pa
Labour FTE	1.00	1.01	1.03	1.04	1.05	1.06	1.08	1.07	1.08	1.07	0.79%
Population	1.00	1.01	1.02	1.02	1.03	1.04	1.05	1.05	1.06	1.07	0.75%
Properties	1.00	1.02	1.03	1.04	1.05	1.06	1.06	1.07	1.08	1.09	0.98%
Roads	1.00	1.00	1.00	1.00	1.00	1.01	1.01	1.01	1.01	1.01	0.08%
Labour Exp	1.00	1.06	1.12	1.19	1.25	1.32	1.37	1.42	1.46	1.49	4.52%
MCO Exp	1.00	1.04	1.11	1.16	1.25	1.27	1.28	1.30	1.37	1.42	4.00%
Opex (L&MCO)	1.00	1.05	1.12	1.17	1.25	1.29	1.32	1.35	1.41	1.45	4.24%
Opex2 (L&MCO&D)	1.00	1.05	1.11	1.18	1.24	1.29	1.32	1.36	1.42	1.46	4.29%
Capital Stock	1.00	1.09	1.17	1.25	1.33	1.37	1.46	1.49	1.48	1.57	5.14%
Depreciation	1.00	1.06	1.10	1.21	1.21	1.27	1.30	1.36	1.43	1.48	4.46%
Capex	1.00	1.07	1.11	1.10	1.06	1.17	1.18	1.19	1.28	1.52	4.77%
LGPI-opex	1.00	1.03	1.07	1.11	1.15	1.17	1.19	1.20	1.22	1.26	2.58%
LGPI-capex	1.00	1.02	1.05	1.08	1.11	1.14	1.16	1.17	1.19	1.22	2.27%
LGPI	1.00	1.03	1.06	1.10	1.13	1.16	1.18	1.19	1.21	1.25	2.48%

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Figure 3.3 Data indices - capital

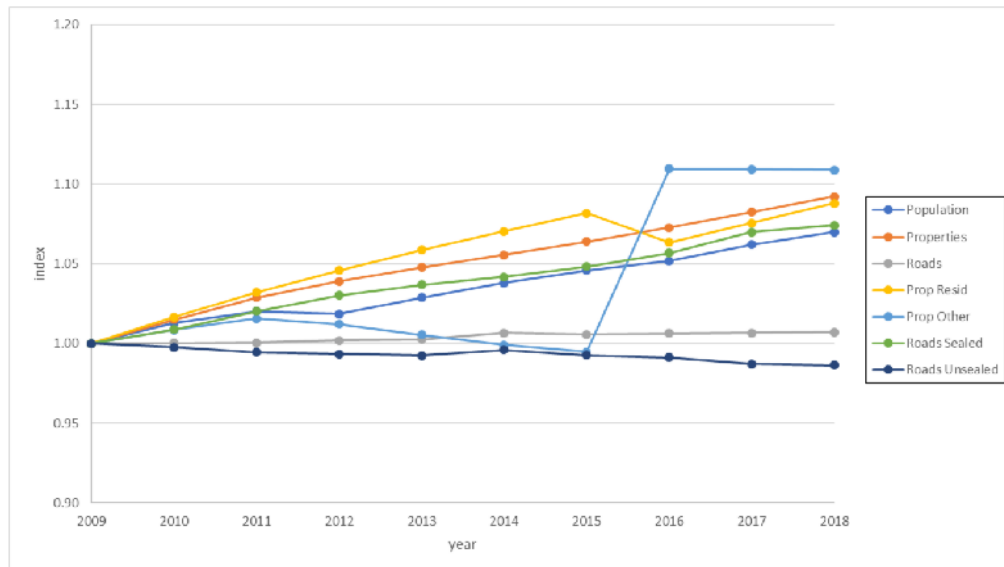


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	pa
Capital Build	1.00	1.15	1.22	1.34	1.38	1.33	1.40	1.39	1.36	1.45	4.22%
Capital Struc	1.00	1.08	1.17	1.23	1.33	1.39	1.48	1.51	1.52	1.60	5.38%
Capital Equip	1.00	1.04	1.07	1.08	1.18	1.18	1.17	1.25	1.20	1.27	2.71%
Capital (BS&E)	1.00	1.09	1.17	1.25	1.33	1.37	1.46	1.49	1.48	1.57	5.14%
Depreciation	1.00	1.06	1.10	1.21	1.21	1.27	1.30	1.36	1.43	1.48	4.46%
Capex Ren/Rep	1.00	1.03	1.08	1.13	0.97	1.13	1.26	1.21	1.31	1.59	5.29%
Capex New/Upgr	1.00	1.12	1.13	1.07	1.16	1.21	1.11	1.17	1.24	1.45	4.21%
Capex (RR&NU)	1.00	1.07	1.11	1.10	1.06	1.17	1.18	1.19	1.28	1.52	4.77%
LGPI-capex	1.00	1.02	1.05	1.08	1.11	1.14	1.16	1.17	1.19	1.22	2.27%

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Figure 3.4 Data indices - outputs

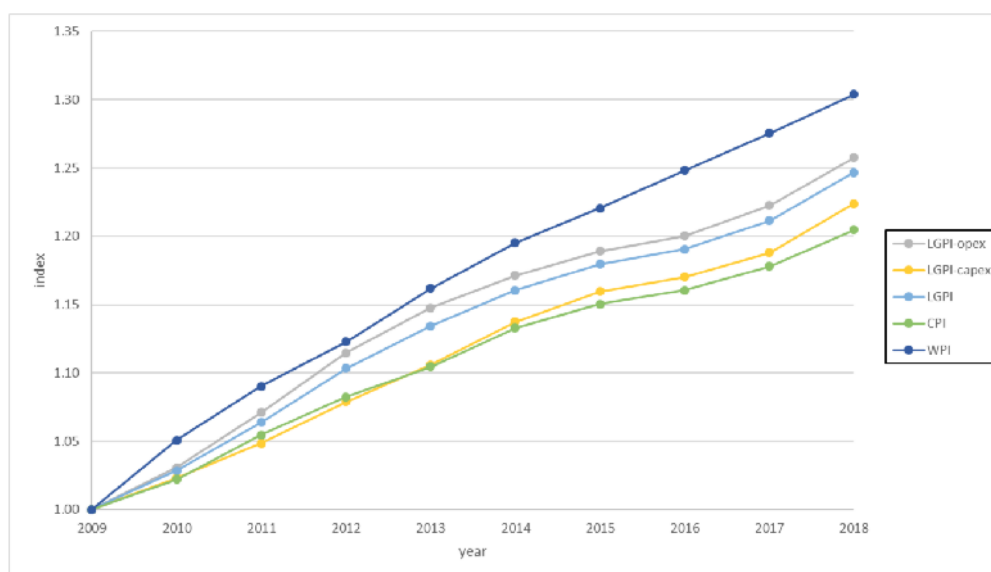


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	pa
Population	1.00	1.01	1.02	1.02	1.03	1.04	1.05	1.05	1.06	1.07	0.75%
Properties	1.00	1.02	1.03	1.04	1.05	1.06	1.06	1.07	1.08	1.09	0.98%
Roads	1.00	1.00	1.00	1.00	1.00	1.01	1.01	1.01	1.01	1.01	0.08%
Prop Resid	1.00	1.02	1.03	1.05	1.06	1.07	1.08	1.06	1.08	1.09	0.94%
Prop Other	1.00	1.01	1.02	1.01	1.01	1.00	0.99	1.11	1.11	1.11	1.15%
Roads Sealed	1.00	1.01	1.02	1.03	1.04	1.04	1.05	1.06	1.07	1.07	0.80%
Roads Unsealed	1.00	1.00	0.99	0.99	0.99	1.00	0.99	0.99	0.99	0.99	-0.15%

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Figure 3.5 Data indices - prices



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	pa
LGPI-opex	1.00	1.03	1.07	1.11	1.15	1.17	1.19	1.20	1.22	1.26	2.58%
LGPI-capex	1.00	1.02	1.05	1.08	1.11	1.14	1.16	1.17	1.19	1.22	2.27%
LGPI	1.00	1.03	1.06	1.10	1.13	1.16	1.18	1.19	1.21	1.25	2.48%
CPI	1.00	1.02	1.05	1.08	1.10	1.13	1.15	1.16	1.18	1.20	2.09%
WPI	1.00	1.05	1.09	1.12	1.16	1.20	1.22	1.25	1.28	1.30	2.99%

4 EXOGENOUS FACTORS

The input and output variables included in the DEA model are designed to capture the main activities of local government service provision. It is tempting to then attempt to interpret the efficiency scores obtained from the resulting DEA models as reflecting the degree of managerial competence or otherwise of the individual councils. A degree of inefficiency may be in part explained by managerial factors, but may also be a consequence of exogenous factors relating to demography, topography, etc. that may make service provision more resource intensive in some cases.

As a consequence, we attempt to identify those exogenous factors which could conceptually influence service provision and then investigate the degree to which the variations in DEA efficiency scores across different councils can in part be explained by these exogenous factors.

In our analysis in Section 7 we use the following 16 variables in a series of second stage regressions:

1. U15 = % population aged under 15
2. ABTSI = % population Aboriginal or Torres Strait Islander
3. NES = % population who speak a language other than English at home
4. PEN = % population who receive the age pension
5. UNEM = % population who receive unemployment benefits
6. MWAGE = median wage
7. GOPP = % growth in population between 2009 and 2018
8. GPROP = % growth in rateable properties between 2009 and 2018
9. DEN = Population density in persons per hectare
10. POP = Population
11. SEALRD = % sealed roads
12. BUSINC = % income from business undertakings
13. IRSED = Index of Relative Socio-economic Disadvantage
14. IRSEAD = Index of Relative Socio-economic Advantage and Disadvantage
15. IER = Index of Economic Resources
16. IEO = Index of Education and Occupation

Variables 1 to 6 are taken from:

1410.0 - Data by Region, 2013-18

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<https://www.abs.gov.au/ausstats/abs@.nsf/mf/1410.0>

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Variables 7 to 12 are derived from the SALGGC database.⁹

Variables 13 to 16 are taken from:

2033.0.55.001 - Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA), Australia, 2016

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<https://www.abs.gov.au/ausstats/abs@.nsf/mf/2033.0.55.001>

Data on variables 1-6 and 13-16 are mostly only collected in census years and hence are only available for the years of 2011 and 2016 in our 10-year sample. As a consequence, we have decided to use the 2016 data as the regressor variables in our second stage regressions. We therefore use the 10-year means of the efficiency scores and the TFP indices for each council as the dependent variables in these regressions.

Ordinary Least Squares (OLS) regression methods are used to investigate the influence of these factors on the TFP growth indices. However, given that the DEA efficiency scores are censored at 1, we follow the usual practice and use the Tobit regression method for those scores. As a check, we also apply OLS regression and find that there are few differences between the Tobit and OLS results.

Other factors

A number of factors have not been accounted for in the above list either because of data and time constraints or because we judged them to be of minor importance. Some of these are outlined below:

1. climatic factors – such as higher rainfall might influence efficiency through increasing maintenance requirements on roads and bridges due to water damage;
2. soil types – such as reactive clays versus more stable gravels and loams might affect road maintenance costs;
3. topographic differences – such as hilly versus flat terrain might also influence maintenance costs of roads and parks to some degree;
4. coastal versus inland setting – humid salty air might imply extra maintenance needed on buildings plus there might be more parks, jetties and wharves to maintain in coastal areas;
5. multiple towns/service delivery centres – might reduce efficiency because a duplication of services such as libraries may be required;
6. tourism – extra seasonal population might put extra pressure on parks and waste facilities;
7. quality of services – some councils might deliver higher quality services because they are demanded by their residents. This factor might be in part captured by the median wage variable, but survey data on resident satisfaction might be useful as well.

Recent discussions with stakeholders suggest that the first four factors listed above are likely to be of minor importance, while the latter three could be worthy of further investigation if suitable data can be identified.

⁹ With the exception of the growth in properties variable which is now derived from SAVG properties data.

Local Government Productivity in South Australia



The issue of quality of services is one that has been regularly discussed. We make a few observations here. First, attitudinal surveys of ratepayer satisfaction levels with regard to council services might capture differences in service quality across councils but might also capture differences in expectations due to differing socio-economic conditions across different council areas. Second, if residents in a higher socio-economic area demand higher quality services (eg. more libraries and art galleries and manicured parks) then one could argue that the efficiency analysis in this report might identify their council as being “inefficient” to some extent. The council might then choose to cost out the extra services that they are providing so that they could then make a case to their ratepayers that the measured level of inefficiency can in fact be explained by the cost of the additional services provided. It could then be up to the ratepayers to decide if their “willingness to pay” equates to the extra expenses involved.

Grouping councils

In the SAPC Methodology Paper it has been suggested that councils be grouped in some manner so that comparisons can be made among similar councils. The Australian Classification of Local Governments (ACLG) outlines 22 different categories of councils. The SAPC Methodology Paper suggests that these 22 categories be aggregated into four larger groups:

- urban (including capital, development and fringe);
- rural agricultural (small and medium);
- rural agricultural (large and very large); and
- urban regional.

Applying their suggested groupings, we obtain the list of councils as outlined in Table 4.1 below.

In our second stage analysis we obtain sample means of efficiency scores and TFP indices for these four groups and also conduct *Analysis of Variance* (AOV) tests to see if there is a significant difference in the mean scores among these four groups. Given that these indices and scores are arguably not derived from an independent normal distribution, we also run the non-parametric Kruskal-Wallis (KW) test to confirm the results of our AOV tests.

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Table 4.1 Grouping of councils

Urban	Rural Agricultural S/M	Rural Agricultural L/XL	Urban Regional
Adelaide	Barunga West	Adelaide Plains	Cooper Pedy
Adelaide Hills	Ceduna	Berri Barmera	Mount Barker
Alexandrina	Cleve	Clare & Gilbert Valleys	Mount Gambier
Barossa	Elliston	Coorong	Murray Bridge
Burnside	Flinders Ranges	Copper Coast	Port Augusta
Campbelltown	Franklin Harbour	Grant	Port Lincoln
Charles Sturt	Goyder	Light	Roxby Downs
Gawler	Kangaroo Island	Lower Eyre Peninsula	Victor Harbor
Holdfast Bay	Karoonda East Murray	Loxton Waikerie	Whyalla
Marion	Kimba	Mid Murray	
Mitcham	Kingston	Naracoorte Lucindale	
Norwood, P & SP	Mount Remarkable	Port Pirie	
Onkaparinga	Northern Areas	Renmark Paringa	
Playford	Orroroo Carrieton	Tatiara	
Port Adelaide Enfield	Peterborough	Wakefield	
Prospect	Robe	Wattle Range	
Salisbury	Southern Mallee	Yorke Peninsula	
Tea Tree Gully	Streaky Bay		
Unley	Tumby Bay		
Walkerville	Wudinna		
West Torrens	Yankalilla		

5 EFFICIENCY SCORES

Our preferred DEA model is one with three outputs and two inputs. That is:

Inputs:

Opex = labour expenses + materials, contracts & other expenses

Capital = depreciation expenses

Outputs:

Residential properties

Other properties

Total road length

This DEA model has been estimated using data on the 68 councils in each of the 10 years of the sample data. The results obtained from the final year (2018) are reported in Table 5.1 below. The councils have been numbered from 1 to 68 (in non-alphabetical order) with the identity of each council not disclosed in this report – as was requested by the SAPC.

The second column of Table 5.1 contains CRS TE scores. The mean value is 0.798. This indicates that the average council could produce its current bundle of outputs with 20.2% fewer inputs, if it was to be able to equal the performance defined by the CRS DEA frontier.

However, councils are generally unable to alter their scale of operation. Hence, we argue that the VRS frontier is a more appropriate benchmark. The third column of Table 5.1 contains VRS TE scores. The mean value is 0.841. This indicates that the average council could produce its current bundle of outputs with 15.9% fewer inputs, if it was to equal the performance defined by the VRS DEA frontier.

The fourth column of Table 5.1 contains SE scores, which are calculated as the ratio of VRS TE over CRS TE. The mean value is 0.946. This is a measure of the additional input savings possible if the average council was to be able to increase (or decrease) its size to achieve optimal scale. In this case it is 5.4%, which is approximately one quarter of the overall CRS TE, indicating that scale inefficiency is not a major factor in these data.

The final column in Table 5.1 provides returns to scale (RTS) information, which indicates if a council is operating at a point of increasing returns to scale (IRS), suggesting it is too small, or is operating at a point of decreasing returns to scale (DRS), suggesting it is too large. If the CRS TE score and VRS TE scores are identical for a particular council, the SE score equals one and the council is observed to operating at optimal scale. Overall, we observe that there are 7 councils operating at optimal scale, 30 at DRS and 31 at IRS. Hence there is no clear pattern of councils being generally too large or too small in these data.

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Table 5.1 DEA results using 2018 sample data

Council	CRSTE	VRSTE	SE	RTS
1	0.568	0.579	0.980	drs
2	0.975	0.999	0.976	irs
3	0.865	0.890	0.972	irs
4	0.770	0.776	0.993	irs
5	0.955	0.971	0.984	irs
6	0.697	0.714	0.977	drs
7	0.797	0.908	0.878	drs
8	0.819	0.832	0.983	drs
9	0.870	0.910	0.956	drs
10	0.154	0.219	0.702	drs
11	0.836	0.846	0.988	irs
12	0.784	1.000	0.784	irs
13	0.736	0.741	0.993	irs
14	0.735	0.854	0.861	irs
15	0.792	0.804	0.985	drs
16	0.630	0.684	0.921	drs
17	0.719	0.988	0.727	irs
18	0.777	0.790	0.983	irs
19	0.844	0.908	0.929	drs
20	0.891	0.892	0.999	irs
21	0.779	0.859	0.907	drs
22	0.839	0.859	0.978	drs
23	0.744	0.767	0.971	drs
24	0.820	0.825	0.994	drs
25	1.000	1.000	1.000	-
26	0.951	1.000	0.951	irs
27	0.698	0.771	0.905	drs
28	0.661	0.689	0.959	irs
29	0.810	0.873	0.928	drs
30	0.954	1.000	0.954	drs
31	0.856	0.866	0.988	irs
32	0.966	1.000	0.966	drs
33	0.770	0.817	0.944	drs
34	0.703	0.707	0.995	irs
35	1.000	1.000	1.000	-
36	0.898	0.909	0.988	irs
37	0.751	0.764	0.982	drs
38	0.896	0.910	0.984	irs
39	0.843	1.000	0.843	drs
40	0.934	0.941	0.992	irs
41	0.722	0.723	0.999	drs
42	0.855	1.000	0.855	irs
43	0.806	0.817	0.987	drs
44	0.816	0.831	0.981	irs
45	0.427	0.431	0.990	irs
46	0.983	1.000	0.983	drs
47	0.822	0.864	0.952	drs
48	0.811	0.919	0.883	irs
49	1.000	1.000	1.000	-
50	0.886	1.000	0.886	drs
51	0.780	0.783	0.997	drs
52	0.777	0.801	0.969	irs
53	0.691	0.692	0.999	irs
54	1.000	1.000	1.000	-
55	0.683	0.707	0.966	drs
56	0.555	0.563	0.986	drs
57	0.597	0.601	0.993	irs
58	1.000	1.000	1.000	-
59	0.233	0.413	0.565	irs
60	0.781	0.825	0.946	irs
61	0.898	1.000	0.898	drs
62	0.773	0.775	0.998	irs
63	1.000	1.000	1.000	-
64	0.732	0.766	0.956	irs
65	0.899	0.907	0.991	irs
66	1.000	1.000	1.000	-
67	0.718	0.916	0.784	irs
68	0.956	1.000	0.956	drs
mean	0.798	0.841	0.946	

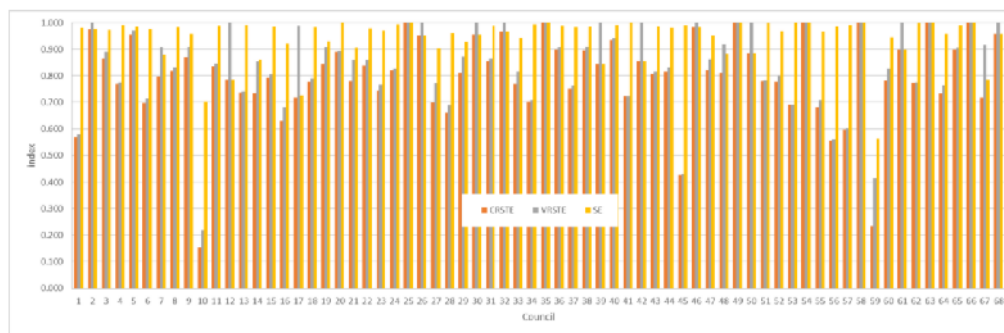
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These various efficiency scores can be better understood by looking at the results for a single council. For example, consider council number 40 in Table 5.1. It has $CRSTE=0.934$, $VRSTE=0.941$, $SE=0.992$ and $RTS=IRS$. The $VRSTE$ score of 0.941 indicates that this council could produce its same output bundle with 5.9% fewer inputs. The SE score of 0.992 indicates that it could save a further 0.8% of inputs (per unit output) if it could adjust its scale of operations to some extent. The $RTS=IRS$ label indicates that this firm is located on the increasing returns to scale portion of the VRS DEA frontier and hence is “too small” to some extent. Furthermore, note that these scores are multiplicatively related in that we can show that $CRSTE=VRSTE*SE=0.941*0.992=0.934$.¹⁰

Finally, the various $CRSTE$, $VRSTE$ and SE scores from Table 5.1 are also reproduced in a bar graph in Figure 5.1 below. This graph shows that there are three councils with $VRSTE$ scores below 0.5. All three of these councils are unique in certain ways and hence these low scores are explainable. However, given the anonymity requirements in this report, we will not comment further.

Figure 5.1 DEA results using 2018 sample data



Peers

Now we consider the information on DEA peers presented in Table 5.2. As described in Appendix A, a DEA model involves running a series of linear programs (LPs) where each data point in the sample (ie. one for each council) is projected onto an estimated frontier. The frontier can be visualised as a series of interconnecting planes where each plane is defined (supported) by a number of efficient councils. These efficient councils are known as “peers” in DEA.¹¹

Consider for example council #1 in Table 5.2. It is an inefficient council, which has been projected onto that part of the DEA frontier which is held up by the four efficient peer councils: 58, 63, 30, and 49, which have weights of 0.02, 0.16, 0.06, and 0.77, respectively. The higher weight for the latter peer indicates that it might be “more similar” to council #1 than the other three peers, in terms of input and output mixes.

¹⁰ For more on scale efficiency see the discussion surrounding Figure A.2 in Appendix A, where examples of increasing, constant and decreasing returns to scale firms are plotted.

¹¹ See the discussion surrounding Figure A.1 in Appendix A for further explanation of peers.

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It is a useful exercise for each inefficient council to identify its set of peers. These may be councils which are similar to it in many ways, but are doing a few things a bit better. Or alternatively, one or more of the peer firms might have particular characteristics that are not captured by the DEA model and hence the peer information may not be as valuable.

Another thing we can note from Table 5.2 is that there are 16 councils which are peers for themselves with a weight of 1. This indicates that they are on the VRS frontier and hence are technically efficient. The final column of Table 5.2 provides a “peer count” summary. This indicates the number of times each frontier council acts as a peer for other councils in the sample. Councils 49 and 58 have the highest counts, with 26 and 39, respectively. It will be of interest to study those councils which have higher peer counts. Do they have very good management practices? – or are they unique in some manner? – or has there been an error made in recording some of their input and output values?

Results for 2009-2018

The above discussion has focussed on the DEA results obtained using the 2018 sample data. A DEA model has been estimated for each of the 10 years of the 2009 to 2018 data sample. The efficiency scores obtained from these 10 DEA models are summarised in Tables 5.3 to 5.5 below. It is interesting to note that the 10-year means are quite similar to the 2018 means. That is, the 10-year means are 0.802, 0.841 and 0.950 for CRS TE, VRS TE and SE, respectively, while the corresponding mean values for 2018 were 0.798, 0.841 and 0.946, respectively.

The annual means do not vary much over the ten-year study period. For example, mean VRS TE is observed to vary from 0.836 in 2009 to 0.841 in 2018 with means in the intervening years also quite similar. One might hence be tempted to conclude that this could indicate that productivity has been quite steady over this 10-year period. However, this would only be correct if we could establish that the DEA frontier has not shifted upwards (or downwards) over time. The next section on Malmquist TFP growth allows us to address this issue.

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Table 5.2 DEA VRS frontier peers using 2018 sample data

Council	Peers				Peer Weights				Peer Count
1	58	63	30	49	0.02	0.16	0.06	0.77	0
2	58	12			0.38	0.62			0
3	58	12			0.35	0.66			0
4	66	54	35	49	0.08	0.08	0.32	0.52	0
5	54	35	66	49	0.03	0.03	0.01	0.93	0
6	58	54	66	35	0.10	0.02	0.45	0.43	0
7	50	61	58	39	0.06	0.15	0.07	0.72	0
8	35	58	49	30	0.01	0.04	0.59	0.36	0
9	58	54	66		0.15	0.03	0.82		0
10	61	50			0.94	0.06			0
11	49	54	58	12	0.61	0.22	0.01	0.16	0
12	12				1.00				22
13	58	35	49	54	0.00	0.05	0.94	0.01	0
14	54	49	12		0.00	0.61	0.39		0
15	58	30	32		0.13	0.69	0.19		0
16	58	35	30	39	0.00	0.75	0.08	0.17	0
17	12	49	54		0.89	0.10	0.02		0
18	58	12	49	63	0.01	0.09	0.89	0.02	0
19	30	58	39	35	0.79	0.02	0.16	0.02	0
20	58	12			0.93	0.08			0
21	35	58	30	39	0.06	0.03	0.59	0.33	0
22	58	32	49	30	0.02	0.18	0.50	0.31	0
23	58	30	39	35	0.06	0.80	0.02	0.13	0
24	32	30	49	58	0.02	0.06	0.90	0.02	0
25	25				1.00				0
26	26				1.00				0
27	39	30	58	35	0.21	0.33	0.01	0.46	0
28	54	42	12		0.37	0.32	0.31		0
29	30	39	58	35	0.60	0.12	0.01	0.27	0
30	30				1.00				18
31	49	58	12	54	0.38	0.25	0.32	0.06	0
32	32				1.00				6
33	30	61	46		0.89	0.10	0.01		0
34	54	66	49		0.14	0.51	0.35		0
35	35				1.00				15
36	58	12	49		0.21	0.40	0.40		0
37	58	54	66	35	0.07	0.13	0.64	0.16	0
38	58	12			0.48	0.52			0
39	39				1.00				7
40	12	58	54		0.27	0.62	0.11		0
41	49	58	30	35	0.47	0.05	0.00	0.48	0
42	42				1.00				2
43	30	49	35	58	0.54	0.27	0.07	0.12	0
44	49	54	66		0.80	0.15	0.05		0
45	49	12	54	58	0.80	0.07	0.08	0.05	0
46	46				1.00				2
47	66	50	58		0.41	0.04	0.55		0
48	54	49	12		0.01	0.53	0.46		0
49	49				1.00				26
50	50				1.00				3
51	32	49	30	58	0.22	0.62	0.01	0.15	0
52	54	12	58		0.35	0.61	0.04		0
53	12	58	49		0.01	0.02	0.98		0
54	54				1.00				19
55	58	30	49	32	0.02	0.71	0.22	0.05	0
56	58	32	49	30	0.01	0.03	0.83	0.14	0
57	12	49	58		0.03	0.96	0.01		0
58	58				1.00				39
59	12	42			0.87	0.13			0
60	49	12	58		0.64	0.34	0.02		0
61	61				1.00				4
62	49	66	54	35	0.15	0.03	0.06	0.77	0
63	63				1.00				2
64	12	58			0.81	0.19			0
65	58	12			0.46	0.54			0
66	66				1.00				9
67	54	58	12		0.03	0.03	0.94		0
68	30	61	46		0.97	0.02	0.02		0

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Table 5.3 CRSTE DEA results using 2009-2018 sample data

Council	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	mean
1	0.567	0.551	0.544	0.542	0.534	0.597	0.592	0.544	0.590	0.568	0.563
2	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.997	0.975	0.997
3	0.920	0.850	0.853	0.839	0.909	0.827	0.860	0.867	0.899	0.865	0.869
4	0.661	0.607	0.678	0.699	0.749	0.740	0.801	0.762	0.832	0.770	0.730
5	0.878	0.944	0.809	0.931	0.952	0.974	0.909	0.928	0.989	0.955	0.927
6	0.724	0.717	0.684	0.704	0.686	0.680	0.679	0.716	0.744	0.697	0.703
7	0.818	0.906	0.868	0.842	0.890	0.843	0.859	0.840	0.848	0.797	0.851
8	0.951	0.886	0.947	0.907	0.962	0.976	0.944	0.853	0.830	0.819	0.908
9	0.803	0.814	0.826	0.823	0.855	0.859	0.874	0.896	0.900	0.870	0.852
10	0.164	0.154	0.188	0.153	0.151	0.167	0.171	0.169	0.172	0.154	0.164
11	0.843	0.707	0.727	0.767	0.837	0.684	0.989	0.838	0.837	0.836	0.807
12	0.984	0.944	0.854	0.795	0.802	0.773	0.764	0.864	0.726	0.784	0.829
13	1.000	1.000	1.000	1.000	1.000	0.967	0.930	0.883	0.767	0.736	0.928
14	0.759	0.877	0.843	0.848	0.768	0.815	0.860	0.736	0.771	0.735	0.801
15	0.976	0.927	0.938	0.943	0.931	0.693	0.918	0.928	0.922	0.792	0.897
16	0.710	0.728	0.708	0.656	0.666	0.634	0.674	0.650	0.678	0.630	0.673
17	0.435	0.455	0.439	0.423	0.471	0.516	0.582	0.523	0.715	0.719	0.528
18	0.937	0.925	0.919	0.857	0.970	0.962	0.935	0.959	0.937	0.777	0.918
19	0.785	0.851	0.705	0.708	0.839	0.857	0.880	0.917	0.783	0.844	0.817
20	0.907	0.906	0.905	0.917	0.890	0.844	0.849	0.876	0.911	0.891	0.890
21	0.801	0.814	0.763	0.924	0.827	0.783	0.778	0.739	0.770	0.779	0.798
22	0.856	0.828	1.000	0.902	0.767	0.786	0.821	0.840	0.836	0.839	0.848
23	0.522	0.573	0.675	0.728	0.713	0.760	0.785	0.785	0.762	0.744	0.705
24	0.901	0.993	1.000	0.992	0.972	1.000	0.998	0.933	0.799	0.820	0.941
25	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
26	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.900	0.951	0.985
27	0.626	0.736	0.590	0.669	0.655	0.669	0.697	0.698	0.678	0.698	0.672
28	0.725	0.650	0.640	0.625	0.635	0.610	0.630	0.625	0.662	0.661	0.646
29	0.719	0.667	0.693	0.706	0.754	0.761	0.752	0.798	0.787	0.810	0.745
30	0.984	0.956	0.853	0.912	1.000	0.966	0.896	1.000	1.000	0.954	0.952
31	0.833	0.859	0.882	0.858	0.887	0.864	0.887	0.883	0.899	0.856	0.871
32	0.815	0.761	0.806	0.973	0.906	0.905	0.866	0.855	0.906	0.966	0.876
33	0.670	0.744	0.611	0.683	0.771	0.744	0.719	0.806	0.739	0.770	0.726
34	0.626	0.582	0.623	0.581	0.612	0.658	0.698	0.728	0.728	0.703	0.654
35	1.000	0.906	0.868	0.953	1.000	1.000	1.000	1.000	0.954	1.000	0.968
36	0.955	0.995	0.930	0.892	0.951	0.900	0.901	0.904	0.904	0.898	0.923
37	0.659	0.669	0.665	0.687	0.694	0.695	0.704	0.735	0.755	0.751	0.701
38	0.895	0.963	1.000	0.907	0.912	0.860	0.886	0.903	0.954	0.896	0.918
39	1.000	1.000	0.956	1.000	1.000	1.000	0.971	0.917	0.857	0.843	0.954
40	1.000	0.934	0.970	0.991	0.983	0.948	0.991	1.000	1.000	0.934	0.975
41	0.794	0.800	0.798	0.846	0.823	0.835	0.844	0.794	0.791	0.722	0.805
42	1.000	0.834	0.859	0.765	0.811	0.828	0.811	0.801	0.813	0.855	0.838
43	0.898	0.777	0.821	0.737	0.801	0.825	0.798	0.813	0.821	0.806	0.810
44	0.924	0.931	1.000	0.798	0.914	0.909	0.865	0.803	0.817	0.816	0.878
45	0.651	0.568	0.354	0.352	0.434	0.397	0.447	0.474	0.368	0.427	0.447
46	0.835	0.906	0.901	0.881	0.872	0.878	0.958	0.918	0.991	0.983	0.912
47	0.827	0.814	0.820	0.808	0.798	0.794	0.807	0.815	0.864	0.822	0.817
48	0.754	0.824	0.688	0.757	0.750	0.850	0.898	0.772	0.760	0.811	0.786
49	1.000	0.975	0.805	0.992	1.000	1.000	1.000	1.000	1.000	1.000	0.977
50	1.000	0.987	1.000	0.995	0.997	0.935	0.939	0.941	0.942	0.886	0.962
51	0.796	0.900	0.802	0.870	0.853	0.833	0.842	0.803	0.801	0.780	0.828
52	0.828	0.795	0.776	0.790	0.808	0.771	0.802	0.795	0.808	0.777	0.795
53	0.805	0.808	0.713	0.651	0.722	0.728	0.749	0.687	0.768	0.691	0.732
54	0.950	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.995
55	0.675	0.663	0.693	0.662	0.593	0.637	0.712	0.684	0.669	0.683	0.667
56	0.608	0.554	0.590	0.674	0.636	0.718	0.661	0.652	0.598	0.555	0.625
57	0.517	0.503	0.558	0.547	0.525	0.584	0.518	0.568	0.593	0.597	0.551
58	0.944	0.933	0.973	0.948	0.966	0.913	0.932	0.987	1.000	1.000	0.960
59	0.250	0.232	0.228	0.224	0.229	0.235	0.240	0.248	0.250	0.233	0.237
60	0.694	0.755	0.752	0.764	0.696	0.709	0.696	0.706	0.712	0.781	0.727
61	0.758	0.822	0.778	0.940	0.943	0.897	0.904	0.926	0.893	0.898	0.876
62	0.779	0.873	0.749	0.776	0.804	0.778	0.800	0.760	0.833	0.773	0.793
63	1.000	1.000	0.958	1.000	1.000	1.000	1.000	1.000	0.879	1.000	0.984
64	0.788	0.735	0.727	0.764	0.749	0.701	0.698	0.743	0.755	0.732	0.739
65	0.886	0.851	0.861	0.856	0.869	0.836	0.845	0.926	0.962	0.899	0.879
66	0.744	0.764	0.768	0.780	0.895	0.942	1.000	0.990	1.000	1.000	0.888
67	0.775	0.714	0.612	0.566	0.603	0.631	0.636	0.723	0.712	0.718	0.669
68	0.841	0.830	0.856	0.923	0.859	0.661	0.830	0.916	0.847	0.956	0.852
mean	0.805	0.802	0.785	0.794	0.807	0.796	0.813	0.811	0.809	0.798	0.802

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Table 5.4 VRSTE DEA results using 2009-2018 sample data

Council	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	mean
1	0.595	0.560	0.568	0.553	0.537	0.606	0.603	0.564	0.609	0.579	0.577
2	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.999	1.000
3	0.925	0.855	0.863	0.849	0.932	0.844	0.882	0.890	0.924	0.890	0.885
4	0.663	0.613	0.679	0.700	0.757	0.754	0.825	0.765	0.833	0.776	0.737
5	0.941	0.984	0.819	0.958	1.000	1.000	0.958	0.948	0.994	0.971	0.957
6	0.728	0.721	0.703	0.704	0.689	0.683	0.684	0.748	0.775	0.714	0.715
7	0.969	0.981	0.989	0.874	0.916	0.905	0.889	0.918	0.947	0.908	0.930
8	0.970	0.902	0.949	0.910	0.971	1.000	0.951	0.855	0.872	0.832	0.921
9	0.806	0.815	0.835	0.823	0.856	0.860	0.880	0.924	0.931	0.910	0.864
10	0.198	0.159	0.212	0.153	0.172	0.167	0.173	0.229	0.253	0.219	0.194
11	0.844	0.727	0.762	0.805	0.875	0.687	1.000	0.842	0.843	0.846	0.823
12	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
13	1.000	1.000	1.000	1.000	1.000	1.000	0.992	0.891	0.783	0.741	0.941
14	0.771	0.922	0.926	0.932	0.871	0.949	0.979	0.871	0.885	0.854	0.896
15	0.979	0.930	0.998	0.944	0.932	0.734	0.990	0.961	0.923	0.804	0.920
16	0.733	0.758	0.774	0.662	0.666	0.658	0.680	0.670	0.732	0.684	0.702
17	0.584	0.701	0.708	0.669	0.721	0.794	0.799	0.600	0.987	0.988	0.755
18	0.952	0.940	0.925	0.859	1.000	1.000	0.958	0.961	0.958	0.790	0.934
19	0.846	0.865	0.827	0.709	0.841	0.909	0.922	0.976	0.873	0.908	0.868
20	0.986	0.975	0.963	0.949	0.913	0.962	0.923	0.907	0.911	0.892	0.938
21	0.803	0.819	0.867	0.924	0.828	0.882	0.856	0.788	0.865	0.859	0.849
22	0.873	0.830	1.000	0.904	0.779	0.800	0.837	0.841	0.838	0.859	0.856
23	0.534	0.579	0.746	0.730	0.715	0.814	0.812	0.824	0.825	0.767	0.735
24	0.955	1.000	1.000	1.000	0.993	1.000	1.000	0.941	0.814	0.825	0.953
25	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
26	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.980	1.000	0.998
27	0.655	0.777	0.739	0.702	0.672	0.693	0.728	0.736	0.758	0.771	0.723
28	0.727	0.665	0.661	0.646	0.671	0.650	0.664	0.642	0.689	0.689	0.670
29	0.743	0.679	0.747	0.709	0.757	0.809	0.813	0.830	0.860	0.873	0.782
30	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
31	0.846	0.862	0.882	0.858	0.889	0.866	0.888	0.883	0.900	0.866	0.874
32	0.841	0.821	0.965	1.000	0.908	0.960	0.967	0.864	0.908	1.000	0.923
33	0.686	0.779	0.768	0.695	0.772	0.843	0.809	0.829	0.764	0.817	0.776
34	0.657	0.585	0.644	0.581	0.615	0.662	0.704	0.731	0.741	0.707	0.663
35	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
36	0.960	1.000	0.932	0.893	0.955	0.910	0.911	0.905	0.911	0.909	0.929
37	0.661	0.672	0.672	0.688	0.696	0.697	0.707	0.763	0.786	0.764	0.711
38	0.953	0.964	1.000	0.914	0.923	0.882	0.923	0.904	0.963	0.910	0.934
39	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
40	1.000	0.934	0.971	1.000	0.992	0.977	1.000	1.000	1.000	0.941	0.982
41	0.829	0.820	0.825	0.851	0.839	0.853	0.846	0.797	0.818	0.723	0.820
42	1.000	0.921	0.963	0.861	0.920	0.950	0.951	0.907	0.957	1.000	0.943
43	0.960	0.781	0.903	0.737	0.804	0.835	0.805	0.832	0.824	0.817	0.830
44	0.935	0.949	1.000	0.808	0.925	0.937	0.878	0.806	0.821	0.831	0.889
45	0.654	0.580	0.358	0.354	0.439	0.421	0.462	0.476	0.368	0.431	0.454
46	0.898	0.967	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.987
47	0.833	0.823	0.846	0.820	0.806	0.843	0.830	0.859	0.916	0.864	0.844
48	0.757	0.832	0.695	0.794	0.822	0.953	1.000	0.897	0.854	0.919	0.852
49	1.000	1.000	0.912	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.991
50	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
51	0.807	0.907	0.808	0.871	0.858	0.838	0.843	0.803	0.807	0.783	0.833
52	0.840	0.810	0.797	0.808	0.832	0.793	0.833	0.819	0.827	0.801	0.816
53	0.837	0.840	0.728	0.681	0.761	0.793	0.822	0.698	0.773	0.692	0.763
54	0.973	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.997
55	0.710	0.705	0.766	0.700	0.598	0.698	0.771	0.684	0.687	0.707	0.703
56	0.632	0.573	0.637	0.699	0.637	0.726	0.661	0.653	0.599	0.563	0.638
57	0.520	0.505	0.561	0.548	0.536	0.587	0.540	0.572	0.606	0.601	0.558
58	0.963	0.967	1.000	0.992	1.000	1.000	1.000	1.000	1.000	1.000	0.992
59	0.388	0.398	0.425	0.397	0.446	0.512	0.474	0.399	0.476	0.413	0.433
60	0.772	0.806	0.829	0.809	0.779	0.811	0.752	0.743	0.774	0.825	0.790
61	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
62	0.811	0.892	0.787	0.785	0.807	0.816	0.800	0.760	0.867	0.775	0.810
63	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.890	1.000	0.989
64	0.804	0.747	0.731	0.769	0.759	0.721	0.715	0.760	0.791	0.766	0.756
65	0.895	0.851	0.861	0.856	0.869	0.843	0.847	0.928	0.967	0.907	0.882
66	0.768	0.791	0.812	0.780	0.990	0.947	1.000	1.000	1.000	1.000	0.909
67	1.000	0.952	0.854	0.809	0.870	0.883	0.952	0.968	0.918	0.916	0.912
68	0.867	0.867	1.000	0.955	0.861	0.703	0.908	0.931	0.855	1.000	0.895
mean	0.836	0.833	0.841	0.823	0.838	0.844	0.859	0.843	0.853	0.841	0.841

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Table 5.5 Scale efficiency DEA results using 2009-2018 sample data

Council	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	mean
1	0.953	0.984	0.958	0.980	0.994	0.985	0.982	0.965	0.969	0.981	0.975
2	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.997	0.976	0.997
3	0.995	0.994	0.988	0.988	0.975	0.980	0.975	0.974	0.973	0.972	0.981
4	0.997	0.990	0.999	0.999	0.989	0.981	0.971	0.996	0.999	0.992	0.991
5	0.933	0.959	0.988	0.972	0.952	0.974	0.949	0.979	0.995	0.984	0.968
6	0.995	0.994	0.973	1.000	0.996	0.996	0.993	0.957	0.960	0.976	0.984
7	0.844	0.924	0.878	0.963	0.972	0.931	0.966	0.915	0.895	0.878	0.917
8	0.980	0.982	0.998	0.997	0.991	0.976	0.993	0.998	0.952	0.984	0.985
9	0.996	0.999	0.989	1.000	0.999	0.999	0.993	0.970	0.967	0.956	0.987
10	0.828	0.969	0.887	1.000	0.878	1.000	0.988	0.738	0.680	0.703	0.867
11	0.999	0.972	0.954	0.953	0.957	0.996	0.989	0.995	0.993	0.988	0.980
12	0.984	0.944	0.854	0.795	0.802	0.773	0.764	0.864	0.726	0.784	0.829
13	1.000	1.000	1.000	1.000	1.000	0.967	0.938	0.991	0.980	0.993	0.987
14	0.984	0.951	0.910	0.910	0.882	0.859	0.878	0.845	0.871	0.861	0.895
15	0.997	0.997	0.940	0.999	0.999	0.944	0.927	0.966	0.999	0.985	0.975
16	0.969	0.960	0.915	0.991	1.000	0.964	0.991	0.970	0.926	0.921	0.961
17	0.745	0.649	0.620	0.632	0.653	0.650	0.728	0.872	0.724	0.728	0.700
18	0.984	0.984	0.994	0.998	0.970	0.962	0.976	0.998	0.978	0.984	0.983
19	0.928	0.984	0.852	0.999	0.998	0.943	0.954	0.940	0.897	0.930	0.942
20	0.920	0.929	0.940	0.966	0.975	0.877	0.920	0.966	1.000	0.999	0.949
21	0.998	0.994	0.880	1.000	0.999	0.888	0.909	0.938	0.890	0.907	0.940
22	0.981	0.998	1.000	0.998	0.985	0.983	0.981	0.999	0.998	0.977	0.990
23	0.978	0.990	0.905	0.997	0.997	0.934	0.967	0.953	0.924	0.970	0.961
24	0.943	0.993	1.000	0.992	0.979	1.000	0.998	0.991	0.982	0.994	0.987
25	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
26	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.918	0.951	0.987
27	0.956	0.947	0.798	0.953	0.975	0.965	0.957	0.948	0.894	0.905	0.930
28	0.997	0.977	0.968	0.967	0.946	0.938	0.949	0.974	0.961	0.959	0.964
29	0.968	0.982	0.928	0.996	0.996	0.941	0.925	0.961	0.915	0.928	0.954
30	0.984	0.956	0.853	0.912	1.000	0.966	0.896	1.000	1.000	0.954	0.952
31	0.985	0.997	1.000	1.000	0.998	0.998	0.999	1.000	0.999	0.988	0.996
32	0.969	0.927	0.835	0.973	0.998	0.943	0.896	0.990	0.998	0.966	0.949
33	0.977	0.955	0.796	0.983	0.999	0.883	0.889	0.972	0.967	0.942	0.936
34	0.953	0.995	0.967	1.000	0.995	0.994	0.991	0.996	0.982	0.994	0.987
35	1.000	0.906	0.868	0.953	1.000	1.000	1.000	1.000	0.954	1.000	0.968
36	0.995	0.995	0.998	0.999	0.996	0.989	0.989	0.999	0.992	0.988	0.994
37	0.997	0.996	0.990	0.999	0.997	0.997	0.996	0.963	0.961	0.983	0.988
38	0.939	0.999	1.000	0.992	0.988	0.975	0.960	0.999	0.991	0.985	0.983
39	1.000	1.000	0.956	1.000	1.000	1.000	0.971	0.917	0.857	0.843	0.954
40	1.000	1.000	0.999	0.991	0.991	0.970	0.991	1.000	1.000	0.993	0.993
41	0.958	0.976	0.967	0.994	0.981	0.979	0.998	0.996	0.967	0.999	0.981
42	1.000	0.906	0.892	0.889	0.882	0.872	0.853	0.883	0.850	0.855	0.888
43	0.935	0.995	0.909	1.000	0.996	0.988	0.991	0.977	0.996	0.987	0.978
44	0.988	0.981	1.000	0.988	0.988	0.970	0.985	0.996	0.995	0.982	0.987
45	0.995	0.979	0.989	0.994	0.989	0.943	0.968	0.996	1.000	0.991	0.984
46	0.930	0.937	0.901	0.881	0.872	0.878	0.958	0.918	0.991	0.983	0.925
47	0.993	0.989	0.969	0.985	0.990	0.942	0.972	0.949	0.943	0.951	0.968
48	0.996	0.990	0.990	0.953	0.912	0.892	0.898	0.861	0.890	0.882	0.927
49	1.000	0.975	0.883	0.992	1.000	1.000	1.000	1.000	1.000	1.000	0.985
50	1.000	0.987	1.000	0.995	0.997	0.935	0.939	0.941	0.942	0.886	0.962
51	0.986	0.992	0.993	0.999	0.994	0.994	0.999	1.000	0.993	0.996	0.995
52	0.986	0.981	0.974	0.978	0.971	0.972	0.963	0.971	0.977	0.970	0.974
53	0.962	0.962	0.979	0.956	0.949	0.918	0.911	0.984	0.994	0.999	0.961
54	0.976	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.998
55	0.951	0.940	0.905	0.946	0.992	0.913	0.923	1.000	0.974	0.966	0.951
56	0.962	0.967	0.926	0.964	0.998	0.989	1.000	0.998	0.998	0.986	0.979
57	0.994	0.996	0.995	0.998	0.979	0.995	0.959	0.993	0.979	0.993	0.988
58	0.980	0.965	0.973	0.956	0.966	0.913	0.932	0.987	1.000	1.000	0.967
59	0.644	0.583	0.536	0.564	0.513	0.459	0.506	0.622	0.525	0.564	0.552
60	0.899	0.937	0.907	0.944	0.893	0.874	0.926	0.950	0.920	0.947	0.920
61	0.758	0.822	0.778	0.940	0.943	0.897	0.904	0.926	0.893	0.898	0.876
62	0.961	0.979	0.952	0.989	0.996	0.953	1.000	1.000	0.961	0.997	0.979
63	1.000	1.000	0.958	1.000	1.000	1.000	1.000	1.000	0.988	1.000	0.995
64	0.980	0.984	0.995	0.993	0.987	0.972	0.976	0.978	0.954	0.956	0.978
65	0.990	1.000	1.000	1.000	1.000	0.992	0.998	0.998	0.995	0.991	0.996
66	0.969	0.966	0.946	1.000	0.904	0.995	1.000	0.990	1.000	1.000	0.977
67	0.775	0.750	0.717	0.700	0.693	0.715	0.668	0.747	0.776	0.784	0.732
68	0.970	0.957	0.856	0.966	0.998	0.940	0.914	0.984	0.991	0.956	0.953
mean	0.959	0.960	0.930	0.962	0.959	0.941	0.945	0.958	0.943	0.946	0.950

6 PRODUCTIVITY INDICES

In this section we report our estimates of Malmquist TFP growth for the ten-year sample period of 2009-2018. We obtain measures of TFP growth for each council between each pair of adjacent years. Thus, providing a set of 68 chained TFP indices for each of 9 periods. These TFP indices are then decomposed into that part due to frontier shift or technical change (TECHCH) and that part due to catch up or CRS technical efficiency change (CRSTECH). These latter CRSTECH measures are also then decomposed into VRS technical efficiency change (VRSTECH) and a scale efficiency change (SECH) effect.¹²

Summary information on these various indices are presented in Figures 6.1 and 6.2 and Tables 6.1 and 6.2 below. First, consider the bottom row of Table 6.2, where estimates of the annual average mean changes in each of the above indices are provided for the ten-year period. Mean TFPC is 0.992, indicating that TFP has fallen by an average of 0.8% per year over this period. This decline in productivity is primarily due to TECHCH which similarly falls by an average of 0.8% per year over this period. There are also some very small contributions from technical efficiency and scale efficiency (of approx. 0.1%) but these tend to be minor compared to the larger effect of TECHCH.

These various changes are best illustrated using Figure 6.1 where the plots of these chained indices clearly illustrate that TECHCH is the main driver of the decline in TFP over this period, while CRSTECH, VRSTECH and SECH all follow a fairly flat trend over this period. The small contribution of these latter three measures should not be a surprise given that CRSTE, VRSTE and SE were all observed to be fairly stable (in aggregate) in the latter three tables in Section 5.

The average annual technical change (TECHCH) measure of negative 0.8% implies an average decline in the frontier of 0.8% per year over this ten-year period. In most sectors one would expect to observe positive technical change, as improvements in technology and knowhow cause the frontier firms to improve further and push the frontier outwards. The calculation of negative technical change (or technical regress) in this study appears to be counter-intuitive as it indicates that SA councils have collectively increased expenditure per unit of output, as measured in this study (property numbers and road length). The exact reasons for this are unclear at this stage. One possible explanation could be an increase in the volume, quality and/or range of council services that the model is not picking up in the output variables that are used. Another might be a general decline in sector performance. A third possible explanation could be measurement errors affecting the data that has been used. Testing these alternative explanations for the observed rising trend in expenditure per unit of output is a matter for further work.

Figure 6.2 and Table 6.2 contains information on mean TFP change for each council over the 10-year period. These range from a low of 0.940 for council #13 to a high of 1.027 for council #17. A value of 1.027 implies an annual average increase in TFP of 2.7% pa while 0.940 implies an annual average decrease in TFP of 6% pa. Once again, additional analysis is required for one to be able to judge if these council-level differences are due to management issues or other issues such as a unique environment or data measurement errors.

¹² For further details on these Malmquist DEA methods and measures please refer to Appendix A.

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Figure 6.1 Malmquist DEA TFP change aggregate indices 2009-2018

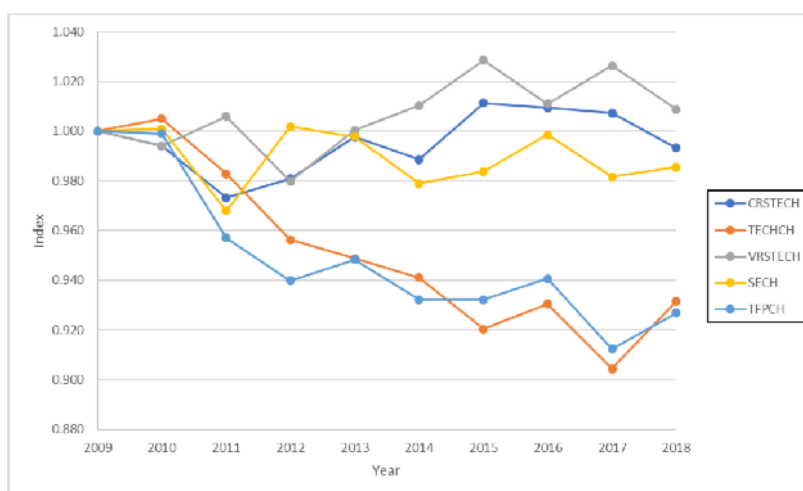
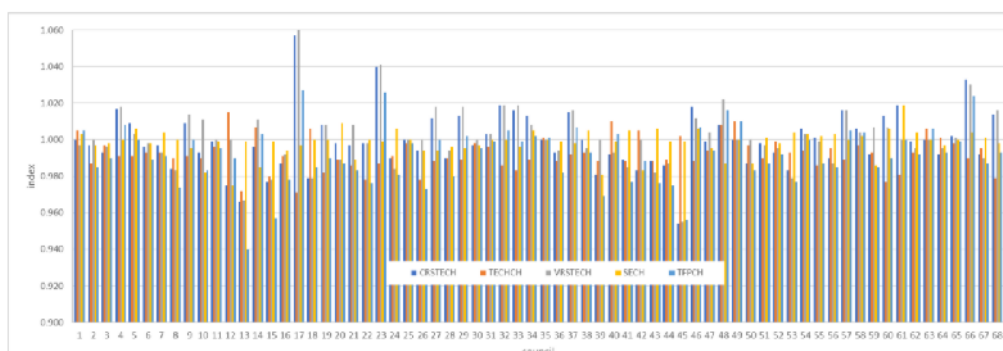


Table 6.1 Malmquist DEA TFP change aggregate indices 2009-2018

Year	CRSTECH	TECHCH	VRSTECH	SECH	TFPCH
2009	1.000	1.000	1.000	1.000	1.000
2010	0.994	1.005	0.994	1.001	0.999
2011	0.973	0.983	1.006	0.968	0.957
2012	0.981	0.956	0.980	1.002	0.940
2013	0.998	0.949	1.000	0.998	0.948
2014	0.989	0.941	1.010	0.979	0.932
2015	1.011	0.920	1.029	0.984	0.932
2016	1.009	0.931	1.011	0.999	0.941
2017	1.007	0.904	1.026	0.982	0.912
2018	0.993	0.932	1.009	0.985	0.927

Figure 6.2 Malmquist DEA TFP change means for each council 2009-2018



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Table 6.2 **Malmquist DEA TFP change means for each council 2009-2018**

Council	CRSTECH	TECHCH	VRSTECH	SECH	TFPCH
1	1.000	1.005	0.997	1.003	1.005
2	0.997	0.987	1.000	0.997	0.985
3	0.993	0.997	0.996	0.998	0.990
4	1.017	0.991	1.018	1.000	1.008
5	1.009	0.991	1.003	1.006	1.000
6	0.996	0.993	0.998	0.998	0.989
7	0.997	0.993	0.993	1.004	0.991
8	0.984	0.990	0.983	1.000	0.974
9	1.009	0.991	1.014	0.995	1.000
10	0.993	0.990	1.011	0.982	0.983
11	0.999	0.996	1.000	0.999	0.995
12	0.975	1.015	1.000	0.975	0.990
13	0.966	0.972	0.967	0.999	0.940
14	0.996	1.007	1.011	0.985	1.003
15	0.977	0.980	0.978	0.999	0.957
16	0.987	0.991	0.992	0.994	0.978
17	1.057	0.971	1.060	0.997	1.027
18	0.979	1.006	0.979	1.000	0.985
19	1.008	0.982	1.008	1.000	0.990
20	0.998	0.989	0.989	1.009	0.987
21	0.997	0.986	1.008	0.989	0.983
22	0.998	0.978	0.998	1.000	0.976
23	1.040	0.987	1.041	0.999	1.026
24	0.990	0.991	0.984	1.006	0.981
25	1.000	0.998	1.000	1.000	0.998
26	0.994	0.978	1.000	0.994	0.973
27	1.012	0.988	1.018	0.994	1.000
28	0.990	0.990	0.994	0.996	0.980
29	1.013	0.989	1.018	0.995	1.002
30	0.997	0.998	1.000	0.997	0.995
31	1.003	0.996	1.003	1.000	0.999
32	1.019	0.986	1.019	1.000	1.005
33	1.016	0.983	1.019	0.996	0.999
34	1.013	0.989	1.008	1.005	1.002
35	1.000	1.001	1.000	1.000	1.001
36	0.993	0.988	0.994	0.999	0.982
37	1.015	0.992	1.016	0.998	1.007
38	1.000	0.993	0.995	1.005	0.993
39	0.981	0.988	1.000	0.981	0.969
40	0.992	1.010	0.993	0.999	1.003
41	0.989	0.988	0.985	1.005	0.977
42	0.983	1.005	1.000	0.983	0.988
43	0.988	0.988	0.982	1.006	0.976
44	0.986	0.989	0.987	0.999	0.975
45	0.954	1.002	0.955	0.999	0.956
46	1.018	0.988	1.012	1.006	1.007
47	0.999	0.994	1.004	0.995	0.994
48	1.008	1.008	1.022	0.987	1.016
49	1.000	1.010	1.000	1.000	1.010
50	0.987	0.997	1.000	0.987	0.983
51	0.998	0.990	0.997	1.001	0.987
52	0.993	0.999	0.995	0.998	0.992
53	0.983	0.993	0.979	1.004	0.977
54	1.006	0.994	1.003	1.003	1.000
55	1.001	0.986	0.999	1.002	0.987
56	0.990	0.995	0.987	1.003	0.985
57	1.016	0.989	1.016	1.000	1.005
58	1.006	0.997	1.004	1.002	1.004
59	0.992	0.993	1.007	0.986	0.985
60	1.013	0.977	1.007	1.006	0.990
61	1.019	0.981	1.000	1.019	1.000
62	0.999	0.993	0.995	1.004	0.992
63	1.000	1.006	1.000	1.000	1.006
64	0.992	1.001	0.995	0.997	0.993
65	1.002	0.998	1.001	1.000	0.999
66	1.033	0.990	1.030	1.004	1.024
67	0.992	0.995	0.990	1.001	0.987
68	1.014	0.979	1.016	0.998	0.993
mean	0.999	0.992	1.001	0.998	0.992

7 SECOND STAGE ANALYSIS

In this section we look at a number of factors that might potentially help explain observed variations in efficiency measures and TFP change indices across different councils.

Council groups

First, we investigate if efficiency levels and TFP indices differ according to the four council groupings described earlier in this report. Namely:

- urban (including capital, development and fringe);
- rural agricultural (small and medium);
- rural agricultural (large and very large); and
- urban regional.

To address this issue, we have estimated the group means of CRS TE, VRS TE, SE and TFP change for each of these groups, which are reported in Table 7.1 below. We have also reported their standard deviations and then tested the null hypothesis that the four means are the same, using a traditional analysis of variance (AOV) test.

We have furthermore noted that these various scores and indices are unlikely to be normally and/or independently distributed and hence have also estimated the non-parametric Kruskal-Wallis ranks test, which is a test of the null hypothesis that these four samples are drawn from populations with identical probability distributions.

The mean VRS TE score varies across the four groups, with rural agricultural (small & medium) having the highest mean at 0.871 and urban regional having the lowest mean of 0.714. The urban regional group is a small group with a few members that are quite unique, which could partly explain this result. The AOV test of the null hypothesis of the equality of these four means produces a probability of 0.058 hence we do not reject the null hypothesis at the 0.05 (5%) level and conclude that the VRS TE means do not differ across these four groups. However, the KW test has a probability of 0.025 which leads us to the opposite conclusion. Given the non-normal nature of these data we place greater weight on this KW test result.

The means of the CRS TE scores follow a similar pattern, but with slightly lower means as one would expect. The AOV test rejects the null of equal means at the 5% level while the KW test indicates the null would not be rejected on this metric. Once again, given the non-normal nature of these data we place greater weight on the KW result.

The mean SE scores generally show less variation among the four groups. The two rural groups have slightly higher levels of SE relative to the two urban groups. However, we note that the null hypothesis of equal SE means is not rejected by either the AOV or KW tests at the 5% level and hence these differences are not significant.

Finally, the mean TFP change indices for these four groups are also reported in Table 7.1. These are quite similar across the four groups, with rural agricultural (large and very large) being marginally lower than the other three groups. However, these differences are not significant at the 5% level by either the AOV or KW tests.

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Table 7.1 Analysis of group means

	VRSTE		CRSTE		SE		TFPCH	
Group	mean	stdev	mean	stdev	mean	stdev	mean	stdev
urban	0.866	0.033	0.827	0.034	0.953	0.016	0.993	0.003
rural ag S&M	0.871	0.033	0.835	0.034	0.959	0.016	0.993	0.003
rural ag L&XL	0.841	0.036	0.806	0.038	0.959	0.018	0.989	0.004
urban regional	0.714	0.050	0.659	0.052	0.907	0.024	0.990	0.005
Test	prob	null hyp	prob	null hyp	prob	null hyp	prob	null hyp
AOV	0.058	accept	0.039	reject	0.298	accept	0.863	accept
KW	0.025	reject	0.067	accept	0.527	accept	0.526	accept

Regressions

Differences in efficiency scores and TFP indices are also investigated using second stage regression methods. The mean council-level efficiency scores and TFP change indices are regressed on the following 16 variables:

1. U15 = % population aged under 15
2. ABTSI = % population Aboriginal or Torres Strait Islander
3. NES = % population who speak a language other than English at home
4. PEN = % population who receive the age pension
5. UNEM = % population who receive unemployment benefits
6. MWAGE = median wage (\$'000)
7. DEN = Population density in persons per hectare
8. GOP = % growth in population between 2009 and 2018
9. GPROP = % growth in rateable properties between 2009 and 2018
10. POP = Population ('000)
11. SEALRD = % sealed roads
12. BUSINC = % income from business undertakings
13. IRSED = Index of Relative Socio-economic Disadvantage
14. IRSEAD = Index of Relative Socio-economic Advantage and Disadvantage
15. IER = Index of Economic Resources
16. IEO = Index of Education and Occupation

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We first present a matrix of correlation coefficients in Table 7.2 below to see if some of these indicators are highly correlated and hence could be reduced in number. We observe that many of the correlations are well below 0.5 with only a few of the SEIFA indices having values greater than 0.8.

The regression results for the VRS TE scores are presented in Tables 7.3 and 7.4 below.¹³ Ordinary Least Squares (OLS) regression results are in Table 7.3 while Tobit regression results are reported in Table 7.4. We note that the two sets of results are quite similar, but will focus on the Tobit results since this method is able to better accommodate the censored nature of the efficiency scores (ie. they are censored from above at 100). Note that in this section the efficiency scores and TFP indices are scaled by 100 so that the regression coefficients are easier to interpret as percentages.

From the Tobit results in Table 7.4 we observe that five of the 16 regressor variables are statistically significant at the 5% level. These are ABTSI, NES, PEN, GPPOP and IER. Each of these regressor variables has a p-value which is less than 0.05 in the final column of the table. We now discuss each of these five variables in turn.

For ABTSI the estimated coefficient value is negative 1.309 and indicates that a 1 unit increase in the % of ABTSI people in a council area is associated with a 1.309 reduction in the VRS TE score. This could perhaps be a consequence of the extra services that are provided to ABTSI people in some council areas, or alternatively ABTSI could be acting as an indirect proxy for remoteness and hence picking up the effect of the extra costs associated with servicing remote areas.

For NES the estimated coefficient value is 0.863 and indicates that a 1 unit increase in the % of NES people in a council area is associated with a 0.863 increase in the VRS TE score. Initially it was expected that this variable might have a negative effect on efficiency because NES residents might require extra language assistance with some services. However, one possible explanation for this positive effect could be that councils with high NES levels might also have a mix of lower socio-economic residents who would not be demanding the level of services that are sought in some wealthier council areas. That is, this variable might be estimating a statistical *association* rather than a *causation*.

For PEN the estimated coefficient value is 1.636 and indicates that a 1 unit increase in the % of pensioners in a council area is associated with a 1.636 increase in the VRS TE score. Once again, it was initially expected that this variable might have a negative effect on efficiency because pensioners might require extra assistance with some services. However, the explanation provided above for the case of NES might also explain this result as well, given that one would expect to find more pensioners in lower socio-economic council areas.

For GPPOP the estimated coefficient value is negative 0.518 and indicates that a 1 unit increase in population growth in a council area is associated with a 0.518 reduction in the VRS TE score. The direction of this effect is as expected, with councils in high growth areas (eg. the urban fringe) having to deal with the extra logistical challenges of growing as well as maintaining services.

Finally, for IER the estimated coefficient value is 0.300 and indicates that a 1 unit increase in the Index of Economic Resources in a council area is associated with a 0.300 increase in the

¹³ As noted in Section 4, due to data constraints, these exogenous variables are mostly defined for the year 2016, while the VRS TE scores and TFP change indices are the averages across the 10-year period.

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VRS TE score. The direction of this effect is not as expected if one follows the above argument that residents in richer council areas are likely to demand more services and hence have lower measured efficiency levels. However, this index might be picking up the effects of higher wealth rather than higher disposable income which perhaps could have a different impact here. Further analysis is required to better disentangle and understand these factors.

The other variables in Table 7.4 are not significant at the 5% level, but we do note that most of the signs on the estimated coefficients do accord with our expectations.

A regression analysis of the council-level mean TFP change indices is provided in Table 7.5. OLS regression is appropriate to use here because the indices are not censored like the efficiency scores were. We observe that all 16 regressor variables are statistically insignificant at the 5% level and that the R-squared value is only 26%. As a consequence, we conclude that none of these variables are useful in explaining variations in TFP change indices across these 68 councils.

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Table 7.2 Correlation matrix for second stage variables

	U15	ABTSI	NES	PEN	UNEM	MWAGE	DEN	GPOP
U15	1.000							
ABTSI	0.120	1.000						
NES	-0.328	-0.061	1.000					
PEN	-0.403	0.044	-0.367	1.000				
UNEM	-0.115	0.566	-0.014	0.388	1.000			
MWAGE	0.213	-0.016	0.436	-0.568	-0.260	1.000		
DEN	-0.365	-0.258	0.786	-0.312	-0.289	0.477	1.000	
GPOP	-0.254	-0.286	0.332	-0.088	-0.043	0.162	0.254	1.000
GPROP	-0.023	-0.023	0.216	-0.265	-0.024	0.237	0.141	0.670
POP	-0.010	-0.183	0.551	-0.198	-0.005	0.373	0.458	0.358
SEALRD	-0.137	-0.238	0.733	-0.368	-0.157	0.657	0.764	0.416
BUSINC	-0.009	0.314	0.034	-0.119	0.217	0.126	-0.232	-0.064
IRSED	-0.005	-0.469	0.194	-0.463	-0.900	0.381	0.443	0.124
IRSEAD	-0.129	-0.437	0.361	-0.494	-0.825	0.421	0.584	0.149
IER	0.262	-0.456	-0.241	-0.231	-0.805	0.108	0.017	-0.028
IEO	-0.347	-0.345	0.477	-0.375	-0.637	0.323	0.676	0.141
	GPROP	POP	SEALRD	BUSINC	IRSED	IRSEAD	IER	IEO
GPROP	1.000							
POP	0.229	1.000						
SEALRD	0.333	0.680	1.000					
BUSINC	0.061	-0.302	-0.217	1.000				
IRSED	0.036	0.086	0.270	-0.036	1.000			
IRSEAD	0.069	0.131	0.374	-0.031	0.969	1.000		
IER	-0.152	-0.071	-0.118	-0.143	0.810	0.686	1.000	
IEO	0.068	0.135	0.393	-0.013	0.835	0.936	0.464	1.000

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Table 7.3 Regression analysis of VRSTE

Variable	Coefficient	Std. Error	t-ratio	p-value
U15	1.234	0.832	1.480	0.144
ABTSI	-1.199	0.497	-2.420	0.019
NES	0.689	0.351	1.960	0.055
PEN	1.435	0.580	2.470	0.017
UNEM	1.630	2.749	0.590	0.556
MWAGE	0.163	0.305	0.530	0.596
DEN	0.535	0.412	1.300	0.200
GPOP	-0.417	0.264	-1.580	0.119
GPROP	0.226	0.372	0.610	0.547
POP	0.090	0.066	1.360	0.180
SEALRD	-0.078	0.094	-0.830	0.412
BUSINC	-0.249	0.185	-1.350	0.183
IRSED	0.288	0.283	1.020	0.314
IRSEAD	-0.749	0.464	-1.610	0.113
IER	0.304	0.119	2.540	0.014
IEO	0.279	0.181	1.540	0.129
Constant	-101.263	93.959	-1.080	0.286
R-squared	0.660			

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Table 7.4 Tobit Regression analysis of VRSTE

Variable	Coefficient	Std. Error	t-ratio	p-value
U15	1.223	0.809	1.510	0.137
ABTSI	-1.309	0.468	-2.790	0.007
NES	0.863	0.375	2.300	0.025
PEN	1.636	0.560	2.920	0.005
UNEM	1.864	2.598	0.720	0.476
MWAGE	0.220	0.293	0.750	0.456
DEN	0.533	0.387	1.380	0.174
GPOP	-0.518	0.253	-2.050	0.045
GPROP	0.344	0.356	0.960	0.339
POP	0.099	0.069	1.430	0.160
SEALRD	-0.106	0.089	-1.190	0.240
BUSINC	-0.281	0.176	-1.600	0.115
IRSED	0.393	0.277	1.420	0.162
IRSEAD	-0.854	0.461	-1.850	0.070
IER	0.300	0.116	2.580	0.013
IEO	0.292	0.176	1.660	0.103
Constant	-117.528	88.856	-1.320	0.192
R-squared	NA			

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Table 7.5 Regression analysis of TFP change indices

Variable	Coefficient	Std. Error	t-ratio	p-value
U15	0.130	0.121	1.070	0.287
ABTSI	-0.121	0.072	-1.680	0.100
NES	0.053	0.051	1.030	0.306
PEN	-0.054	0.084	-0.640	0.522
UNEM	0.152	0.400	0.380	0.706
MWAGE	-0.028	0.044	-0.620	0.536
DEN	-0.017	0.060	-0.290	0.774
GPOP	-0.018	0.038	-0.460	0.647
GPROP	-0.011	0.054	-0.200	0.840
POP	0.006	0.010	0.650	0.521
SEALRD	-0.002	0.014	-0.170	0.862
BUSINC	0.034	0.027	1.270	0.209
IRSED	-0.001	0.041	-0.030	0.979
IRSEAD	-0.032	0.067	-0.470	0.637
IER	0.017	0.017	0.980	0.330
IEO	0.023	0.026	0.860	0.391
Constant	91.089	13.662	6.670	0.000
R-squared	0.261			

8 CONCLUSIONS

Our key empirical results are as follows:

- We estimate mean CRS TE of 0.798, mean VRS TE of 0.841, mean SE of 0.950. The SE scores are approximately one third of the size of the VRS TE scores, indicating that scale inefficiency plays a lesser role compared to technical efficiency.
- We obtain a mean annual TFP change estimate of 0.992, which indicates that productivity has been declining at an average annual rate of 0.8% per year.

Our empirical results also indicate that the estimated decline in TFP is primarily due to technical regress. That is, due to the estimated DEA frontier shifting backwards over time. The reasons for this measured reduction in productivity over time are unclear. Some possible explanations include: a general decline in performance across the sector; an increase in the volume, quality and/or range of council services provided (that are not reflected in the output variables used in our model); measurement errors affecting the data that has been used; and so on. The empirical results draw attention to the value of further work to test the veracity of these alternative explanations.

Additional research will hopefully shed light of the relative importance of these alternative explanations. For example, if there has been an apparent increase in service levels in a particular area, such as provision of additional waste recycling collections, it might be useful to estimate the aggregate costs of these additional recycling services and then compare these cost measures to the scale of cost increases implied by the estimated TFP decline.

We also note that some observers have also commented that measured productivity declines could be in part explained by generous enterprise bargaining agreements in the first half of the study period that appear to be larger than the wages price indices utilised in the SALGPI calculations. One might then be tempted to argue that we should adjust these input price deflators to reflect these higher rates of council wage increases. We would caution against this, since this might reduce incentives for managers to bargain for acceptable wage increases in the future. In other jurisdictions, regulators have observed that public sector managers will tend to take the “path of least resistance” if they believe they can “pass through” generous wage increases and not be judged in a negative manner by regulatory authorities.

It is important to emphasise that the efficiency scores for each council that are reported in this study are estimated relative to the 68 South Australian (SA) councils included in our database. Thus, these measures are only relative to the best performers in SA. If councils from other locations, such as other States in Australia were included in our database, it is possible that these estimated efficiency scores could change. It might be a useful exercise to attempt to conduct some interstate comparisons of council performance if possible. However, issues of data comparability and differences in services delivered across different States would need to be properly addressed for this to be a useful exercise.

Additionally, we note that the tables of council-level performance measures presented in this report have been masked so that individual councils cannot be identified. In our assessment, it may be a useful exercise for the performance measures of individual councils to be made public at some stage. This might have the effect of encouraging councils to critique the models and data measures used and hence lead to better model structures and data quality in

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future analyses of local government performance in SA. It might also encourage those councils which are perhaps providing extra “non-standard” services (and hence might be identified as “inefficient councils”) to outline these extra services and their associated costs so that their ratepayers can then assess whether they are receiving the services they desire in a cost-effective manner.

Finally, it is important to conclude with the observation that this study, like all DEA studies, is imperfect. The input and output variables that have been chosen are the best available, but they are unable to capture all minute aspects of every individual council’s activities. Hence, the council-level efficiency scores and TFP indices should be interpreted with a degree of caution. Any councils which are found to be performing particularly well or not so well should be carefully studied to see if their results are a consequence of managerial performance or alternatively a consequence of a unique environment or provision of extra services or different quality services or a data measurement issue.

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APPENDIX A DETAILED METHODOLOGY

In this appendix we provide technical detail on the methods used to calculate efficiency and productivity in this report. We describe two methods:

- Efficiency measurement using data envelopment analysis (DEA)
- Productivity measurement using Malmquist DEA TFP methods

The discussion draws upon that presented in Coelli et al (2005).

Note that the DEA software used to calculate these models is described in Coelli (1996).

Efficiency measurement using data envelopment analysis (DEA)

Data envelopment analysis (DEA) is a non-parametric mathematical programming approach that is used for estimating production frontiers and measuring efficiency. DEA involves the use of linear programming methods to construct a non-parametric piece-wise surface (or frontier) over the data. Efficiency measures are then calculated relative to this surface.

Various DEA models are estimated in this study. First, we define the constant returns to scale (CRS) DEA model.

Assume there are data on K inputs and M outputs for each of N firms. For the i -th firm these are represented by the column vectors x_i and y_i , respectively. The $K \times N$ input matrix, X , and the $M \times N$ output matrix, Y , represent the data for all N firms.

An input-orientated CRS DEA model is defined as:

$$\begin{aligned}
 &\min_{\theta, \lambda} \theta, \\
 &\text{st} \quad -y_i + Y\lambda \geq 0, \\
 &\quad \theta x_i - X\lambda \geq 0, \\
 &\quad \lambda \geq 0,
 \end{aligned} \tag{1}$$

where θ is a scalar and λ is a $N \times 1$ vector of constants. The value of θ obtained will be the efficiency score for the i -th firm. It will satisfy: $\theta \leq 1$, with a value of 1 indicating a point on the frontier and hence a technically efficient firm. Note that the linear programming problem must be solved N times, once for each firm in the sample. A value of θ is then obtained for each firm.

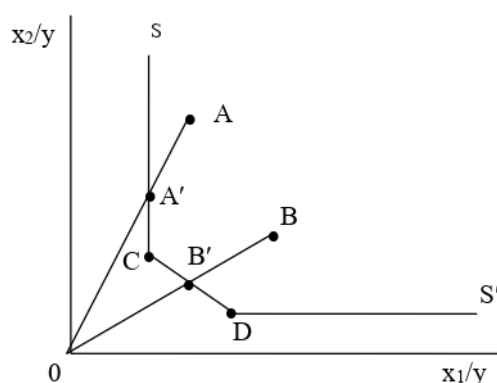
The DEA problem in equation 1 has an intuitive interpretation. Essentially, the problem takes the i -th firm and then seeks to radially contract the input vector, x_i , as much as possible, while still remaining within the feasible production set. The inner-boundary of this set is a piece-wise linear isoquant determined by the observed data points (i.e., all the firms in the sample). The radial contraction of the input vector, x_i , produces a projected point, $(X\lambda, Y\lambda)$, on the surface of this technology. This projected point is a linear combination of these observed data points. The constraints in equation 1 ensure that this projected point cannot lie outside the feasible set.

This may be illustrated using the simple two-input one-output example that is drawn in Figure A.1, where we have four firms denoted by the points A, B, C and D. The frontier isoquant

(denoted by SS') is determined by firms C and D. Firms A and B are inefficient. Their projected points are denoted by A' and B' , respectively.

Note that the efficient projected point for firm B is B' , where B' is a linear combination of points C and D. In DEA terminology we state that firms C and D are the “peers” for firm B, because they define that part of the efficient frontier that defines the best practice point for firm B.¹⁴

Figure A.1 **Efficiency measurement**



Next we define the variable returns to scale (VRS) DEA model.

The CRS assumption is only appropriate when all firms are operating at an optimal scale. The use of the CRS specification when not all firms are operating at the optimal scale, results in measures of TE that are confounded by *scale efficiencies* (SE). The use of the VRS specification permits the calculation of TE devoid of these SE effects.

The CRS linear programming problem can be easily modified to account for VRS by adding the convexity constraint: $N1'\lambda=1$ to equation 1 to provide:

$$\begin{aligned} \min_{\theta, \lambda} \quad & \theta, \\ \text{st} \quad & -y_i + Y\lambda \geq 0, \\ & \theta x_i - X\lambda \geq 0, \\ & N1'\lambda = 1 \\ & \lambda \geq 0, \end{aligned} \tag{2}$$

where $N1$ is an $N \times 1$ vector of ones.

This approach forms a convex hull of intersecting planes which envelope the data points more tightly than the CRS conical hull and thus provides technical efficiency scores, which are

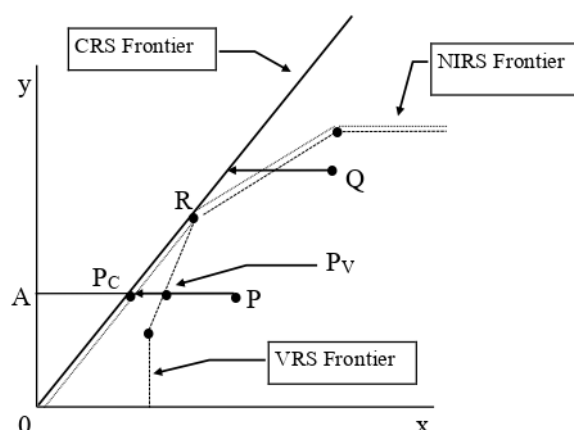
¹⁴ When the DEA model involves more input and/or output variables the model involves more dimensions and hence the peer set for a firm will often involve more than just two peers, as is drawn here in two dimensions.

greater than, or equal to those obtained using the CRS model. Note that the convexity constraint ($\sum \lambda = 1$), essentially ensures that an inefficient firm is only “benchmarked” against firms of a similar size. That is, the projected point (for that firm) on the DEA frontier will be a *convex* combination of observed firms. This convexity restriction is not imposed in the CRS case. Hence, in a CRS DEA, a firm may be benchmarked against firms that are substantially larger (smaller) than it. In this instance the λ -weights will sum to a value less than (greater than) one.

The VRS and CRS DEA models can be used to calculate scale efficiencies. This is done by estimating both a CRS and a VRS DEA. The TE scores obtained from the CRS DEA are then decomposed into two components, one due to scale inefficiency and one due to “pure” technical inefficiency (the VRS score). If there is a difference in the CRS and VRS TE scores for a particular firm, then this indicates that the firm has scale inefficiency, and that the scale inefficiency can be calculated from the difference between the VRS and CRS TE scores.

In Figure A.2 we illustrate scale inefficiency using a one-input, one-output example. The CRS and VRS DEA frontiers are indicated in the figure. Under CRS, the input-orientated technical inefficiency of the point P is the distance PP_C . However, under VRS, the technical inefficiency would only be PP_V . The difference between these two TE measures, $P_C P_V$, is due to scale inefficiency.

Figure A.2 Calculation of scale efficiency



These concepts can be expressed in ratio efficiency measures as:

$$TE_{CRS} = AP_C/AP$$

$$TE_{VRS} = AP_V/AP$$

$$SE = AP_C/AP_V$$

where all of these measures are bounded by zero and one. We also note that

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$$TE_{CRS} = TE_{VRS} \times SE$$

because

$$AP_C/AP = (AP_V/AP) \times (AP_C/AP_V).$$

Thus, the CRS technical efficiency measure is decomposed into “pure” (VRS) technical efficiency and scale efficiency. This scale efficiency measure can be roughly interpreted as the ratio of the average product of a firm operating at the point P_V to the average product of the point operating at a point of (technically) optimal scale (point R).

The diagram in Figure A.2 also provides a simple illustration of returns to scale (RTS) concepts. The three firms denoted by the points P, R and Q denote firms that are operating at increasing returns to scale (IRS), constant returns to scale (CRS) and decreasing returns to scale (DRS), respectively. That is, if the firm P was to expand its scale of production it would approach the optimal scale point, R, while if firm Q was to contract its scale of production it would also approach this optimal scale point, R (where productivity is maximised on the VRS frontier).

One shortcoming of this measure of scale efficiency is that the value does not indicate whether the firm is operating in an area of increasing or decreasing returns to scale. This latter issue can be determined by running an additional DEA problem with non-increasing returns to scale (NIRS) imposed. This is done by altering the DEA model in equation 2 by substituting the $N1'\lambda = 1$ restriction with $N1'\lambda \leq 1$, to provide:

$$\begin{aligned} & \min_{\theta, \lambda} \theta, \\ \text{st} \quad & -y_i + Y\lambda \geq 0, \\ & \theta x_i - X\lambda \geq 0, \\ & N1'\lambda \leq 1 \\ & \lambda \geq 0. \end{aligned} \tag{3}$$

The NIRS DEA frontier is also plotted in Figure 2.A. The nature of the scale inefficiencies (i.e., due to increasing or decreasing returns to scale) for a particular firm can be determined by seeing whether the NIRS TE score is equal to the VRS TE score. If they are unequal (as is the case for the point P) then increasing returns to scale exist for that firm. If they are equal (as is the case for point Q) then decreasing returns to scale apply. Finally, we note that if $TE_{CRS} = TE_{VRS}$, then by definition, the firm is operating under CRS.

Productivity measurement using Malmquist DEA TFP methods

This section provides a brief description of the Malmquist DEA TFP index methodology that is used to estimate TFP change for SA local councils in this study. We illustrate how, with access to suitable panel data, DEA frontier construction methods can be used to obtain estimates of TFP growth and its decomposition into various useful components:

- technical change (frontier-shift),
- technical efficiency change (catch-up), and

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- scale efficiency change.

The Malmquist TFP index measures the TFP change between two data points by calculating the ratio of the distances of each data point relative to a common technology.¹⁵ The Malmquist (input-orientated) TFP change index between period s (the base period) and period t is given by

$$M_i(y_s, x_s, y_t, x_t) = \left[\frac{d_i^s(y_t, x_t)}{d_i^s(y_s, x_s)} \times \frac{d_i^t(y_t, x_t)}{d_i^t(y_s, x_s)} \right]^{1/2}, \quad (4)$$

where the notation $d_i^s(x_t, y_t)$ represents the distance from the period t observation to the period s technology. A value of M_i greater than one will indicate positive TFP growth from period s to period t while a value less than one indicates a TFP decline. Note that equation 4 is, in fact, the geometric mean of two TFP indices. The first is evaluated with respect to period s technology and the second with respect to period t technology.

An equivalent way of writing this productivity index is

$$M_i(y_s, x_s, y_t, x_t) = \frac{d_i^t(y_t, x_t)}{d_i^s(y_s, x_s)} \left[\frac{d_i^s(y_t, x_t)}{d_i^t(y_t, x_t)} \times \frac{d_i^s(y_s, x_s)}{d_i^t(y_s, x_s)} \right]^{1/2}, \quad (5)$$

where the ratio outside the square brackets measures the change in the input-oriented measure of Farrell technical efficiency between periods s and t . That is, the efficiency change is equivalent to the ratio of the Farrell technical efficiency in period t to the Farrell technical efficiency in period s . The remaining part of the index in equation 5 is a measure of technical change. It is the geometric mean of the shift in technology between the two periods, evaluated at x_t and also at x_s . Thus the two terms in equation 6 are:

$$\text{Efficiency change} = \frac{d_i^t(y_t, x_t)}{d_i^s(y_s, x_s)} \quad (6)$$

and

$$\text{Technical change} = \left[\frac{d_i^s(y_t, x_t)}{d_i^t(y_t, x_t)} \times \frac{d_i^s(y_s, x_s)}{d_i^t(y_s, x_s)} \right]^{1/2} \quad (7)$$

This decomposition is illustrated in Figure A3 which depicts a constant returns to scale technology involving a single input and a single output.

The firm produces at the points D and E in periods s and t , respectively. In each period the firm is operating below the technology for that period. Hence, there is technical inefficiency in both periods. Using equations 6 and 7 we obtain:

$$\text{Efficiency change} = \frac{x_c / x_t}{x_b / x_s} \quad (8)$$

¹⁵ Note that these distance measures are essentially equivalent to the efficiency measures defined above. The only difference is that in some cases "efficiency" is measured across different time periods. For example, comparing data on a firm in period t with the frontier from period s , etc.

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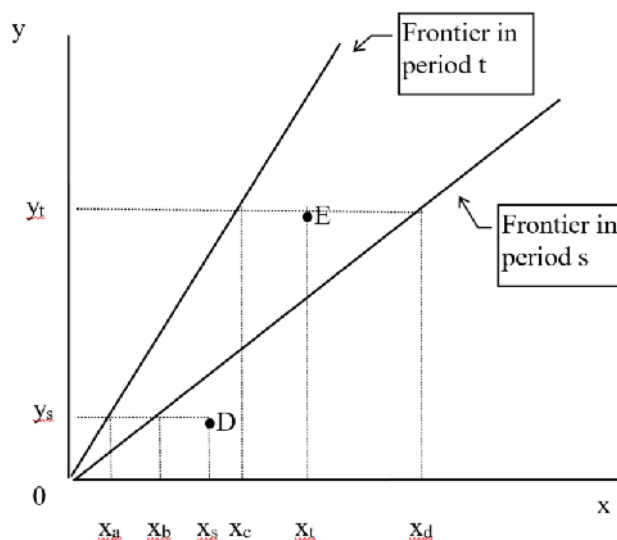


$$\text{Technical change} = \left[\frac{x_d / x_t}{x_c / x_t} \times \frac{x_b / x_s}{x_a / x_s} \right]^{1/2} \quad (9)$$

In an empirical application the four distance measures which appear in equation 4 must be calculated for each firm in each pair of adjacent time periods. This can be done using DEA mathematical programming techniques. These methods are discussed below.

There are a number of different methods that could be used to measure the distance functions that make up the Malmquist TFP index. To date, the most popular method has been DEA-like linear programming methods. For the i -th firm, we must calculate four distance functions to measure the TFP change between two periods. This requires the solving of four linear programming (LP) problems.

Figure A.3 Malmquist productivity indices



The required LPs are:

$$\begin{aligned} d_t^t(y_t, x_t) &= \min_{\theta, \lambda} \theta, \\ \text{st} \quad & -y_{it} + Y_t \lambda \geq 0, \\ & \theta x_{it} - X_t \lambda \geq 0, \\ & \lambda \geq 0, \end{aligned} \quad (10)$$

$$\begin{aligned} d_t^s(y_s, x_s) &= \min_{\theta, \lambda} \theta, \\ \text{st} \quad & -y_{is} + Y_s \lambda \geq 0, \end{aligned}$$

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$$\begin{aligned} \theta x_{is} - X_s \lambda &\geq 0, \\ \lambda &\geq 0, \end{aligned} \quad (11)$$

$$\begin{aligned} d_i^t(y_s, x_s) &= \min_{\theta, \lambda} \theta, \\ \text{st} \quad &-y_{is} + Y_t \lambda \geq 0, \\ &\theta x_{is} - X_t \lambda \geq 0, \\ &\lambda \geq 0, \end{aligned} \quad (12)$$

and

$$\begin{aligned} d_i^s(y_t, x_t) &= \min_{\theta, \lambda} \theta, \\ \text{st} \quad &-y_{it} + Y_s \lambda \geq 0, \\ &\theta x_{it} - X_s \lambda \geq 0, \\ &\lambda \geq 0, \end{aligned} \quad (13)$$

Note that in LP's 12 and 13, where production points are compared to technologies from different time periods, the θ parameter need not be less than or equal to one, as it must be when calculating Farrell input-orientated technical efficiencies. The data point could lie above the feasible production set. This will most likely occur in LP 13 where a production point from period t is compared to technology in an earlier period, s . If technical progress has occurred, then a value of $\theta > 1$ is possible. Note that it could also possibly occur in LP 12 if technical regress has occurred, but this is less likely in most sectors.

Some points to keep in mind are that the θ 's and λ 's are likely to take different values in the above four LP's. Furthermore, note that the above four LP's must be solved for each firm in the sample. Thus, if there are 20 firms and 2 time periods, 80 LP's must be solved. Note also that as extra time periods are added, one must solve an extra three LP's for each firm (to construct a chained index). If there are T time periods, then $(3T-2)$ LP's must be solved for each firm in the sample. Hence, if there are N firms, $N \times (3T-2)$ LP's need to be solved. For example, with $N=20$ firms and $T=10$ time periods, this would involve $20 \times (3 \times 10 - 2) = 560$ LP's.

The above approach can be extended to measure the effects of scale efficiency upon productivity growth. This is done in this study by decomposing the CRS technical efficiency change into scale efficiency and "pure" VRS technical efficiency components. This requires the solution of two additional LPs (when comparing two production points). These would involve repeating LPs 10 and 11 with the convexity restriction ($N1'\lambda=1$) added to each. That is, these two distance functions would be calculated relative to a variable returns to scale (VRS), instead of a CRS, technology. The CRS and VRS values are used to calculate the scale efficiency measures residually. For the case of N firms and T time periods, this would increase the number of LPs from $N \times (3T-2)$ to $N \times (4T-2)$.

APPENDIX B ALTERNATIVE MODELS

Empirical assessment of alternative DEA models

As mentioned in Section 3, a number of additional models were also estimated in order to assess the effect our variable choices might have upon the results obtained. Some summary information on eight different models is provided in Table B.1 below, with the preferred model listed as model #1. The main variations considered included: splitting the roads output variable up into sealed and unsealed roads output variables; adding population in as an extra variable; replacing the depreciation variable with a capex measure; aggregating opex and depreciation together to form a single aggregate input variable (opex2), and so on.

The mean CRS TE, VRS TE and SE scores obtained from these eight models (using 2018 data) are reported in Table B.1. Our observations are as follows.

Model #2 shows that replacing depreciation with capex has only a small negative effect on efficiency scores. Given the observed stochastic nature of capex and the conceptual issues discussed in Section 3, model #2 is not preferred.

Model #3 considers dropping depreciation and having only one input variable (opex). This has a large negative impact on efficiency scores and shows that an assumption that opex might be closely correlated with capital activity is not warranted. Model #3 is not preferred.

Model #4 splits the roads output variable up into sealed and unsealed variables. This has no effect on aggregate efficiency scores and in fact on closer inspection we find that only a small number of the individual efficiency scores change by only a small amount (in the 3rd decimal place only). Hence model #1 is preferred on the basis of parsimony.

Model #5 combines the changes in models #3 and #4 and has a predictable result.

Models #6 and #7 re-consider models #1 and #4 with opex and depreciation aggregated into a single input variable (opex2). They both result in some decrease in efficiency scores, as one would expect from decreasing the total number of variables in a DEA model. In our assessment the models with two input variables help identify better peer sets because capital intensive councils are compared with similar councils. Hence this proposed input aggregation is not used.

Finally, Model #8 includes population as an extra input variable. We find that this has only a small effect on efficiency scores, which is not surprising given that population and residential property numbers have a correlation in excess of 99% in these data. Hence, we once again prefer model #1 on the basis of parsimony.

In addition to reporting mean TE scores for 2018 in Table B.1, we have also reported mean Malmquist TFP change (TFPCH) for the 2009-2018 period in the final column of the Table. Model #1 has a mean TFPCH of 0.992, implying an average annual decline in TFP of 0.8%. The remaining seven models have very similar mean TFPCH measures. All are within 0.1% of the Model #1 value of 0.8%, with the exception of Model #2, which is 0.3% higher at 0.5%. This larger variation for Model #2 is not surprising given the stochastic nature of the capex series that has been noted in the discussion of the data plots in Section 3.

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Table B.1 DEA models investigated

Model	Outputs:						Inputs:				Results:			
	Resid Prop	Other Prop	Roads	Sealed Roads	Unsealed Roads	Popln	OPEX	CAPEX	Depn	OPEX2	CRSTE	VRSTE	SE	TFPCH
1	X	X	X				X		X		0.798	0.841	0.946	0.992
2	X	X	X				X	X			0.800	0.832	0.961	0.995
3	X	X	X				X				0.754	0.788	0.954	0.992
4	X	X		X	X		X		X		0.799	0.841	0.946	0.992
5	X	X		X	X		X				0.754	0.788	0.954	0.992
6	X	X		X	X					X	0.784	0.817	0.954	0.993
7	X	X	X							X	0.738	0.787	0.936	0.992
8	X	X	X			X	X		X		0.813	0.854	0.948	0.991

Comparison with VESC-PAG model results

Here we make some observations regarding the results obtained by PAG in their DEA analysis of Victorian councils for the VESC. They considered five different DEA models, as outlined in Table B.2 below, which is a copy of Tables 2.1, 2.2 and 2.4 taken from pages 8, 10 and 15 of the VESC (2017) report.

First, we consider the input and output variables considered by PAG. At face value, PAG have used similar variables to those used in past literature and also in the current study. However, some key points should be made. First, in terms of output variables, their data on numbers of households and businesses is taken from the ABS and not from the councils themselves or the Grants Commission or Valuer General's Office. This is most likely because they faced similar data challenges to us. However, it should be noted that there could be some double counting here in this ABS data, with some businesses operating out of a residential address and in some cases multiple businesses operating out of the one address.

Second, in terms of input variables chosen, we have concerns with the use of either a staff expenses variable or a staff FTE variable when a non-staff operating expenses variable is not also included in the models. From our assessment of council-level data in Queensland and South Australia, we observe some variation in outsourcing activities across councils. For example, with some councils outsourcing waste collection to contractors while others choose to do it in-house with their own labour force, etc. Hence, in our assessment, PAG models #1, #2 & #3 might in some cases produce inaccurate efficiency scores for some councils if outsourcing rates vary across these data on Victorian councils in a similar manner to data from other States.

Thus, it is interesting to note that in our study we have chosen the equivalent of their Model #5 as our preferred model while they have chosen their Model #1 as their preferred model. However, this different choice may well be a consequence of some other issues in the Victorian data that we are unaware of.

Having said all this, we note that the first three PAG models in Table B.2 produce mean TFC change indices which are very similar to the -0.8% value we have obtained in our study. However, their Models #4 and #5 produce much greater TFP declines, being -1.6% and -2.3%, respectively.

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The fact that their Model #5 is almost identical to our Model #1 is noteworthy. Why have they estimated TFPCH of -2.3% for their data while we have estimated -0.8% for our data? Any answers to this question would be pure speculation without further information on the exact data they have used. However, some possibilities include:

- the selection of price deflators for expenses that are different to our price deflators (e.g. they might have chosen a CPI measure);
- or perhaps there may have been some changes in the way in which depreciation has been measured in these Victorian councils during this five-year period;
- or some actual differences in council performance over time;
- or it could simply be a consequence of the fact that their analysis is done over the six-year period of 2011-2016 while ours is over the ten-year period 2009-2018. Shorter time periods tend to provide more variable measures of TFPCH due to the fact that one “unusual” year can have a big impact on the mean TFPCH measure.

Finally, it is interesting to note that the PAG mean VRS TE scores are similar but slightly smaller than ours. For example, their Model #5 produces a mean VRS TE score of 0.82 while our Model #1 has a mean VRS TE score of 0.84.¹⁶ This difference could be due in part to the fact that they have 79 observations versus our 68 observations. Sample size can have a notable impact on the mean efficiency scores obtained in DEA models, as is evident from the PAG single-group versus multi-group comparison at the bottom of Table B.2.

¹⁶ We also note that the Nguyen and Coelli (2009) meta-analysis of hospital efficiency studies observed a mean efficiency of 84% across the 95 empirical studies included in their analysis. Hence the mean efficiency scores obtained in our study appear to be similar in nature to other studies.

Local Government Productivity in South Australia

Table B.2 **PAG VESC DEA Analysis of Victorian Councils**

Table 2.1 Model specifications for data envelopment analysis		
Model Number	Inputs	Outputs
1	council staff (\$) capital (\$)	households, businesses, length of roads (km)
2	council staff (FTE) capital (\$)	households, businesses, length of roads (km)
3	council staff (\$) capital (\$)	households, businesses, length of roads (km), waste collected (tonnes)
4	capital (\$) operating expenses (excl. depreciation) (\$)	households, businesses, length of roads (km)
5	operating expenses (excl. depreciation) (\$) + depreciation (\$)	households, businesses, length of roads (km)
Source: Predictive Analytics Group		

Table 2.2 Summary of Malmquist index and total factor productivity change (TFPC) 2010–11 to 2015–16				
Model	Average Malmquist index Single group analysis	Average TFPC Single group analysis (%)	Average Malmquist index Single group analysis	AverageTFPC Multiple group Analysis (%)
1	0.993	-0.7	0.993	-0.7
2	0.994	-0.6	0.994	-0.6
3	0.993	-0.7	0.993	-0.7
4	0.984	-1.6	0.985	-1.5
5	0.977	-2.3	0.976	-2.4
Source: Predictive Analytics Group. The Malmquist index is calculated by multiplying technical efficiency change and technological change together.				

Table 2.4 Technical efficiencies — 2015–16		
Model number	Single group mean technical efficiency (VRS)	Multiple group mean technical efficiency (VRS)
1	0.81	0.94
2	0.79	0.94
3	0.83	0.96
4	0.81	0.96
5	0.82	0.96
Source: Predictive Analytics Group		

Note: TFPC=TFPCH in this Table.

Local Government Productivity in South Australia



APPENDIX C DETAILED RESULTS AND CALCULATIONS

All input, output and data files used in the calculations in this report are provided in electronic form in a zip file.

***Productivity Commission
Inquiry into Local
Government costs and
efficiency - Draft Report***

Issues Paper

September 2019

Note: This is not an endorsed document. It has been prepared for consultation purposes only, and is subject to consideration by the LGA Board of Directors.

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Background

The South Australian Productivity Commission (the Commission) has been asked to examine the trends in local government costs and efficiency and the drivers behind these trends. The terms of reference of the Inquiry can be found on the Commission's website¹.

Through the Inquiry, the Commission has analysed council expenditure and service provision data over the past ten financial years and sought to identify the drivers and trends in council costs.

The Commission has now released its draft inquiry report which outlines their draft recommendations to the South Australian Government on actions they could take to lower local government costs and enhance local government financial sustainability and, draft advice to councils on how they may measure and improve their performance over time.

Purpose of this Issues Paper

Through this Issues Paper the LGA is seeking to engage with our members to:

- outline the LGA's consultation process and associated timeframes;
- provide initial commentary on the recently released draft report²; and
- seek comments on the questions posed within the draft report to assist with the development of a sector-wide response.

Inquiry feedback opportunities and LGA consultation process

Councils can provide feedback either to the LGA to be incorporated into sector-wide submissions, direct to the Commission (please provide a copy to the LGA), or both.

Stage 1 – Methodology Paper (complete)

On 31 May 2019, the Commission released a Methodology Paper regarding the Local Government Inquiry into costs and efficiency.

In response to the Methodology Paper, the LGA developed an Issues Paper, facilitated a workshop (1 July 2019) and prepared two submissions.

Copies of the Issues Paper, workshop presentation and LGA submissions can be found here:
[LGA Members Site - LG Reform](#)

Stage 2 – Inquiry Draft Report (current stage)

The release of the draft report starts a further round of consultation with stakeholders, following which the Commission will consider all feedback; finalise its views; and submit its final report and recommendations to the Premier by 22 November 2019.

The Commission's draft report shows that councils are generally achieving a high rate of efficiency when compared with each other. However, it acknowledges there are opportunities for further

¹ www.sapc.sa.gov.au

² <https://www.sapc.sa.gov.au/inquiries/inquiries/local-government-inquiry/draft-report>

improvement, and the LGA will be looking carefully at the draft recommendations. A number of the suggested changes have previously been identified by councils and included in the LGA's submission on local government reform.

This report is only a draft and includes 19 requests for further information in areas such as workforce planning, resource sharing, industrial relations reform, and accountability and transparency measures.

The Commission will hold ongoing consultations with key stakeholders during September and October.

The closing date for written submissions is 25 October, which gives eight weeks for councils to respond to the Commission.

The Commission is required to publish the final report within 90 days.

The Inquiry will run concurrently with the Government's reform program, and where possible the LGA will align the consultation processes for the Inquiry and the reform program.

Proposed LGA consultation process

The LGA anticipates preparing two pieces of work in relation to Stage 2; a Summary Analysis/Issues paper (this document) to gather feedback from member councils and a submission to the Commission.

The LGA has facilitated two workshops with the Productivity Commission (3 and 4 September) to discuss the draft report. Further information including a copy of the Commission's presentation at the workshops can be found here: [LGA Members Site - LG Reform](#)

Proposed LGA consultation timeframes:

Draft report released	30 August 2019
LGA Summary Analysis/Issues Paper released	Approx. 2 weeks following release of report
Final deadline for feedback from members	4 October 2019
Final submissions to the Commission	25 October 2019

Stage 2 responses

The final deadline for comments and feedback to the LGA to be included in the sector-wide submission for Stage 2 is **COB Friday 4 October 2019**.

Responses can be submitted via email to Rebecca Muller, Senior Policy Officer at rebecca.muller@lga.sa.gov.au

Copies of individual council submissions to the Commission can also be provided via email to the address above.

Previous LGA advocacy and policy positions

The LGA has previously outlined a plan for sensible change³ which includes:

- sector wide benchmarking program
- strengthening the Council Members Code of Conduct
- best practice audit committees
- standardising external audits
- introduce a revenue policy
- diversifying local government revenue
- best practice service reviews
- supporting new boundary reform processes
- industry-wide industrial relations framework
- review representation reviews
- local government elections reform

The LGA strongly support the draft recommendation for sector-wide benchmarking. The LGA has been calling for State Government support for a performance reporting framework since 2017, and hopefully there will now be some action on this.

A sophisticated on-line benchmarking system would help councils identify opportunities for continued improvement and provide ratepayers with relevant information about their council's performance.

It's also encouraging to see that the impact of State Government decisions on councils has been recognised.

The LGA and member councils look forward to working with all members of state parliament to deliver sensible local government reforms that will benefit South Australian communities.

³ <https://www.lga.sa.gov.au/localgovernmentreform>



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Summary analysis of draft recommendations within the draft report

For the most part, the LGA will be guided by comments from member councils. Where the LGA Secretariat does have comment on the draft report, this is included below.

Draft recommendations to the South Australian Government

To lower local government costs and enhance local government financial accountability, the Commission proposes that the South Australian Government:	LGA Secretariat comments	Council comments
<p>1. Lift the capacity of local councils to identify and address opportunities to reduce their cost base and improve their operations by:</p> <p>In conjunction with local government, defining and establishing a sector wide performance monitoring framework that would enable comparisons between councils and over time to assist decision making by council leaders and to inform communities, including by:</p> <ul style="list-style-type: none"> i. Establishing common key performance indicators (KPIs) for inputs, outputs, service standards and financial indicators; ii. Optimising existing information held by the South Australian Government, especially that gathered by the South Australian Local Government Grants Commission; iii. Filling the gaps in the current information; iv. Publishing information in a contextualised form designed to assist individual councils. 	<p>This draft recommendation broadly aligns with the LGA's Local Government Reform Agenda advocacy for a sector-wide benchmarking program.</p>	<p>Does your council support the draft recommendation?</p> <p>In full or with modification?</p>



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<p>2. Facilitating benchmarking by clusters of councils through an appropriate mix of incentives for councils to participate and expectations that they will report information publicly in a format consistent with the framework.</p>	<p>This draft recommendation broadly aligns with the LGA's Local Government Reform Agenda advocacy for a sector-wide benchmarking program.</p>	<p>Does your council support the draft recommendation? In full or with modification?</p>
<p>3. Further lower council costs by addressing aspects of the relationship between the South Australian Government and local government by:</p>	<p>This draft recommendation broadly aligns with the LGA's advocacy for Local Government to be considered as a partner in Government and that we should be provided with an early seat at table when there are proposed changes which will impact on councils.</p>	<p>Does your council support the draft recommendation? In full or with modification?</p>
<p><u>In the short term</u></p> <p>i. Identifying and addressing inefficiency and red tape from the South Australian Government mandated services and other legislated requirements on:</p> <p style="padding-left: 20px;">a) councils</p> <p style="padding-left: 20px;">b) communities.</p> <p>ii. Adopting a strong South Australian Government review process for any measures affecting local government;</p> <p>iii. Clarifying local government responsibilities, including service standards, for mandated services.</p>	<p>The LGA is advocating for the following changes to the governance arrangements between state and local government:</p> <ul style="list-style-type: none"> • Update the State/Local Government Relations Agreement to strengthen engagement with local government on changes to legislation, policies and programs that are likely to have a direct financial impact on councils. • Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements. 	



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<p><u>In the medium term</u></p> <p>iv. Clarifying the respective responsibilities of the South Australian and local governments to remove unnecessary overlaps, or duplication and reduce uncertainty between governments.</p>	<p>The LGA is advocating for the following changes to the governance arrangements between state and local government:</p> <ul style="list-style-type: none"> • Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements • Cease mandating through state laws that local government must perform functions for the state government. 	<p>Does your council support the draft recommendation?</p> <p>In full or with modification?</p>
<p><u>In the long term</u></p> <p>v. Clarifying relevant aspects of s6, s7 and s8 of the Local Government Act 1999 to reflect an appropriate division between the levels of government and to make clearer the range of options available to councils in the performance of legislated functions.</p>	<p>The LGA is advocating for the following changes to the governance arrangements between state and local government:</p> <ul style="list-style-type: none"> • Establish service level agreements for the delivery of state services by local government including agreed responsibilities, cost sharing and funding arrangements • Cease mandating through state laws that local government must perform functions for the state government. 	<p>Does your council support the draft recommendation?</p> <p>In full or with modification?</p>

Summary analysis of draft advice within the draft report

For the most part, the LGA will be guided by comments from member councils. Where the LGA Secretariat does have comment on the draft report, this is included below.

Draft advice to South Australian councils

To guide and assist councils to improve efficiency and to create capacity to pass on cost reductions to rate payers, the Commission suggests that local government:	LGA Secretariat comments	Council comments
<p>1. As a body, facilitate in depth benchmarking between councils by:</p> <ul style="list-style-type: none"> i. Establishing a Community of Practice sponsored by the Local Government Association, to share among other elements: <ul style="list-style-type: none"> a) Methods, tools and approaches; b) Skilling of council staff; c) Panel of competent providers; and d) Lessons learned and examples of success. ii. Assisting in “matchmaking” South Australian councils that seek deep benchmarking opportunities (noting value of groups of councils at different levels) with other councils, including interstate comparisons; iii. Collectively undertaking a regular sector-wide analysis of efficiency measures. 	<p>The local government sector is working consistently to achieve greater efficiency, transparency and accountability.</p> <p>The LGA currently assists members via LGA Education and Training which provides access to relevant training programs and the LGA Members Site which provides a wide range of guidelines, model policies, tools and best practice examples to assist members.</p> <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	<p>Does your council support the draft advice? In full or with modification?</p>



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<p>2. Prioritise, in any systems upgrades, focus on improving collection, retrieval, analysis and presentation of information for planning, decision making, monitoring and managing performance.</p>	<p>This advice is broadly consistent with the LGA's Local Government Reform⁴ agenda.</p> <p>The LGA's sensible plan for local government reform identified that to build trust, communities require certainty that councils are delivering the right services at the right cost.</p> <p>A best practice program of services reviews with strong community engagement will assist in building community confidence and demonstrating efficiencies.</p> <p>In addition, the proposal for councils to adopt a revenue policy describing what mix of revenue options it proposes to adopt for each of its services and why it has made such choices would increase transparency and accountability.</p> <p>While the legislative framework should set our clear expectations regarding continuous improvement and service efficiency, it should not limit the sector to one prescribed approach.</p>	<p>Does your council support the draft advice? In full or with modification?</p>
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⁴ <https://www.lga.sa.gov.au/localgovernmentreform>



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3. Enhance the transparency and accountability of their operations by councils:

i. When considering new, or material changes to, council services, undertaking an independent review that includes consideration and analysis of alternatives to councils providing the service directly, community consultation; and publishing a report;

ii. Including in their external audits an examination of service reviews and program evaluations; and

iii. Incorporating in their published long-term asset and financial plans and draft annual budgets advice on whether changes to the scope or level of services are planned and their implications for council expenditure.

Any proposed framework should identify opportunities for further improvement, without duplicating existing measures or creating greater uncertainty.

For example, the LGA's Financial Sustainability program and the work done by the SALGFMG and the LG External Auditor's committee in increasing standards and ensuring councils use consistent definitions and interpretation of the Australian Accounting Standards have already contributed towards greater transparency and accountability in local government in South Australia.

Clarification was sought from the Productivity Commission in the workshop held on 4 September regarding their intent around the draft advice to conduct 'an independent review' (3.i.). They advised that they consider that the decision to conduct an independent review should reflect the materiality of the proposed change and be scalable in line with the extent of the materiality.

Does your council support the draft advice?

In full or with modification?

Summary analysis of Information Requests within the draft report

For the most part, the LGA will be guided by comments from member councils. Where the LGA Secretariat does have comment on the draft report, this is included below.

Chapter 2 – Structure, development and reform

The chapter examines the history, structure and evolution of the local government sector, particularly the legislative and governance environments which affect councils' decisions on the services delivered to their communities. It also considers the influence of the Australian Government on the capacity of councils to deliver services.

Finally, the chapter briefly examines some key local government reforms aimed at either efficiency improvement or cost reduction in other jurisdictions.⁵

2.1: Funding

FAGs funding is untied once distributed to the local government sector. From time to time the Australian Government also provides specific purpose grants to councils of either a capital (e.g. GFC School grants scheme) or operating nature (e.g. Adelaide Hills Council case study, Chapter 3) to achieve its particular policy objectives.⁶

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
How does the untied nature of FAG funding affect council decisions to provide non-mandatory services?	<p>Financial Assistance Grants (FAGs), which are un-tied in the hands of local Councils, are intended to improve Local Government's capacity to provide communities with an equitable level of services and to increase the effectiveness and efficiency of Local Government.</p> <p>The LGA Policy Manual (7.3.6 Untied and Specific Purpose Grants) states:</p> <p><i>Local government acknowledges that grants from other spheres of government are most beneficial when untied, and available unconditionally for a wide range of purposes.</i></p>	Councils are encouraged to provide examples or evidence on their council's experiences.

⁵ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 31)

⁶ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 37)

	<p><i>Local government shall continue to welcome grants from federal/state governments and negotiate terms that will most benefit local communities.</i></p> <p>The LGA would not be supportive of any suggestion to 'tie' FAG funding to specific purposes however advice is sought from member councils regarding whether it would be beneficial to have a 'statement of expectations' for any further increases above the current level of FAGs funding which expresses the priorities of the Commonwealth and would allow councils to better articulate back to the Commonwealth how councils activities are assisting in the delivery of those priorities.</p>	
How does other Australian Government program or project funding to councils, of a more ad hoc nature, affect council expenditure?	<p>Grant funding, whilst representing an opportunity to leverage funds to carry out projects which may otherwise not be achievable, can actually work against local government's focus on renewal and replacement of existing assets as grant funding is predominately focused on capital 'new' works rather than 'renewal' or 'maintenance'.</p> <p>Often within grant programs there is also a requirement to provide matching funding, plus there are the associated increase in interest costs, maintenance and depreciation following the construction of the asset. These additional costs also apply for assets vested by developers or by other levels of government.</p> <p>Grant funding is also often tied to a particular outcome or function (for example – funds must be used on open space or arts/culture projects) these areas may not be the highest priority area within a council's asset management plan however, in order not to miss out on funding opportunities, projects are brought forward or re-prioritised.</p> <p>There may also be examples of some grant programs which are set up with the best intentions but, for various reasons, SA councils have limited access to as they don't fit the current guidelines.</p>	Councils are encouraged to provide examples or evidence on their council's experiences.



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	<p>For example, the Commonwealth Government will provide \$640 million from 2015-16 to 2022-23, with an on-going commitment of \$85 million each following year to upgrade and replace bridges to enhance access for local communities and facilitate higher productivity vehicle access. However, over the life of the program, South Australia has been awarded 23 projects (out of 511 projects awarded nationally) and received total funding of just \$12 million (out of over \$395 million awarded nationally).</p> <p>The criteria for program and project funding need to be fit for purpose to support council needs, if Commonwealth funding is to support council financial sustainability.</p>	
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2.2: Competitive neutrality policy

The principle of competitive neutrality is given legislative expression in South Australia through the *Government Business Enterprises (Competition) Act* 1996 and applies to the business activities of publicly-owned entities whose activities include “producing goods and/or services for sale in the market place with the intention of making a profit and providing financial returns to their owners”. Local government business activities must also comply with the CPA.⁷

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>How, if at all, do the requirements of competitive neutrality policy affect councils' decision making on whether, and how, to provide services to their communities?</p> <p>This may include direct provision of services or contracting the services from private sector providers.</p>	<p>The LGA Secretariat is currently exploring local, national and international business models used by the local government sector to manage commercial operations and explore any current legislative barriers or opportunities that would enable greater innovation and investment in commercial activities, in order to offset the cost of council services for the community.</p> <p>A survey of councils has been completed and a discussion paper is being prepared that will be presented to GAROC for consideration in November 2019.</p>	<p>Councils are encouraged to provide examples or evidence on their council's experiences.</p>

⁷ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 37)



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2.3: Financial management

The local government reform process of the 1990s consisted of legislative changes and other structural reforms. Subsequently there was a new focus on financial management reforms.

The LGASA's Financial Sustainability Program (FSP) produced resources to assist councils to achieve and maintain financial sustainability.⁸

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
How have the financial management program reforms affected councils' ability and incentives to manage costs?	The LGA's submission in response to the Commission's Methodology Paper reported the improvement in the financial performance of councils and the Commission noted that, while some councils are recording deficits, the sector as a whole has moved from deficit to surplus.	Councils are encouraged to provide examples or evidence on their council's experiences.
What changes to the type or quality of financial management information would assist councils to improve their decision making and contribute to better performance?	The LGA are open to suggestions of improvements that can be made to further assist member councils.	

⁸ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 38)



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Is there a need for a stronger external auditing process to increase councils' compliance with their legislated responsibility to produce long-term asset and financial management plans and lift the quality of these plans? If so, what form should it take?

The LGA notes that there is no independent or external body (including the SA Auditor-General) that has adversely commented on the standard of external audits conducted by SA councils.

We also note that the Auditor-General does not support the suggestion, in the recent Office of Local Government Discussion Paper on Local Government Reform, that he be given oversight of the external audit function of SA councils.

The LGA proposes to use a best practice approach to encourage councils to make the best use of their audit committees.

Each council is required to establish an Audit Committee to, among other things, review the financial statements of the council, provide advice on council's Strategic Management Plan and Annual Business Plan and review the adequacy of council's internal controls and financial management systems.

Many councils have voluntarily expanded the role of their audit committee beyond what is legally required.

Each audit committee must have at least one independent member and it is widely acknowledged within the sector that having more than one independent member, including an independent Chair is best practice.

The way in which many councils have established their audit committees demonstrates that a heavy-handed legislative response is not always required to achieve positive change within local government.



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2.4: Workforce planning

Training and upskilling can lift labour productivity and the efficiency of local councils. The literature suggests there is considerable variation in the workforce capabilities of councils.⁹

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
Have councils experienced any issues with attracting and retaining workers or securing workers with specific skills?	Anecdotally, the recruitment and retention of staff can be difficult particularly for regional councils. Drivers may include a lack of qualified individuals locally, remoteness of location, the inability of councils to compete with the private sector and the lack of opportunity for career progression.	Councils are encouraged to provide examples or evidence on their council's experiences.
Are these issues unique to individual councils?	The LGA will be guided by comments from member councils.	
Is there value in a sector-wide or region-wide approach to workforce planning and the development of specific skills to support councils?	The LGA currently assists members via LGA Education and Training which provides access to relevant training programs. The LGA are open to suggestions of improvements that can be made to further assist member councils.	

⁹ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 40)



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2.5: Resource sharing

Within the local government sector, resource sharing currently occurs in a variety of forms and at different levels of legal and administrative formality, ranging from the highly informal, such as information sharing arrangements between councils, to formal legal structures, including subsidiaries established under sections 42 or 43 of the LG Act.¹⁰

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
What is the potential for additional use of resource sharing to deliver efficiencies and other benefits to participating councils?	The LGA will be guided by comments from member councils.	
In councils' experiences of resource sharing, what works and what does not? Why?	Councils are asked to provide further examples of resource sharing.	
Are there any impediments to the greater uptake of various forms of collaboration or resource sharing?	The LGA will be guided by comments from member councils.	
What challenges, if any, do councils face in making use of the provisions contained in sections 42 and 43 and Schedule 2 of the Local Government Act 1999 to deliver effective and efficient services to their communities?	<p>The LGA Secretariat is currently exploring local, national and international business models used by the local government sector to manage commercial operations and explore any current legislative barriers or opportunities that would enable greater innovation and investment in commercial activities, in order to offset the cost of council services for the community.</p> <p>A survey of councils has been completed and a discussion paper is being prepared that will be presented to GAROC for consideration in November 2019.</p>	

¹⁰ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 41)

Chapter 3 – Local government costs

This chapter examines trends and changes in council operating expenditure and likely explanations for these changes. To understand the cost drivers, the Commission examined councils' costs for the period from 2008-09 to 2017-18 on both a resource (or input) basis and a function or service (output) basis.¹¹

3.1: Materials, contracts and other costs

Materials, contracts and other costs is the most substantial category of expenditure for councils making up approximately 41 per cent of total operating expenditure.

The average rate of increase for materials and contract expenditure, over the last 10 years, was 4.0 per cent annually and this was similar across both urban and rural councils.¹²

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
What are the main drivers of materials, contracts and other costs for rural small and medium councils?	Drivers may include a lack of suppliers locally, remoteness of location and competition with the private sector. Councils are asked to provide examples.	Councils are encouraged to provide quantifiable examples or evidence on their council's experiences.
In what ways do current council procurement practices affect expenditure on materials, contracts and other costs?	The LGA will be guided by comments from member councils.	Councils are encouraged to provide quantifiable examples or evidence on their council's experiences.

¹¹ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 47)

¹² South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 53)



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3.2: Population density

The population of South Australia continues to grow and its composition is changing. This growth is creating external cost pressure in many councils. The annual increase in population growth in the urban metropolitan and fringe council group will potentially exacerbate cost pressures. Changes in the demographic composition will also drive changes in expenditures as an ageing population brings increased demand for access to its services.¹³

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
How does increasing population density and urban infill impact on council service costs?	Growth areas – may require councils to increase service levels and/or introduce additional services, may also speed up consumption of assets.	Councils are encouraged to provide quantifiable examples or evidence on their council's experiences.

¹³ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 79)



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3.3: Sector wide service standards

While acknowledging the use of surveys by a significant number of councils, the Commission has not been able to obtain any standardised sector-wide quality or service standard data to analyse the effects of changes in service standards on council operating costs.¹⁴

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
How do councils currently define and measure standards of service delivery?	Some councils undertake formal service reviews and/or community surveys to ensure the services they provide are relevant to their communities and are financially sustainable in the long term, a number of known examples of these have been provided to the Commission as part of the LGA's previous submissions.	Councils are encouraged to provide examples or evidence on their council's experiences.
What measures could be developed on a sector wide basis to measure quality standards for either mandated or non-mandated services?	<p>The LGA proposes the development of a best practice guide to undertaking service reviews. Service reviews should consider service levels, unit costs, community demand, community satisfaction, alternative providers and links to financial sustainability. Standardising the approach to measuring and reporting these factors will assist councils and communities to understand the value of the financial and community value of the services delivered.</p> <p>A prescriptive approach to undertaking service reviews must be avoided to ensure that efficiency gains are not eroded by additional red tape and compliance costs.</p>	

¹⁴ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 80)



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3.4: Cost shifting

The Commission has formed the view that there have been some instances of cost shifting which have raised council costs. However there also appear to be a number of cases where councils have control over expenditure decisions and the term cost-shifting should not be applied. The term cost shifting in practice is unhelpful particularly where it includes a choice by councils to accept tied funding. In such circumstances the commission considers cost sharing rather than cost shifting, is a more accurate description. The Commission is seeking clarification on this from councils.¹⁵

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
To what extent do councils receive external funding or an ability to charge fees for delivery of mandatory services?	<p>South Australian councils receive the lowest total revenue per capita of all mainland states, and this is in part attributed to the significant gap between the fees and charges that can be raised by interstate councils for undertaking regulatory functions such as planning and building assessments and food safety inspections.</p> <p>The LGA continues to advocate, as part of our Local Government Reform agenda, for a comprehensive review of local government fees and charges regulated by the State Government to establish modern price setting principles which promote efficiency, flexibility and fairness in service delivery.</p>	Councils are encouraged to provide examples or evidence on their council's experiences.

¹⁵ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 81)



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<p>To what extent are councils able to fully recover costs for the mandatory services listed in appendix 4?</p>	<p>The LGA's submission in response to the Commission's Methodology Paper outlined:</p> <p>Cost recovery – fees and charges</p> <p>The LGA and the South Australian Financial Management Group (FMG) has raised concerns for some years regarding fees and charges that are fixed by State Government Statute. Many of these fees and charges have not been reviewed for many years and there has been concern that the lack of review is leaving councils with a burden of legislated work without being able to charge adequate fees and charges to cover costs.</p> <p>Planning and Development</p> <p>Councils are covering a large portion the cost of implementing the new e-planning system under the Planning, Development and Infrastructure Act 2016. The fees applicable to councils to support the cost of maintaining the SA Planning Portal are a significant impost for many councils. There are also costs and fees incurred by both professional staff and/or councils under the new accredited professional schemes. Further, there is a significant shortfall in the development and compliance income councils receive from undertaking these functions. Our member councils tell us that their total income is only 29 percent of total costs and that development assessment income only covers 31 percent of their assessment costs.</p>	<p>Councils are encouraged to provide quantifiable examples or evidence on their council's experiences.</p>
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How are service scope and standards determined for mandatory services?	<p>SA councils are required to:</p> <ul style="list-style-type: none"> develop an Annual Business Plan and Budget which outlines amongst other things: <ul style="list-style-type: none"> (i) the council's objectives for the financial year; and (ii) the activities that the council intends to undertake to achieve those objectives; and (iii) the measures (financial and non-financial) that the council intends to use to assess the performance of the council against its objectives over the financial year. 	Councils are encouraged to provide examples or evidence on their council's process.
Councils are asked to provide further information on instances of cost shifting and quantify how they have impacted on councils' costs.	<p>The LGA's previous submissions to the Commission included information on the broad cost shifting areas such as Solid Waste Levy and Community Housing mandatory rebates.</p> <p>The Commission is particularly interested in what this means for individual councils and has asked for further examples of cost shifting along with information on how these have impacted on councils' costs.</p>	Councils are encouraged to provide quantifiable examples or evidence on their council's experiences.



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3.5: Compliance costs

A number of submissions from councils...argued that the costs of complying with legislation and regulation have increased council operating costs.¹⁶

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
Councils are asked to provide further examples of compliance costs and quantify how they have impacted on councils' costs.	<p>The LGA's previous submissions to the Commission included broad information on:</p> <p>Local Government Elections - costs of carrying out official duties and arranging advertising for local government elections.</p> <p>Nuisance and Litter Control Act - since July 2017, local councils have been responsible for enforcing the Local Nuisance and Litter Control Act. Some councils are indicating they are finding it difficult to keep up with the volume of complaints.</p> <p>Implications of changes to heritage system - the changes proposed by the State Planning Commission (SPC) will lead to about 11,000 Contributory Items being unprotected from demolition control. The cost of review of each of these items has been estimated to cost between \$300-500 per item (consultant costs), plus additional internal resourcing in amending development plans.</p> <p>The Commission is particularly interested in what this means for individual councils and has asked for further examples of compliance costs and quantify information on how they have impacted on councils' costs.</p>	Councils are encouraged to provide quantifiable examples or evidence on their council's experiences.

¹⁶ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 82)

3.6: Cost pressures

The Commission is seeking additional information and evidence from councils to identify and understand drivers of councils' costs, the extent to which they are internal or external to councils, the extent to which cost pressures are systematic or unique to particular councils, and their impacts on council costs.¹⁷

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
What are the most significant cost pressures (and their impact on costs) which councils expect to face over the next 5 years?	<p>This may include:</p> <ul style="list-style-type: none"> • industrial relations – staff turnover/competition in labour market • properly accounting for and maintaining important infrastructure • technology advancements • grant timing and reliability • increase in supplier costs • increased number of force majeure events (bushfires, floods) • shift in demographics (causing significant increase/decrease in demand for services/assets) • skills shortage in region • change in economic contributor to region (major redundancy, industry/market failure in region) • cost shifting/sharing • change to regulations and/or legislation • limits on other revenue sources including user pays fees • climate change • ratepayer expectations • red tape. 	

¹⁷ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 83)

Chapter 4 – Local government efficiency and productivity

The term efficiency in this chapter refers to technical efficiency. An organisation is technically efficient if it produces the largest possible output from a given set of inputs, or if it uses the least possible quantity of inputs to produce a given level of output.¹⁸

This chapter presents the principal methodological approaches used in the Commission's analysis.¹⁹

4.1: Performance reporting

The LGA will be conducting further analysis of this section however councils are directed to pages 90 to 101 of the draft report which discusses the performance monitoring in other jurisdictions.

Performance and efficiency measurement play a role in helping councils to understand of their business and to improve outcomes through reduced costs or better services. This section describes performance monitoring activities across Australia to assist the identification of mechanisms and indicators that might usefully be employed by local government in South Australia.²⁰

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
How can these lessons from state-wide performance reporting frameworks in other jurisdictions be applied to South Australia?	<p>Consideration should be given to the cost to implement any proposed model and that this doesn't become an additional cost driver that works against local government's efforts to put downward pressure on council rates.</p> <p>Councils should be provided with assistance to implement reporting systems, and care should be taken to limit duplication with any existing data collections (so councils don't have to replicate data with slightly different requirements, time periods and formats).</p>	
Which indicators used in other jurisdictions would be appropriate for South Australian councils?	Achieving consistent data reporting across 68 councils will be a resource intensive exercise and consideration will need to be given to the items that are reported to	

¹⁸ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 86)

¹⁹ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 87)

²⁰ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 87)

	<p>ensure that they deliver some strategic, operational and policy benefit.</p> <p>The LGA would welcome suggestions from member councils.</p>	
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4.2: Partial productivity estimates

The LGA will be conducting further analysis of this section however Councils are directed to pages 102 to 113 of the draft report which discusses the partial productivity measure estimates for South Australian councils for the selected services areas of Transport, Waste Management, Planning and Library Services.

The data demonstrates that urban councils face different unit costs than rural councils, and that metropolitan urban councils differ from urban regional councils. For example, urban councils have significantly higher expenditure per kilometre of sealed roads than other councils, but lower expenditure per tonne on waste collection. Furthermore, there is significant variation within each council group.²¹

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
What do these partial productivity estimates tell us about local government efficiency?	<p>Technical efficiency is an important element in defining efficiency but this should also be underpinned by the principles of meeting community needs or desires (which may include a request for increased service levels), achievement against strategic management plans, achieving increased/enhanced community/social outcomes and sound asset management practices (where higher quality costs may be deemed to be relatively less technically efficient but are optimising asset lifecycle costs or performance).</p> <p>A true estimation of local government efficiency should consider additional indicators at an individual council level such as the existing Financial Indicators, community</p>	Councils are encouraged to provide examples or evidence on their council's experiences.

²¹ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 87)



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	satisfaction survey results and an assessment of achievements against Annual Business Plans.	
What other partial productivity estimates can be used with currently available data?	The LGA will be guided by comments from member councils.	
What additional data would councils be able to report on for minimal additional cost which would improve our understanding of council efficiency?	The LGA will be guided by comments from member councils.	
Is there any other evidence of an expansion in the scope of council services, or improvement in quality over this time period?	The LGA will be guided by comments from member councils.	
Is the current reporting to the SALGGC an appropriate process for any additional reporting by councils? Is there value in making any changes to this reporting?	The LGA will be guided by comments from member councils.	

4.3: Service-specific efficiency

Data availability has limited the number and quality of partial productivity indicators that the Commission has been able to estimate. There are also some concerns with the consistency of the financial data at the individual service level and their comparability across councils. For instance, there may be differences in how councils apportion indirect costs across services and allocate costs to each of the SALGGC expenditure subcategories. Moreover, output quantity data that are reported to the SALGGC but not used by them are subject to less thorough checking than the financial data.²²

The Commission investigated possible options for measuring service-specific global efficiency estimates, including obtaining expert advice from Economic Insights, and has concluded that currently available data do not support this exercise at this point. Nevertheless, the Commission sees value in further work in this area.²³

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>Acknowledging the gaps in data currently available, how can data quality be improved in order to measure service-specific efficiency across councils?</p>	<p>The LGA recognises the need for a sector-led performance management system, with a primary aim of providing reliable data with which councils can make informed decision.</p> <p>Much of the data is already collected by councils and stored on their corporate IT systems. Optimally, a central system would automatically extract the required data from the 68 councils, collate, analyse and present it in a meaningful manner. In doing so, such a system could increase council efficiency and reduce the considerable time currently devoted to collection, analysis and reporting of data.</p> <p>A performance measurement system with subsequent analysis of information would lead to a more efficient local government sector and, hence, a more productive state. As such there is a case for state government financial support for the scoping and then creation (but not ongoing costs) of such a system.</p>	<p>Councils are encouraged to provide examples or evidence on their council's experiences.</p>

²² South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 103)

²³ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 120)

4.4: Efficiency changes through time

Quantifying changes in the volume and scope of council services is problematic. The Commission has not been able to identify any standardised measures of service quality across councils, which limits incorporating service quality into the model.²⁴

Data issues have also prevented the Commission from quantifying any expansion in the scope of services provided by councils.²⁵

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
How can the change in volume, scope or quality of services be quantified or otherwise incorporated into an evaluation of local government efficiency?	<p>To build trust, communities require certainty that councils are delivering the right services at the right cost. A best practice program of services reviews with strong community engagement will assist in building community confidence and demonstrating efficiencies.</p> <p>Councils already undertake regular reviews of key services to ensure they are meeting community needs, being delivered in an efficient manner and not impacting on the long-term financial sustainability of the council. Sometimes difficult and unpopular decisions need to be made about reducing or consolidating services for the sake of greater efficiency and sustainability. It is important that these decisions about the range and level of local services provided remain in the hands of councils and their communities.</p> <p>The LGA proposes to develop a best practice guide to undertaking service reviews. Service reviews should consider service levels, unit costs, community demand, community satisfaction, alternative providers and links to financial sustainability. A sector-led consistent approach to measuring and reporting these factors will assist councils and communities to understand the value of the financial and community value of the services delivered.</p>	Councils are encouraged to provide examples or evidence on their council's experiences.

²⁴ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 121)

²⁵ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 122)

4.5: Factors that influence estimated council efficiency

Council performance may be influenced by factors outside their control, including socio-economic and demographic characteristics of council areas, their geographic location, and operating and policy environments, as discussed in Chapter 3. Submissions from stakeholders also noted factors such as growth areas, ageing populations, labour market shocks (for example, large scale redundancies such as the closure of automotive manufacturers) and thin markets (LGASA submission, p.32).²⁶

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
What other factors can explain the estimated efficiency differences between councils or over time?	Some of these noted in the consultation process, including submissions, are outlined below ²⁷ : <ul style="list-style-type: none"> multiple towns/service delivery centres climatic factors soil types topographic differences coastal versus inland setting tourism quality of services. 	Councils are encouraged to provide quantifiable examples or evidence on their council's experiences.
What factors can explain the estimated productivity differences between councils over time?	As above.	Councils are encouraged to provide quantifiable examples or evidence on their council's experiences.
What other possible data sources can improve this analysis?	The LGA is conducting further research on other data sources however suggestions from member councils is welcomed.	
What further information could be considered to analyse and interpret estimated partial and global efficiency scores?	The LGA is conducting further research however suggestions from member councils is welcomed.	

²⁶ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 122)

²⁷ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 124)

Chapter 5 – Costs and efficiency improvements

Trends in, and possible drivers of, expenditure in the local government sector shows that the growth in local government operating expenditure over the last decade has been relatively high. Urban metropolitan and fringe councils consistently recorded higher growth in operating expenditure than other councils during this period. This growth has been greater than underlying measures of inflation and has been funded, in the main, by increases in rate revenue, thereby putting upward pressure on the cost of living for ratepayers.²⁸

5.1: Employee costs

The Commission has found that councils' operating expenditure is mainly made up of employee costs and materials, contracts and other costs, which accounted for 35 per cent and 41 per cent of total sector operating expenditure in 2017-18. These proportions have not changed significantly since 2008-09.

Sector expenditure on employee costs increased more, in percentage terms, over the decade than any other expenditure category at an annual average increase of 4.5 per cent, although growth has moderated over the decade in both urban and rural councils.²⁹

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
Are there any benefits from streamlining the current industrial relations arrangements by moving to sector-wide enterprise bargaining?	<p>The LGA has started looking at opportunities to streamline processes within local government through an industry-wide industrial relations framework which enables a culture of meaningful, open and respectful engagement between employees, management and unions.</p> <p>Our work to date demonstrates there is an opportunity to align the sector workforce through a modernised industrial relations framework. An aligned workforce will provide individual councils with continued success and simultaneously deliver wellbeing to employees through shared values and commitments; support individual council's strategic and business plans; secure a multi-skilled and engaged workforce; foster flexibility and continuous improvement in the local government sector; enhance productivity and significantly reduce duplicated costs and effort.</p>	

²⁸ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 128)

²⁹ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 128)

5.2: Quality and quantity of data

The Commission's identification of cost drivers has been constrained by a lack of data, particularly with respect to outputs and quality. It has formed the provisional view, through consultation with councils, that increases in the scope, volume and quality of outputs have been a significant driver of growth in councils' operating expenditure.³⁰

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
How can councils be assisted to work collectively to improve the quantity and quality of the available data on inputs, outputs and outcomes for services?	<p>The LGA would welcome a local government-led Local Government Efficiency Program, which would:</p> <ul style="list-style-type: none"> capture and report on local government performance measurement data in a consistent way enhance integration of Asset Management Plans, Long Term Financial Plans and Strategic Management Plans be based on a maturity model - that helps councils assess their current effectiveness and identifies the capabilities that are needed in order to improve their performance. <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	

³⁰ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 133)

5.3: Strengthening councils' accountability and transparency

South Australia's legislative framework, particularly the LG Act itself, not only recognises local government as a separate and legitimate sphere of government in its own right, but also provides councils with a high degree of autonomy to act as decision makers in their communities. The quality of councils' decision-making will therefore have a significant effect on the service mix that councils provide in their communities. This is especially important in relation to non-mandatory services, where councils' discretionary authority is greatest, but is also important when councils consider the scope and quality of service provision for mandatory services.³¹

The Commission is seeking information and views on:	LGA Secretariat comments	Council comments
<p>How can the South Australian Government strengthen the accountability and transparency of councils?</p> <p>Possible instruments include:</p> <ul style="list-style-type: none"> • funding; • legislation and monitoring of implementation through audits of the processes of local government decision making; and • an agreement with councils and regular dialogue to reinforce the expectation that councils will conduct audits of the processes of local government decision making. 	<p>The LGA would welcome a local government-led Local Government Efficiency Program, which would:</p> <ul style="list-style-type: none"> • capture and report on local government performance measurement data in a consistent way • enhance integration of Asset Management Plans, Long Term Financial Plans and Strategic Management Plans • be based on a maturity model - that helps councils assess their current effectiveness and identifies the capabilities that are needed in order to improve their performance. <p>The LGA are open to suggestions of improvements that can be made to further assist member councils.</p>	

³¹ South Australian Productivity Commission Draft Report – Inquiry into Local Government Costs and Efficiency (page 138)



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<p>Should councils be required to undertake an independent external audit of their expenditure and efficiency in the event of that they record relatively high operating expenditure growth in a given period?</p>	<p>A heavy-handed legislative response is not always required to achieve positive change within local government, the LGA proposes to use a best practice approach to encourage councils to make the best use of their audit committees.</p> <p>Consideration should be given to the cost to implement any proposed model and that this doesn't become an additional cost driver that works against local government's efforts to put downward pressure on council rates.</p>	
<p>Would growth in operating expenditure over any three-year period (normalised for population growth) which exceeds the rise in the Local Government Price Index for that period be an appropriate trigger for such an audit?</p>	<p>Current legislation requires councils to publicly report broadly on where their revenue comes from. However, councils are not required to adopt a revenue policy describing what mix, of this suite of revenue options, it proposes to adopt for each of its services and why it has made such choices.</p> <p>A revenue policy would create a single point of reference to enable the community to understand how a council proposes to pay for the services it chooses to deliver over a period of time, taking into account rates, grants, fees and charges and commercial activities.</p>	



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Choose a **FREE** collection or drop-off service for the 2019-2020 financial year.

Collection from your property

Contact NAWMA to book a service at least four (4) weeks before collection.

Drop-off locations

NAWMA Resource Recovery Centre
 Gate 3 Belchambers Road, Colisburgh North
 Open Mon to Fri 8am - 4pm, Sat & Sun 9am - 3pm.
 Closed New Year's Day, Good Friday, Anzac Day and Christmas Day.
 Free trailer hire is available for hard waste drop-off.
 *Booking and refundable deposit required.

Eco Waste Solutions
 101 Kellys Road, Williston
 Open Mon to Fri 7am - 5pm, Sat 8am - 2pm.

No more than 2m long, 1m high and 1m wide.

Items suitable for hard waste collection

- ✓ Furniture including carpets (must be rolled up) and mattresses.
- ✓ Refrigerators, stoves, washing machines, dishwashers & small kitchen appliances.
- ✓ Domestic household items: e.g. toys, bikes, empty clean paint tins (with lids removed), car rims (not tyres) and other scrap metal.
- ✓ Electronic items (anything with a cord).
- ✓ Timber no longer than 2m, free of nails and bundled.
- ✓ Cardboard flattened & tied in bundles of 10 or less.

Note: Items must be able to be picked up by two people.

Items NOT suitable for hard waste collection

- ✗ General household waste or clothing.
- ✗ Green waste.
- ✗ Hazardous waste (e.g. asbestos, chemicals).
- ✗ Car bodies/car parts.
- ✗ Broken glass.
- ✗ Ammunition, explosives or gas bottles.
- ✗ Paint tins containing wet paint.
- ✗ Construction/building materials, rocks or dirt.
- ✗ Car tyres and gas cylinders.

Note: concrete, clay bricks and other masonry are only permitted in hard waste if you are using a hard waste drop-off voucher and taking material to a Resource Recovery Centre.



Please remember

- All items should be placed before 7am on the collection day.
- Collection is between 7am and sunset.
- Items must be neatly stacked inside of your property boundary, not on the verge.
- Small items can be placed together in cardboard boxes.
- The amount of material should not exceed 2 cubic metres.

To book your hard waste collection or drop-off service
Call **NAWMA on 8259 2100** or visit the NAWMA website
www.nawma.sa.gov.au

You must book your free service at least four weeks ahead.

2020-21 BLACK SPOT CRITERIA

	Australian Government	South Australian Government
Who can nominate	Councils, DPTI, organisations and individuals	Councils, organisations and individuals
Eligible Roads	National Highways, State and Local Roads	Local Roads
Endorsement of Recommended Projects	Australian Government - SA Consultative Black Spot Panel	DPTI
Funding & Project Cost Criteria		
Program Funding	100% Australian Government funded	State Government funded (DPTI Annual Program). Funding amount will vary depending on projects received
Contributions to Project Cost	Yes – encouraged	Yes minimum of one third of total project cost is mandatory from Councils
Funding Distribution • Metro / Rural	Approximately 50:50	Dependent upon nominations received
Reactive Projects Proactive Projects	Up to 100% reactive projects (BCR ≥ 2.0) Up to 30% proactive projects (no minimum BCR, however Road Safety Audit required)	
Maximum funding contribution towards Project Cost	\$2,000,000 (DPTI and Council Nominations)	
Minimum Project Cost	\$20,000	
Cost Estimate requirements¹	Registered DPTI estimate required for all DPTI projects Detailed cost estimate required for Local Government projects >= \$150,000 – refer nomination form and DPTI Estimating Manual	
Eligible Costs	All direct costs including capital and design costs	
Ineligible Costs	Purchase of road-building plant or equipment / Costs involved in the preparation of Road Safety Audits / Maintenance costs; and Costs incurred after installation	

¹ NOTE: REGISTERED ESTIMATE REQUIREMENTS IN LINE WITH DPTI ESTIMATING MANUAL

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2020-21 BLACK SPOT CRITERIA

	Australian Government	South Australian Government
Crash Criteria		
Intersection or Mid-Block (< 3km)	3 casualty crashes in the last 5 years	
Road Length (≥ 3km)	0.20 crashes/km/year over last 5 years	
Crash Period	Recent 5 years (i.e. From 2014 to 2018 for 2020-21 program)	
Benefit – Cost Ratio (BCR) using either BITRE costs method or Austroads costs method, whichever is higher	≥ 2.0	
Discount Rate	7%	
Crash Reduction Factors	From Australian Government Black Spot Notes on Administration and DPTI BCR calculation spreadsheet	
Prioritisation (Reactive Projects)	Based on BCRs using BITRE methodology or Austroads crash type costs method	
Prioritisation (Proactive Projects)	Based on ARRB Risk Reduction Cost Ratio	NA
Proactive projects	Require Road Safety Audit	NA

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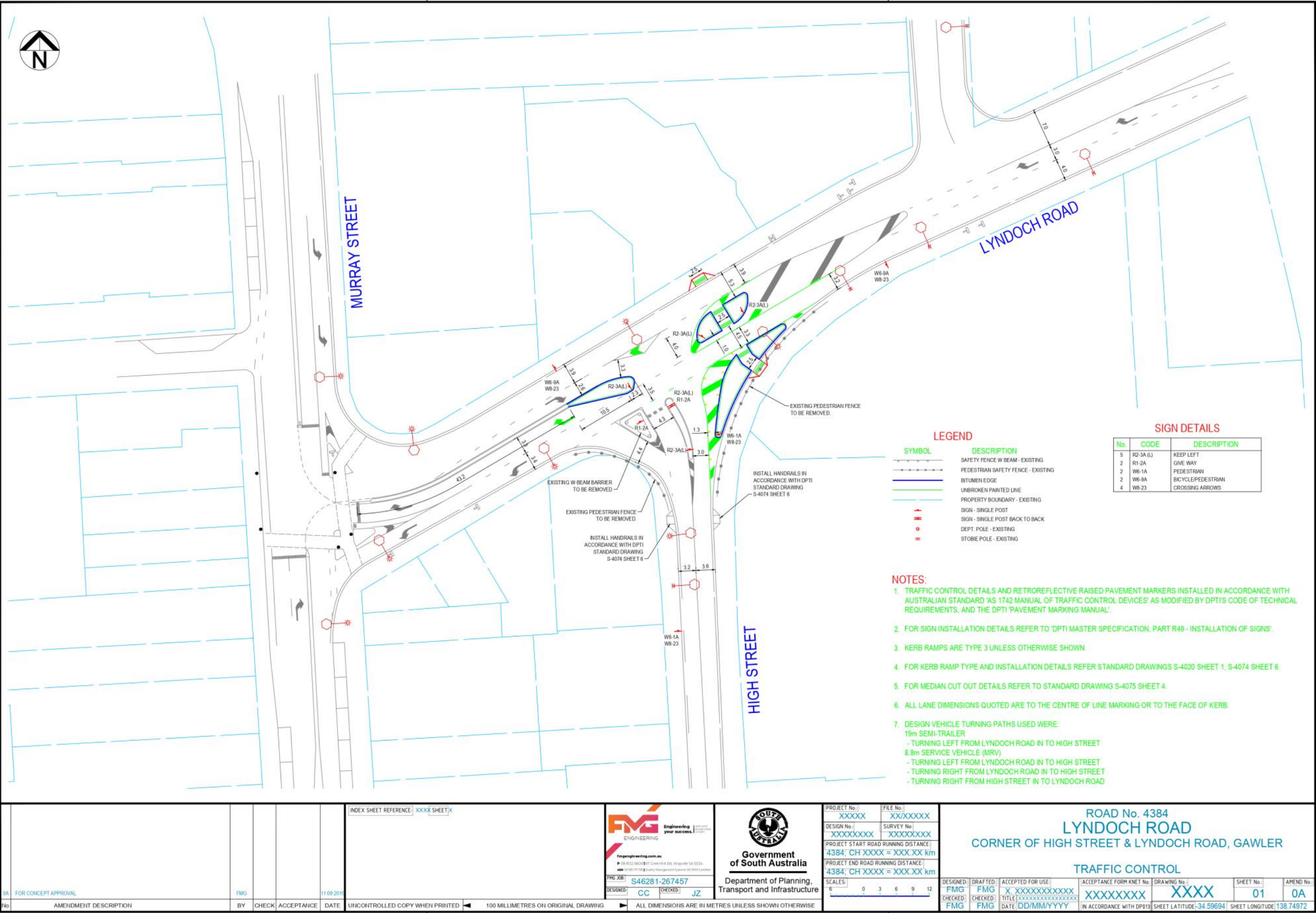
2

2020-21 BLACK SPOT CRITERIA

	Australian Government	South Australian Government
Project Delivery		
Funding Deed needed between Council and DPTI	Yes	
Time Frame	Project to be completed within the financial year unless approved as specified in Funding Deed	
Approvals	Design and technical approvals from DPTI for works on National and State Roads Environment, Heritage and Aboriginal clearances where required	
Project Signs	Yes, for projects value: <ul style="list-style-type: none"> • < \$100,000 – temporary signage during construction • ≥ \$100,000 – permanent signage during the construction and one year after construction 	Yes During the construction and one year after construction
Reporting	<ul style="list-style-type: none"> • Status reporting as specified • Variation Form - in case of variations to scope and/or cost • Project Completion Report, and • As specified in Deed or other 	
Recognition	All media releases to acknowledge that funding is from Australian Government Australian Government approves media releases	All media releases to acknowledge that funding is from Government of South Australia

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3



Prepared by Savills Valuations Pty Ltd
Our Ref: 19022709



Grant Road, Evanston South, SA

For Town of Gawler

Date of Valuation: 11 July 2019
Date of Issue: 19 August 2019

savills
valuation report

savills.com.au/valuations

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Executive Summary

Grant Road, Evanston South, SA

Instructing Party	Ms Rebecca Howard of Town of Gawler to provide the Market Value of the subject property for proposed disposal and amalgamation purposes.	
Valuation Purpose	Proposed Disposal and Amalgamation Purposes	
Property Description	<p>The subject property is located approximately 35 kilometres north of the Adelaide CBD at Evanston South. More particularly the subject land is located on the eastern side of Main North Road between the Gawler Gateway Tourist Park and a creek reserve to the south of Gale Road.</p> <p>The subject comprises a narrow, elongated parcel of land which is the unformed road reserve known as Grant Road extending from Main North Road in an easterly direction approximately 500 metres to land owned by the Minister for Environment. The western portion of the land is curved and the width varies slightly, but is generally approximately 15 metres wide. The eastern portion is of an essentially regular shape. The road reserve runs along the edge of the Tourist Park land and the creek line, has never been formed, and is not used as a road or property access.</p> <p>The land provides access to CR5763/806 which is Crown Land under the name of the Minister for Environment. The Minister has agreed that should the road be closed, this Crown Record can be amalgamated with CR5905/84 to provide road access from Smith Road to the South.</p> <p>The intent is that the road will be closed by the Town of Gawler and amalgamated with the Tourist Park land.</p>	
Site Area	6,800m ² (approximately)	
Zoning	Road Reserve:	Rural zone – Town of Gawler
	Gawler Gateway Tourist Park:	Residential Park zone – Town of Gawler
Date of Valuation & Inspection	11 July 2019	
\$Rate/m² of Improved Site Area	\$4.38/m ²	
Adopted Market Value	\$30,000 (*)	
Prepared by	Alastair Johnston AAPI	
	Certified Practising Valuer	
	Savills Valuations Pty Ltd	

(*) This valuation amount is exclusive of a Goods and Services Tax and is expressed in \$AUD.

We advise that this summary must be read by the nominated party(ies) in conjunction with the attached report (including appendices) of which this summary forms part. This valuation summary should not be relied upon in isolation for finance or any other purposes. Liability limited by a scheme approved under Professional Standards Legislation. Savills will not be liable for loss of business revenue, contracts, savings or consequential losses as a result of any reliance on the opinions expressed in this report.



Critical Assumptions

Grant Road, Evanston South, SA

Verifiable Assumptions	<ul style="list-style-type: none"> ■ We have relied upon the site area provided to us for the purposes of this valuation, and should a formal survey prove the area to be incorrect we reserve the right to review this valuation; ■ That following amalgamation the subject land will be incorporated within the Residential Park zone; ■ Valuation assuming vacant possession; ■ That the property is not the subject of any proposed resumptions; ■ That the property is not affected by flooding or overland flow paths; ■ That the property is not affected by contamination in any form; ■ That there are no notifications or restrictions that would have an adverse effect on the value of the property; ■ That all certificates and approvals are in place as required by the local authority; ■ That the property is occupied and managed in full compliance with the law; ■ That the information supplied by the instructing party is fulsome, accurate and current; ■ We have assessed the Market Value of the property in accordance with the Market Value definition referred to in Section 1 of this report. In the event that a sale was to occur in circumstance not reflecting that definition, the price realised may be at a substantial discount to the Market Value assessed.
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Should any of the assumptions in this report be incorrect or inaccurate, then we reserve the right to amend the valuation and the report.



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Annexures

- Certificates of Title
- Deposited Plan
- Extract from Development Plan

Grant Road, Evanston South, SA | Ref 19022709
11 July 2019



1 Introduction

1.1 Instruction

We have been instructed by Ms Rebecca Howard of the Town of Gawler to assess the Market Value of the subject property, for proposed disposal and amalgamation purposes.

This valuation has been prepared for proposed disposal and amalgamation purposes and can be relied upon by the Town of Gawler, subject to the commentary, suggestions, recommendations and details herein.

This valuation has been prepared in accordance with the Australian Property Institute's Current Valuation Standard, RICS' Valuation Global Standards 2017 and International Valuation Standards (IVS). All investigations have been conducted independently and without influence from a third party in any way.

1.2 Basis of Valuation

We have assessed the valuation on the basis of a Freehold title, subject to vacant possession assuming amalgamation with the adjoining property known as 3134 (A62 FP154963, A1001 DP54686 & A81 DP6328) Main North Road, Evanston South SA.

This valuation is determined on the basis that the property, the title thereto and its use is not affected by any matter other than that mentioned in this report.

1.3 Market Value Definition

Market value as defined by the International Valuation Standards Council and as adopted by the Australian Property Institute is as follows:

"Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

1.4 Date of Inspection

11 July 2019.

1.5 Date of Valuation

11 July 2019.

Grant Road, Evanston South, SA | Ref 19022709
11 July 2019

savills

2 Location

2.1 Locality & Surrounding Development

The subject property is located approximately 35 kilometres north of the Adelaide CBD at Evanston South.



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More particularly the subject land is located on the eastern side of Main North Road between the Gawler Gateway Tourist Park and a creek reserve to the south of Gale Road.

Main North Road is a major arterial road from the City of Adelaide providing a major link with Gawler and beyond to the mid north and Barossa Valley.

The location is approximately seven kilometres north from the major regional centre of Elizabeth, with the urban area having extended to within roughly one kilometre of the subject property. The land is also approximately seven kilometres south of the major centre of Gawler, a historic regional town which has become a major urban growth area.

The nearby area is of generally open rural character comprising a mix of properties from small rural living, horticultural blocks to larger scale cropping land. Land to the east rises gently towards the Hills Face zone.

The Adelaide Cemeteries Authority owned Smithfield Park Memorial Cemetery and The Munno Para Equestrian Centre are located a short distance to the south. To the north there is some service trade type strip development.

2.2 Road System & Access

Access to the subject land is via Main North Road, which is a major arterial road providing bitumen sealed dual lane carriageways in either direction with rubble verges and a wide central median strip.

We are unaware of any current road widening or resumption requirements for the property, however we have not completed searches with resuming authorities to confirm this.

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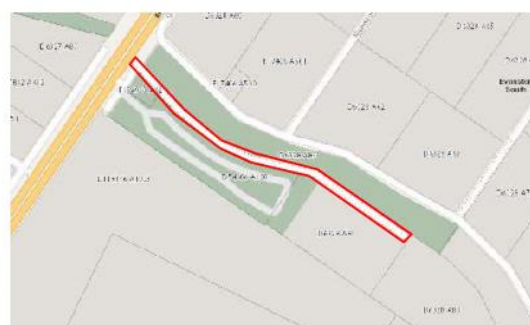


3 Land

3.1 Land Area & Dimensions

Site area is stated on the plan supplied to us by the Town of Gawler at **6,800m²** or thereabouts.

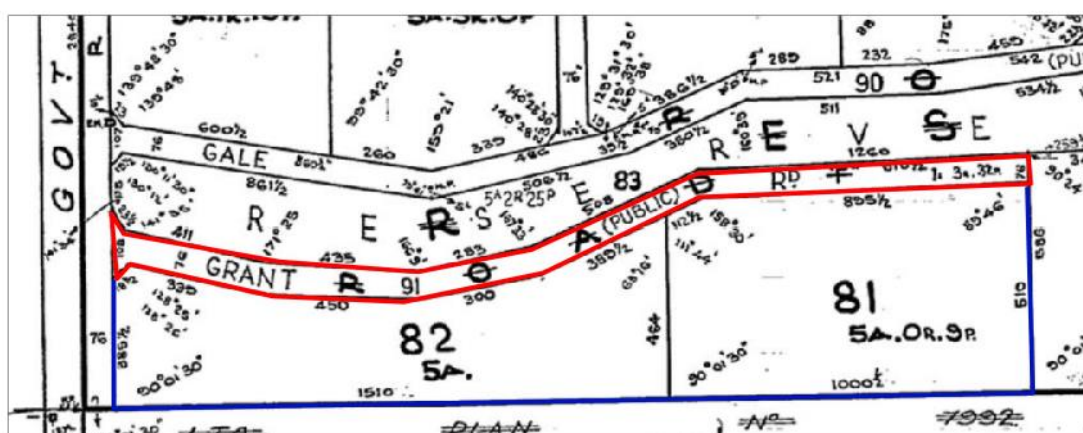
We stress we have relied upon this area for the purposes of this valuation, and should a land survey prove this area to be incorrect we reserve the right to review this valuation.



3.2 Land Dimensions

The subject land holding is of an irregular nature and has an average width of approximately 15 metres and is approximately 500 metres in length. We refer to the deposited plan below and in the annexures for graphic depiction of the allotment boundaries.

The below image displays Grant Road outlined in red which is to be amalgamated with the land to the south outlined in blue.



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3.3 Topography

The land at the western end is of reasonably level topography with the mid-section generally sloping down towards the adjacent creek to the north. The eastern portion of the land is also of relatively level topography.

3.4 Contamination & Other Environmental Issues

The subject property is vacant land extending from Main North Road and adjacent to the Gawler Gateway Tourist Park. Both vacant land and caravan park land are not classified as a "potentially contaminating activity, industry or land use" as defined under the API's Australia Real Property Guidance Note 1 – Land Contamination Issues (Appendix 2). During our inspection we did not note any obvious pollution or contamination.

The subject property is not contained within the EPA's "List of Issued Certificates and Statements of Environmental Audit" based on our recent online search.

Nevertheless, we wish to advise that we are not qualified to provide advice on the physical condition of the land and we are not aware of any geotechnical and/or environmental defects with the land. Further, we have not sighted any environmental audits or geotechnical reports, which suggest site contamination or defects. This valuation has therefore been made on the assumption that there are no actual or potential contamination issues affecting:-

- The value or marketing of the property; or
- The site.

Verification that the property is free from contamination and has not been affected by pollutants of any kind may be obtained from a suitably qualified environmental expert. Should we subsequently be advised of any contamination and/or defects we reserve the right to reassess our valuation.

3.5 Native Title

We are not experts in native title or the property rights derived there from and have not been supplied with appropriate advice. Therefore, the property valuation or assessment is made subject to there being no actual or potential native title affecting:

- The value or marketing of the property; or
- The site.

Verification that the subject property is not subject to co-existing native title interests should be obtained from a suitably qualified expert. Should the existence of native title be discovered we reserve the right to review our report and valuation of the subject property.

3.6 Flooding

A creek reserve is located adjacent to the northern boundary of the subject land. At inspection the creek bed was essentially dry and we assume water flows would be very intermittent during winter months.

Our online enquiries on the Government of South Australia WaterConnect website indicated that no flood studies have been carried out in the subject location and we are not aware that the land is located within a designated flood or a designated flood zone.

3.7 Services

Electricity, water and telephone are connected or are available or connection to the adjacent property.

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4 Legal Description

4.1 Title Details

The subject land holding currently comprises an unformed road reserve under Town of Gawler ownership and does not appear to be separately titled.

It is proposed that the land be amalgamated with the adjacent **Gawler Gateway Tourist Park** which is held under the following titles:

Certificate of Title	Allotment & Plan
Volume 5497 Folio 241	Allotment 62 in Filed Plan 154963
Volume 5848 Folio 230	Allotment 1001 in Deposited Plan 54686
Volume 5496 Folio 10	Allotment 81 in Deposited Plan 6328

Copies of the titles are attached as an annexure to this report.

4.2 Site Identification

We have not sighted a survey plan. However based upon the Title and from a physical inspection of the property it would appear that the subject land is clear of significant improvements.

We recommend that any party relying on this report satisfy themselves in this respect.

4.3 Registered Proprietor

The Registered Proprietor of the subject land is the Town of Gawler.

The Registered Proprietor of the **Gawler Gateway Tourist Park** is shown on all titles as D & K Parks Pty Ltd.

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4.4 Easements/Encumbrances

The attached **Gawler Gateway Tourist Park** title documents list the following notifications:

- 12877116 Mortgage to Commonwealth Bank of Australia.

Further to the above Certificate of Title Volume 5848 Folio 230 notes the following:

- Together with free and unrestricted right(s) of way over the land marked A appurtenant only to the land marked X
- 9032315 Encumbrance to Town of Gawler (Single Copy Only).

The free and unrestricted right of way relates to access over a small parcel of land fronting Smith Road approximately 600 metres south of the subject land. The right of way is appurtenant to the land marked 'X' only, which is a 3.75 metre wide tract of land along the southern boundary of Allotment 1001 within the Tourist Park. The right of way therefore does not impact on our assessment of the subject land.

Under the terms of the Encumbrance, the owner of Allotment 1001 within the Tourist Park is not permitted to remove trees growing within 3.75 metres of the south western boundary of the allotment. The south western boundary does not adjoin the subject land and is not considered to have an impact on the valuation.

4.5 Statutory Assessment

The subject land has not been separately assessed for rating and tax purposes.

The valuations made by Valuation Services for the **Gawler Gateway Tourist Park** used for rating and tax purposes for the 2019/20 financial year are as follows:

Site Value	Capital Value
\$275,000	\$720,000

It should be noted that these statutory assessments are for rating and taxation purposes only, and accordingly are not necessarily representative of the current open market value of the underlying land and improvements.

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5 Town Planning

5.1 Zoning and Development Guidelines

Pursuant to the Development Act 1993 the subject and adjacent land is located within the Town of Gawler Local Government Area.

Land

On the basis of our inspection of the Principles of Development Control the subject land is located within the Rural zone. An extract from the Development Plan is attached in the annexures to this report.

The objectives of this zone include:

1. *A zone comprising land to be retained in use primarily for agricultural purposes, but also allowing for the construction of the Gawler East Link Road extension (Bentley – Tiver Road alignment between Potts Road and Alexander Avenue) as shown on Structure Plan Map Ga/1 (Overlay 1) Part B and associated public lighting, pedestrian and bicycle infrastructure and broader stormwater management systems and community facilities.*

Gawler Gateway Tourist Park Zone

On the basis of our inspection of the Principles of Development Control the adjacent Tourist Park property is located within the Residential Park zone. An extract from the Development Plan is attached in the annexures to this report.

The objectives of this zone include:

1. *A zone which primarily provides for affordable housing opportunities in a landscaped village setting.*
2. *A zone accommodating low to medium-scale accommodation predominantly in the form of caravan and camping sites, cabins and transportable dwellings, surrounded by open landscaped areas.*
3. *Development that contributes to the desired character of the zone.*

Our valuation assumes that following amalgamation the subject land will be incorporated within the Residential Park zone.

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11 July 2019



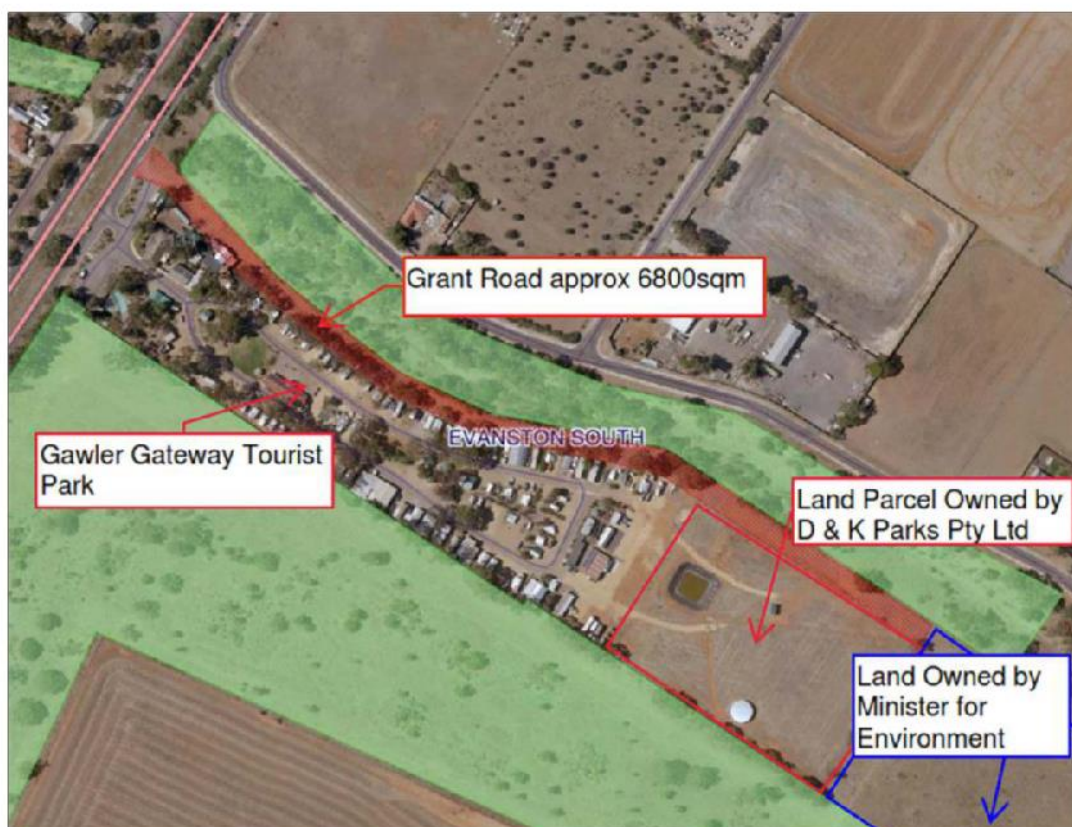
6 Property Description

6.1 Description

The subject comprises a narrow, elongated parcel of land which is the unformed road reserve known as Grant Road extending from Main North Road in an easterly direction approximately 500 metres to land owned by the Minister for Environment. The western portion of the land is curved and the width varies slightly, but is generally approximately 15 metres wide. The eastern portion is of an essentially regular shape.

6.2 Aerial Image

The subject land is highlighted in red in the aerial image below. It is proposed that the land be amalgamated with the Gawler Gateway Tourist Park and Land Parcel owned by D & K Parks which are situated immediately south of the subject.



The land currently provides access to CR5763/806 which is Crown Land under the name of the Minister for Environment (outlined in blue above). The Minister has agreed that should the road be closed, this Crown Record can be amalgamated with CR5905/84 to provide road access from Smith Road further to the south.

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Easterly Aspect from Main North Road



Westerly Aspect from Eastern End of Land



Eastern Portion of Site and Adjacent Land



Mid-Section of Subject Land from Adjacent Creek Reserve

The subject land appears to be reasonably level at the western end adjacent to Main North Road and also the eastern portion adjacent to the rear Tourist Park title (Allotment 81). The eastern portion is also reasonably open and clear of trees. The mid - section of the subject land appears to have more of a slope, falling gently towards the adjacent creek bed. This portion of the site also appears to be impacted by a number of trees.




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7 Sales Evidence



In assessing the subject land we have had regard to a range of vacant land sales within the Rural zone noting the road reserve lies within this zone. The adjacent Tourist Park is zoned Residential Park, which provides for affordable housing and low to medium-scale accommodation predominantly in the form of caravan and camping sites, cabins and transportable dwellings, surrounded by open landscaped areas. Our searches have not indicated any comparable sales in recent years within the Residential Park or similar tourist accommodation zones. We have therefore relied predominantly on rural land sales of a relevant size and nature from the surrounding area making appropriate adjustments in our calculations. We detail a range of evidence below:

7.1 Sales Summaries

Address	Date	Area (m ²)	Price	\$ / m ²
Allotment 32 Dalkeith Road, Kudla	Jun-19	10,830	\$275,000	\$25.39
	<p>The property is located approximately 35 kilometres north of the Adelaide CBD at Kudla. More particularly the land is on the northern side of Dalkeith Road about 100 metres east of Stebonheath Road. Zoned Rural within the Gawler Council.</p> <p>The property comprises a vacant rural land parcel of 1.083Ha and is of a mainly regular, narrow rectangular shape. The site has a 40.23 metre frontage, bitumen road access and power and water connected. The land is suitable for use as a rural living allotment.</p> <p>The property was sold after an open market campaign with Harcourts Gawler.</p>			
Allotment 1 Brereton Road, Evanston	Mar-19	22,940	\$210,000	\$9.15
	<p>The property is located approximately 40 kilometres north of the Adelaide CBD at Evanston. More particularly the land is on the western side of Brereton Road, the southern side of Jack Cooper Drive and around 150 metres east of the Gawler Bypass. Zoned Rural within the Gawler Council.</p> <p>The property comprises a vacant rural land parcel of 2.294Ha and is of an irregular shape and essentially level. From a residential perspective the land would be impacted by traffic noise from the nearby Gawler Bypass.</p> <p>The land was marketed as a potential rural living allotment and was sold after an open market campaign with Harcourts Gawler.</p>			
21 Hind Court, Evanston	Sep-18	18,750	\$245,000	\$13.07
	<p>The property is located approximately 40 kilometres north of the Adelaide CBD at Evanston. More particularly the land is on the western side of Brereton Road, the southern side of Jack Cooper Drive and around 300 metres east of the Gawler Bypass. Zoned Rural within the Gawler Council.</p> <p>The property comprises a vacant rural land parcel of 1.875Ha and is of an irregular, triangular shape and essentially level. From a residential perspective the land would be somewhat impacted by traffic noise from the nearby Gawler Bypass.</p> <p>The land was marketed as a potential rural living allotment and was sold after an open market campaign with Harcourts Gawler.</p>			

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Address	Date	Area (m ²)	Price	\$ / m ²
393 Stebonheath Road, Kudla	Mar-18	40,510	\$424,500	\$10.48
	<p>The property is located approximately 35 kilometres north of the Adelaide CBD at Kudla. More particularly the land is on the western side of Stebonheath Road between Angle Vale Road and Dalkeith Road. Zoned Rural within the Gawler Council.</p> <p>The property comprises a largely vacant rural land parcel of 4.051Ha which had an olive plantation to the front portion of the site. The land is essentially level and of a regular shape.</p> <p>Subsequent to sale the plantation has been cleared and a dwelling constructed.</p>			
Allotment 60 Hayles Road, Evanston South	Oct-17	30,300	\$340,000	\$11.22
	<p>The property is located approximately 33 kilometres north of the Adelaide CBD at Evanston South. More particularly the land is on the southern side of Hayles Road about 700 metres east of Main North Road. Zoned Rural within the Gawler Council.</p> <p>The property comprises a vacant rural land parcel of 3.030Ha and is of a regular shape. The land was marketed as a rural living / lifestyle block.</p> <p>The property was sold after an open market campaign with Adelaide Property Network.</p>			

7.2 Sales Comparison

The above sales transactions can be summarised as follows:

Sale Date	Address	Sale Price	Land Area (m ²)	Rate/m ²
Jun-19	Allotment 32 Dalkeith Road, Kudla	\$275,000	10,830	\$25.39
Mar-19	Allotment 1 Brereton Road, Evanston	\$210,000	22,940	\$9.15
Sep-18	21 Hind Court, Evanston	\$245,000	18,750	\$13.07
Mar-18	393 Stebonheath Road, Kudla	\$424,500	40,510	\$10.48
Oct-17	Allotment 60 Hayles Road, Evanston South	\$340,000	30,300	\$11.22

The information contained herein has been obtained from a number of sources including registered government sales transfers. Whilst we understand the information to be reliable, we are unable to guarantee the accuracy. Where the information has been available to us, we have made appropriate adjustments for GST but the recorded sale prices may include all, a part of, or no GST depending on the circumstances and tax liability of the parties to each transaction.

The above transactions show site rates ranging from \$9.15/m² to \$25.39/m² with site areas ranging from 10,830m² up to 40,510m². The above range in rates reflects variation in respect to the scale of the properties, specific location, zoning and use, services and access.

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8 Valuation Methodology

We have assessed the Market Value of the subject property on the basis of amalgamation with the adjoining property known as the Gawler Gateway Tourist Park, 3134 Main North Road, Evanston South (full legal description is provided in Section 4 of this report).

This valuation is determined on the basis that the adjoining property (both "before" and "after" amalgamation), the title thereto and its use is not affected by any matter other than that mentioned in this report.

In circumstances where the land being acquired is to be amalgamated with an adjoining parcel, it is appropriate to adopt a "before and after" valuation method. This method involves assessing the market value of the adjoining land on an unimproved basis both "before" and "after" amalgamation with the differential reflecting the Market Value of subject property. The valuation has therefore been assessed on the basis of sale to the adjoining owner and amalgamation with the property known as Gawler Gateway Tourist Park, 3134 Main North Road, Evanston South which we have calculated at approximately 4.07 hectares in area or 40,700 square metres or thereabouts.

As previously discussed the land to be amalgamated currently comprises a vacant land parcel being the unformed Grant Road reserve. We are advised the land has an approximate area of 6,800 square metres which we have adopted for valuation purposes. We highlight that we have not been provided with a survey plan and should a subsequent formal land survey reveal a material difference to this area the report should be returned to us for review.

The land is a narrow, elongated parcel which is approximately 500 metres long running adjacent to the northern boundary of the Tourist Park and generally has a width of about 15 metres. The land appears to be of varied topography, being essentially level at either end and gently sloping towards the adjacent creek in the central area. Similarly the end portions appear relatively clear of vegetation, with more trees concentrated near the central area.

Following amalgamation, the Tourist Park land will increase from 40,700 square metres to approximately 47,500 square metres which represents approximately a 17% increase.

We have also had regard to the utility of the additional land in the context of the current Tourist Park layout. The additional land comprises a relatively narrow driveway between existing powered and long term sites and the creek reserve to the north. Given the current configuration it appears unlikely that the additional land will assist in creating further sites adjacent those in the existing Park, at least in the short term without some re-configuration of the property. Amalgamation of the land will however prevent the road being opened in the future to the public and adversely impacting the Tourist Park and will offer access to the rear of the sites.

The subject land to the eastern end (adjacent Tourist Park Allotment 82) is level and reasonably clear and could be readily utilised in conjunction with the Tourist Park land. This portion of the Park however is currently largely undeveloped with the exception of a dam, rainwater tank and small scale trees. It appears this section of the property could allow some future expansion if required.

We have adopted the Direct Comparison approach as our primary method in determining the market value of the adjoining land both "before" and "after" the proposed amalgamation. Within this approach we have compared the subject property to vacant land parcels in the surrounding locality on a rate \$/m² of site area basis.

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Direct Comparison

In assessing the value, we have also considered the following:

- Sales evidence shows steady demand for rural land allotments;
- Specific location of the subject land and land to be amalgamated;
- Size of the Gawler Gateway Tourist Park both 'before and after' the amalgamation;
- Overall nature of the Gawler Gateway Tourist Park land being essentially level and with the front portion (Allotment 1001) being slightly irregular and the rear of the land being of a regular shape;
- The topography of the land to be amalgamated; and
- The subject land is located within the Rural zone, however is to be amalgamated with land located within the Residential Park zone and we assume that the land will be incorporated in this zone.

As previously mentioned our valuation has been undertaken on an unimproved basis disregarding any improvements. After making adjustments for factors such as existing improvements, site area, zoning, specific location and date of sale, we have adopted an appropriate rate of \$12.50/m² of site area for the Gawler Gateway Tourist Park land "before" amalgamation.

"After" amalgamation we have adopted a slightly lower rate of \$12.00/m² to account for the larger land area and nature of the additional land.

The adopted rates (\$/m²) are slightly above the sales evidence of a commensurate size, however reflect the Residential Park zoning, which allows for a more intense use than the surrounding Rural zone and a use that is complimented by the Main North Road location.

In addition to the above valuation approach, we also consider it appropriate to apply an additional discount to the land being amalgamated due to the nature of the land being amalgamated, in particular, its landlocked, partially sloping and elongated nature, limited pool of potential purchasers (essentially only one logical purchaser due to the creek to the north and Crown land to the east), impact of mature trees to portion of the land, and the position of the land in the context of the existing Tourist Park. As mentioned we consider the land would likely not provide for convenient expansion of park sites. As such we have applied a discount to the parcel being amalgamated.

It is difficult to quantify the impact of the above factors, however we consider the discount in comparison with standalone freehold parcels of land with a wide buyer pool to be significant. As such in light of the above discussion we have applied a discount of 50%.

Our calculations are as follows:

	Area	Adopted Rate \$/m ²	
Before	40,700 m ²	\$12.50	\$508,750
After (Plus 6,800m ² portion)	47,500 m ²	\$12.00	\$570,000
Value Difference			\$61,250
Additional Discount	50%		\$30,625
ADOPTED VALUE			\$30,000

Based on the above calculation we have adopted a market value of **\$30,000** (Exclusive of GST) for the subject land which reflects a rate of \$4.38/m² over the additional site area.

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11 July 2019



9 Pecuniary Interest

We hereby certify that the Valuer and valuation firm does not have any direct, indirect or financial interest in the property or clients described herein that would conflict with the proper Valuation of the property.

10 Company Qualifications

This report has been countersigned to verify the report is issued by this Company. Any reliance upon this report should therefore be based upon the actual possession or sighting of an original document duly signed and countersigned in the before mentioned manner.

This valuation is prepared for **proposed disposal and amalgamation purposes** on the specific instructions of **Town of Gawler**. This report should not be relied upon by anyone other than **Town of Gawler** whether for that purpose or otherwise.

Neither the whole nor any part of this valuation can be republished in any way, including but not limited to any circular or statement or communications with third parties, without first obtaining our express written consent.

Savills Valuations Pty Ltd accepts no responsibility to third parties nor does it contemplate that this report will be relied upon by third parties. We invite other parties who may come into possession of this report to seek our written consent to them relying upon this report and we reserve our rights to review the contents in the event that our consent is sought.

This Valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value is excluded as is liability where the valuation is relied upon after the expiration of three months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Liability limited by a scheme approved under Professional Standards Legislation.



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11 Valuation

We assess the **Market Value** of the subject property, subject to the details referred to herein, to be:

\$30,000 (*)

(Thirty Thousand Dollars)

(*) This valuation amount is exclusive of a Goods and Services Tax and is expressed in \$AUD.

We have assessed the Market Value of the property in accordance with the Market Value definition referred to in Section 1 of this report. In the event that a sale was to occur in circumstance not reflecting that definition, the price realised may be at a substantial discount to the Market Value assessed.

Prepared by **Savills Valuations Pty Ltd.**

A handwritten signature in black ink, appearing to read "Al Johnston".

Alastair Johnston
Certified Practising Valuer
Director
Valuation & Advisory

A handwritten signature in black ink, appearing to read "R Mills".

Ryan Mills
Associate Director
Valuation & Advisory

The report is countersigned by Ryan Mills as an Associate Director only. The above counter-signatory verifies that this report is genuine original document, and issued by, and endorsed by Savills Valuations Pty Ltd. However the opinion expressed in this report, including the opinion on value, have been arrived at by the prime signatory alone.



CERTIFICATES OF TITLE



Product Register Search Plus
 (CT 5497/241)
Date/Time 13/08/2019 04:51PM
Customer Reference AJ - EVANSTON STH
Order ID 20190813010862

REAL PROPERTY ACT, 1986



South Australia

The Registrar-General certifies that this Title Register Search displays the records maintained in the Register Book and other notations at the time of searching.



Certificate of Title - Volume 5497 Folio 241

Parent Title(s) CT 4225/57
Creating Dealing(s) CONVERTED TITLE
Title Issued 29/01/1998 **Edition** 5 **Edition Issued** 28/02/2018

Estate Type

FEE SIMPLE

Registered Proprietor

D & K PARKS PTY. LTD.
 OF 219 HENLEY BEACH ROAD TORRENSVILLE SA 5031

Description of Land

ALLOTMENT 62 FILED PLAN 154963
 IN THE AREA NAMED EVANSTON SOUTH
 HUNDRED OF MUNNO PARA

Easements

NIL

Schedule of Dealings

Dealing Number	Description
12877116	MORTGAGE TO COMMONWEALTH BANK OF AUSTRALIA (ACN: 123 123 124)

Notations

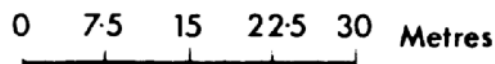
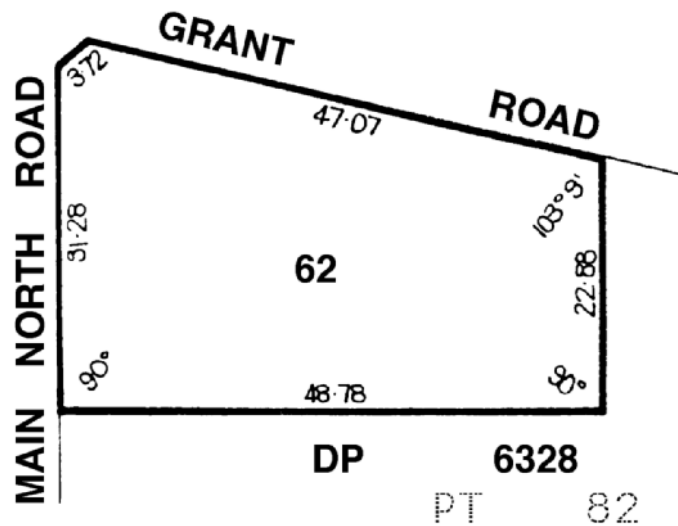
Dealings Affecting Title	NIL
Priority Notices	NIL
Notations on Plan	NIL
Registrar-General's Notes	NIL
Administrative Interests	NIL



Product Register Search Plus
(CT 5497/241)
Date/Time 13/08/2019 04:51PM
Customer Reference AJ - EVANSTON STH
Order ID 20190813010862

THIS PLAN IS SCANNED FOR CERTIFICATE OF TITLE 4225/57

LAST PLAN REF: DP 6328



NOTE: SUBJECT TO ALL LAWFULLY EXISTING PLANS OF DIVISION



Product Register Search Plus
 (CT 5848/230)
Date/Time 13/08/2019 04:54PM
Customer Reference AJ - EVANSTON STH
Order ID 20190813010905

REAL PROPERTY ACT, 1986



South Australia

The Registrar-General certifies that this Title Register Search displays the records maintained in the Register Book and other notations at the time of searching.



Certificate of Title - Volume 5848 Folio 230

Parent Title(s) CT 5166/808, CT 5497/240

Creating Dealing(s) RTC 9032314

Title Issued 24/05/2001

Edition 4

Edition Issued

28/02/2018

Estate Type

FEE SIMPLE

Registered Proprietor

D & K PARKS PTY. LTD.
OF 219 HENLEY BEACH ROAD TORRENSVILLE SA 5031

Description of Land

ALLOTMENT 1001 DEPOSITED PLAN 54686
IN THE AREA NAMED EVANSTON SOUTH
HUNDRED OF MUNNO PARA

Easements

TOGETHER WITH FREE AND UNRESTRICTED RIGHT(S) OF WAY OVER THE LAND MARKED A APPURTENANT ONLY TO THE LAND MARKED X

Schedule of Dealings

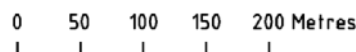
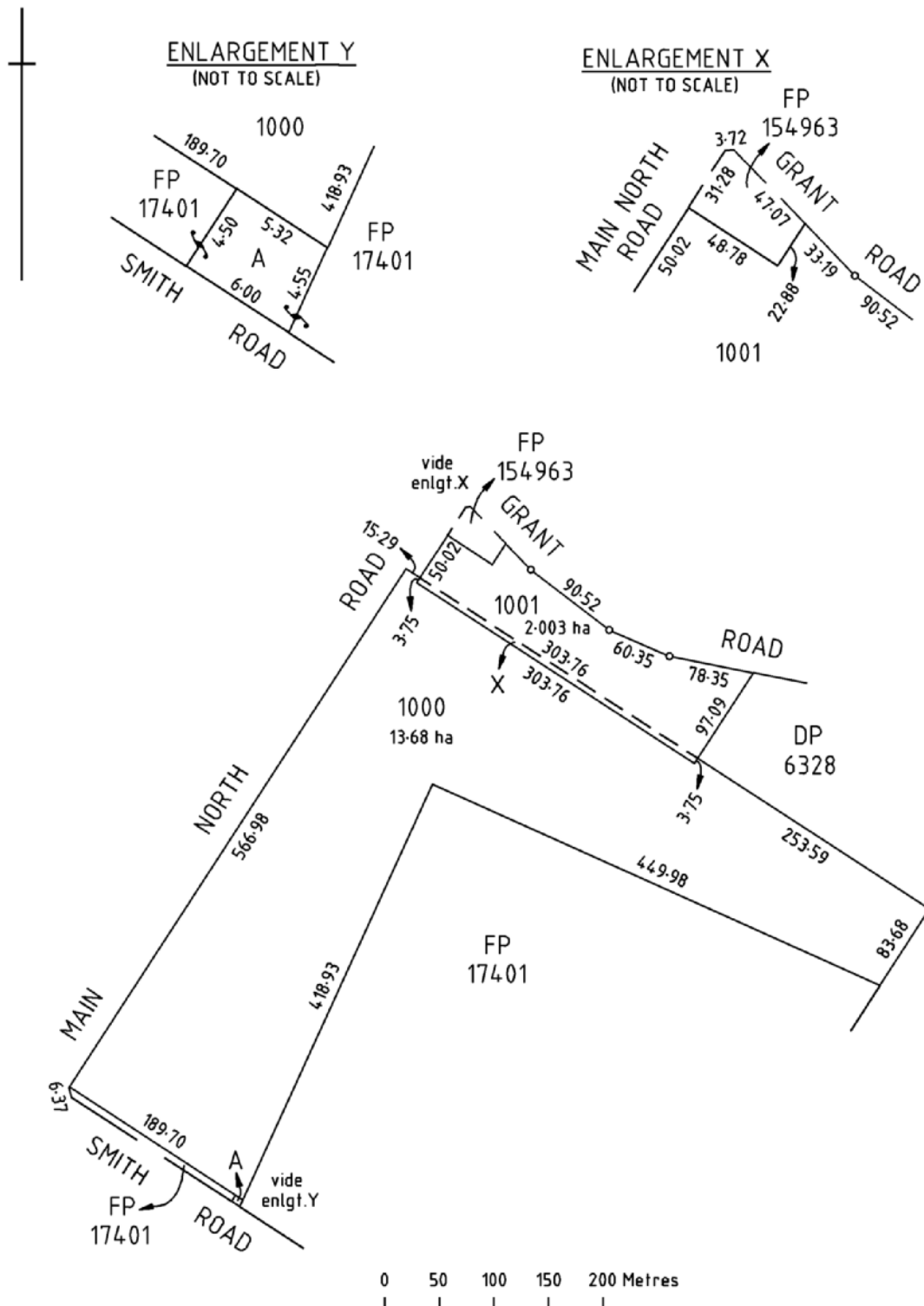
Dealing Number	Description
9032315	ENCUMBRANCE TO TOWN OF GAWLER (SINGLE COPY ONLY)
12877116	MORTGAGE TO COMMONWEALTH BANK OF AUSTRALIA (ACN: 123 123 124)

Notations

Dealings Affecting Title	NIL
Priority Notices	NIL
Notations on Plan	NIL
Registrar-General's Notes	NIL
Administrative Interests	NIL



Product Register Search Plus
(CT 5848/230)
Date/Time 13/08/2019 04:54PM
Customer Reference AJ - EVANSTON STH
Order ID 20190813010905





Product Register Search Plus
 (CT 5496/10)
Date/Time 13/08/2019 04:59PM
Customer Reference AJ - EVANSTON STH
Order ID 20190813010954

REAL PROPERTY ACT, 1986



South Australia

The Registrar-General certifies that this Title Register Search displays the records maintained in the Register Book and other notations at the time of searching.



Certificate of Title - Volume 5496 Folio 10

Parent Title(s) CT 2993/182
Creating Dealing(s) CONVERTED TITLE
Title Issued 27/01/1998 **Edition** 5 **Edition Issued** 28/02/2018

Estate Type

FEE SIMPLE

Registered Proprietor

D & K PARKS PTY. LTD.
 OF 219 HENLEY BEACH ROAD TORRENSVILLE SA 5031

Description of Land

ALLOTMENT 81 DEPOSITED PLAN 6328
 IN THE AREA NAMED EVANSTON SOUTH
 HUNDRED OF MUNNO PARA

Easements

NIL

Schedule of Dealings

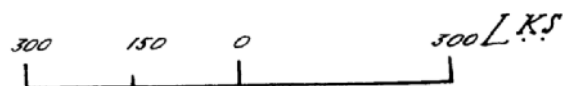
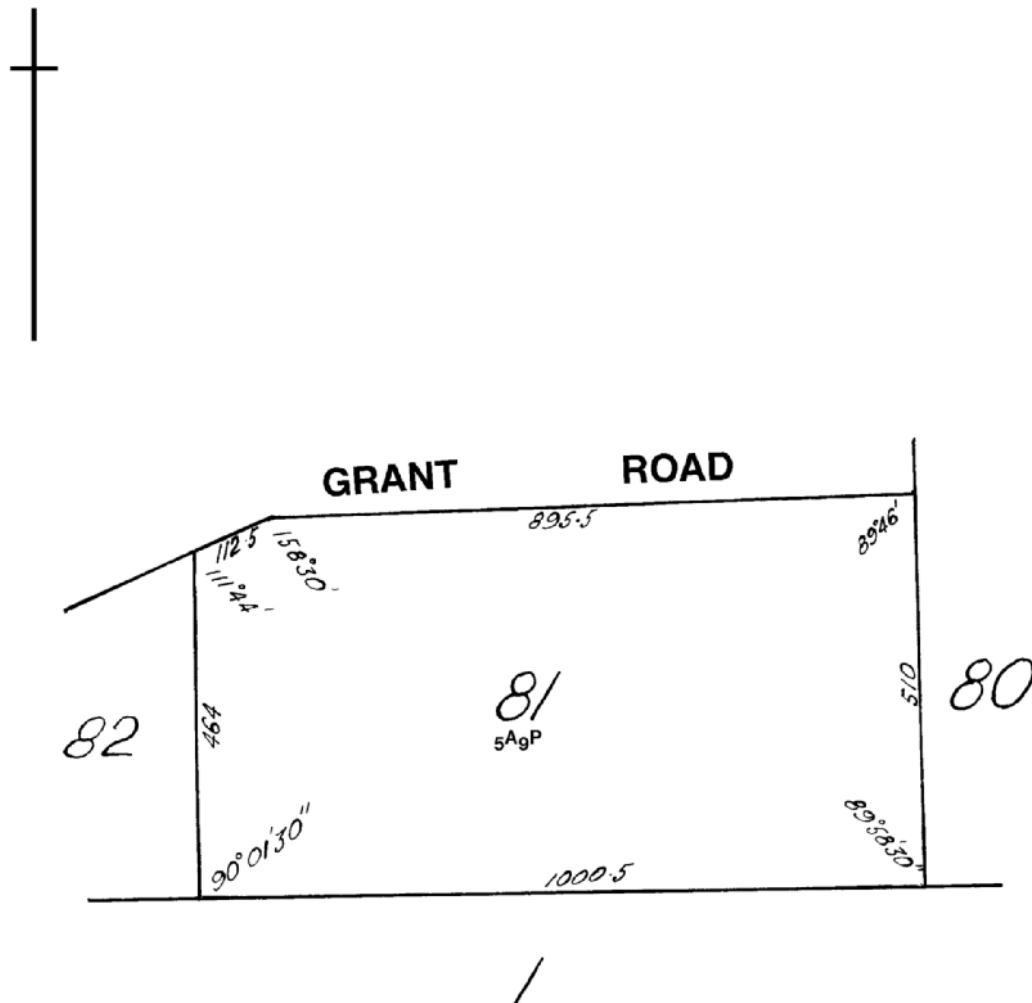
Dealing Number	Description
12877116	MORTGAGE TO COMMONWEALTH BANK OF AUSTRALIA (ACN: 123 123 124)

Notations

Dealings Affecting Title	NIL
Priority Notices	NIL
Notations on Plan	NIL
Registrar-General's Notes	NIL
Administrative Interests	NIL



Product	Register Search Plus (CT 5496/10)
Date/Time	13/08/2019 04:59PM
Customer Reference	AJ - EVANSTON STH
Order ID	20190813010954



FOR METRIC CONVERSIONS	
1 LINK	= 0.201168 METRES
1 CHAIN	= 100 LINKS
1 ACRE	= 0.404686 HECTARES
1 ROOD	= 1011.7 m ²
1 PERCH	= 25.29 m ²



DEPOSITED PLAN



Date F. 16-12-58

To E. J. Connelley

Edw. M. Rydland

Entered *L. M. Anderson*
Recor. C

Portion Reserve is redesignated as
Allotment 85 vide Tr. 3861851

Alphabetical identifier and
Additional Allotment numbers vide Dkt. 4187/19

REC-23 3-7

Public Roads vide N. 4345035
 720 20.1.

* Lots 80 & 85 reverted
✓ to Crown vide T.5315482

6 pro P.D.O.
2-1-1985

Amendment to Council Name via
Docket 428/1983
pro R.G. 17-10-85

the

CHANGE OF STREET NAMES
Bentley Rd. Hayles Rd. Stokes Rd. Gale
and Grant Rd. vide Dkt. 3604/1965

MICROFILMED
21.10.1985



EXTRACT FROM DEVELOPMENT PLAN



RP Residential Park
Ru Rural



— Zone Boundary
- - - Development Plan Boundary

GAWLER (CT) ZONES MAP Ga/10

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RURAL ZONE

Introduction

In addition to the Council Wide policies, the Rural Zone and Gawler Rivers Floodplain Area, policies apply to the areas shown in:

Rural Zone: [Maps Ga/4, 5, 7, 8, 9, 10, 11](#)

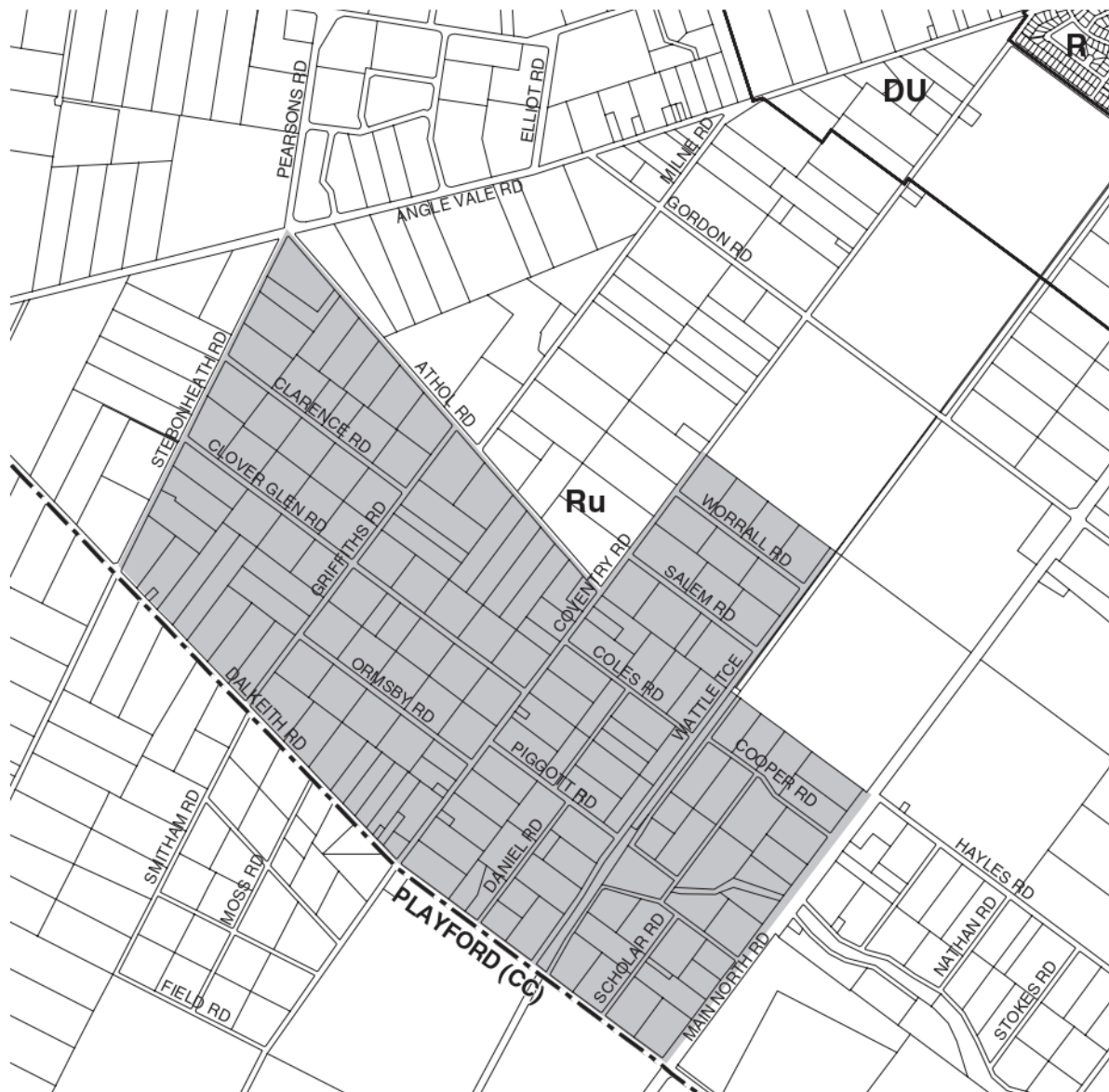
Gawler Rivers Floodplain Area: [Figures FV/1 to FV/8](#)

OBJECTIVE

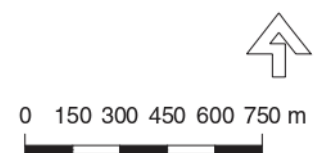
Objective 1: A zone comprising land to be retained in use primarily for agricultural purposes, but also allowing for the construction of the Gawler East Link Road extension (Bentley – Tiver Road alignment between Potts Road and Alexander Avenue) as shown on Structure Plan [Map Ga/1 \(Overlay 1\) Part B](#) and associated public lighting, pedestrian and bicycle infrastructure and broader stormwater management systems and community facilities.

PRINCIPLES OF DEVELOPMENT CONTROL

- 1 Development undertaken in the Rural Zone should be primarily for agricultural purposes, but also allowing for the construction of the Gawler East Link Road extension (Bentley – Tiver Road alignment between Potts Road and Alexander Avenue) as shown on Structure Plan [Map Ga/1 \(Overlay 1\) Part B](#) and associated public lighting, pedestrian and bicycle infrastructure and broader stormwater management systems and community facilities.
- 2 Land division should create allotments that have a frontage to a public road of at least 25 percent of the average depth of the allotment, and are greater than 4 hectares (except on land identified as 'Affected Area' on [Figure Ru/1](#), where allotments should be greater than 0.9 hectares).
- 3 No new direct vehicular access or egress should be provided to any allotment to or from Main North Road.
- 4 Development within 300 metres of a residential zone, urban zone or Deferred Urban Zone should be compatible with residential development and should:
 - (a) incorporate suitable land management practices to avoid unacceptable impacts on adjacent residential or urban zones;
 - (b) not require aerial spraying within 300 metres of such zones or within 40 metres of such zones where an appropriate vegetation buffer is in place; and
 - (c) not store refuse or organic waste within 150 metres of such zones.
- 5 Development should incorporate landscaping of sufficient width to minimise potential adverse impacts on the boundary where it is adjacent to a residential or urban zone.
- 6 The provision of a landscaped buffer adjacent a residential or urban zone in accordance with principles of development control 3 and 4 should be designed taking into account the nature, source and frequency of potential adverse impacts; prevailing winds in the locality; topography of the area; existing vegetation and the presence of potentially sensitive adjacent uses.
- 7 General industry and light industry may be developed where:
 - (a) it is the extension of an existing industry;
 - (b) it is contained within the allotment on which that industry existed prior to 14 July 1988;
 - (c) the total area of the site occupied by buildings does not exceed 50 percent of the area of the site;



- Affected Area
- Zone Boundary
- Development Plan Boundary



GAWLER (CT) RURAL ZONE FIGURE Ru/1

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- (d) a parking space is established on the site at the rate of not less than one car parking space for every 50 square metres of total floor area; and
- (e) a landscaping strip of at least three metres width is established adjacent to the alignment of a road frontage and maintained so as not to be damaged by parked vehicles.

High Pressure Gas Pipeline

- 8** Development, including land division, in the vicinity of a high pressure pipeline, as depicted on Structure Plans [Map Ga/1 \(Overlay 1\) Enlargements F, G and H](#), should:
- (a) not affect the continued operation of the pipeline infrastructure
 - (b) be located, designed, and developed having regard to the location of the infrastructure and the potential public safety impacts.

Hazards

The following principles apply to land within the Gawler Rivers Floodplain Area identified on [Figures FI/1 to FI/8](#).

Flooding

- 9** Land division should not result in an additional allotment or allotments.
- 10** Dwellings, other than detached dwellings, should not be developed.
- 11** Detached dwellings should only be developed where:
- (a) the finished floor level is equal to or greater than 300 millimetres above the predicted level of a 1 in 100 ARI flood event; and
 - (b) access is provided to a public road via an access road or track with a level not less than 300 millimetres above the predicted level of a 1 in 100 ARI flood event level.
- 12** Ground floor additions to dwellings for all hazard flood risk areas should:
- (a) not exceed a 40 square metre increase in floor area; and
 - (b) be the same or higher finished floor level as the existing dwelling.
- 13** Dwelling additions in excess of a 40 square metre increase in the existing floor area should:
- (a) be in the form of upper level additions; or
 - (b) have a finished floor level equal to or greater than 300 millimetres above the predicted level of a 1 in 100 ARI flood event.
- 14** Outbuildings or farm buildings should only be constructed at natural ground level where:
- (a) the floor area does not exceed 80 square metres; and
 - (b) there is no permanent storage of goods or equipment below 300 millimetres above the predicted level of a 1 in 100 ARI flood event level.
- 15** Outbuildings or farm buildings exceeding a floor area of 80 square metres should:
- (a) have a finished floor level equal to or greater than 300 millimetres above the predicted level of a 1 in 100 ARI flood event level applicable to the hazard flood risk area; and

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- (b) ensure there is no permanent storage of goods or equipment below 300 millimetres above the predicted level of a 1 in 100 ARI flood event level for the applicable hazard flood risk area.

PROCEDURAL MATTERS

- 16** The following kinds of development are **complying** in the Rural Zone excluding development within the Gawler Rivers Floodplain Area as shown on [Figures FI/1 to FI/8](#), and subject to compliance with conditions comprising, where applicable:

- (a) no building being erected, added to or altered on any land so that any portion of such building is erected, added to or altered nearer to the existing boundary of a road, or to the boundary of any land shown as being required for road widening on the Plan deposited under the provisions of the Metropolitan Adelaide Road Widening Plan Act, 1972-1976.

Agistment and Holding of Stock
 Agriculture
 Airfield
 Golf Course
 Plant Nursery
 Recreation Area
 Stock Saleyard

- 17** The following kinds of development including expansion of an existing use are **non-complying** in the Rural Zone:

Advertising - advertisements which are located within 500 metres of the centreline of any primary, arterial or secondary road, tourist road or scenic road, with the exception of advertisements within an 80 km/hr or less speed rated road.

Amusement Hall
 Amusement Park
 Auction Room
 Bank
 Billiard Saloon
 Boarding House
 Bowling Alley
 Builder's Yard
 Bus Depot
 Bus Station
 Community Centre
 Concert Hall
 Consulting Room
 Dance Hall

Demolition:

- (a) in total; or
- (b) of the frontage or side wall returns visible from a street or other elements visible from a public place

of a place listed in [Table Ga/2](#) or [Table Ga/5](#).

Dog Track
 Drive-in Theatre
 Educational Establishment
 Exhibition Hall
 Fire Station
 Fun Fair
 General Industry
 Golf Driving Range
 Gymnasium
 Harbour Installation

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Gawler (CT)

Health Centre
Hospital
Hotel

Land division that would create:

- (a) allotment(s) less than 4 hectares (except within the 'Affected Area' shown on [Figure Ru/1](#));
and
- (b) allotment(s) less than 0.9 hectares within the 'Affected Area' shown on [Figure Ru/1](#).

Landfill that constitutes solid waste disposal required to be licensed as a waste depot under the Environment Protection Act 1993

Library
Light Industry
Meeting Hall
Motel
Motor Race Track
Motor Repair Station
Motor Showroom
Multiple Dwelling
Non-residential Club
Office
Office and Dwelling
Police Station
Post Office
Petrol Filling Station
Place of Worship
Primary School
Private Hotel
Racecourse
Radio or TV Studio
Residential Club
Residential Flat Building
Road Transport Terminal
Row Dwelling
Semi-detached Dwelling
Service Industry
Shop
Shop and Dwelling
Shop or group of shops with a gross leasable area greater than 450 square metres
Show Ground
Skating Rink
Squash Court
Stadium
Store
Theatre
Timber Yard
Used Car Lot
Warehouse
Welfare Institution

In addition, within the Gawler Rivers Floodplain Area, as shown on [Figures FI/1 to FI/8](#), the following kinds of development are non-complying:

All forms of industry development
Dwelling except where the dwelling is set-back a minimum distance of 100 metres from the banks of the Gawler Rivers
Cattle feedlots
Glass houses
Industry involving the storage of bio-chemicals or chemical or hazardous materials or agents located in the Gawler Rivers Floodplain Area identified in [Figures FI/1 to FI/8](#).
Intensive animal keeping
Land based aquaculture

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Gawler (CT)

Land division within the Gawler Rivers Floodplain Area identified on [Figures FI/1 to FI/8](#), except where the division:

- (a) does not result in an increase in the number of allotments; and
- (b) provides for public access to the banks of the river in the form of a reserve or easements necessary for the provision of public utility services; and
- (c) facilitates the construction of flood mitigation works.

Materials handling

Materials transportation

Mining and loam extraction

Saleyards

Waste treatment and storage, apart from waste generated on-site.

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RESIDENTIAL PARK ZONE

Introduction

In addition to the Council Wide policies (including the Gawler Rivers Floodplain Area), the Residential Park Zone applies to the areas shown in:

Residential Park Zone: [Maps Ga/4, 8 and 10](#)
Gawler Rivers Floodplain Area: [Figures FV/1 to FV/8](#)

OBJECTIVES

- Objective 1:** A zone which primarily provides for affordable housing opportunities in a landscaped village setting.
- Objective 2:** A zone accommodating low to medium-scale accommodation predominantly in the form of caravan and camping sites, cabins and transportable dwellings, surrounded by open landscaped areas.
- Objective 3:** Development that contributes to the desired character of the zone.

DESIRED CHARACTER

A zone accommodating a range of affordable housing options, within a landscaped setting, that promotes community interaction through its permeable layout, the orientation of buildings, range of shared facilities and quality communal open space.

The zone accommodates a range of low to medium-scale, long-term and short-term accommodation, including camping sites, caravans, relocatable dwellings and cabins.

Buildings, including dwellings, are designed and constructed to enable their relocation, are a maximum of two storeys in height and generously set back from boundaries to allow for landscaped edges of the park. A landscaped village environment will be created.

New development will be sympathetic to the scale, shape, materials and colours of existing adjoining development and landscapes. Vegetation buffers and landscaping will be important in integrating the residential park into the landscape and adjoining urban areas, providing screening from surrounding land uses, as well as reducing visual and noise impacts and providing privacy for park users. The soft landscaping should dominate over buildings and hard surfaces, with caravans only glimpsed in a leafy environment. The park will be enhanced through the further planting of street trees to provide a more leafy and attractive setting and to conceal the built form when viewed from the approaches to the park.

Pedestrian and vehicle linkages provide safe access to employment, shops, public transport facilities, medical services, education facilities, child care and other community facilities. Circulation and movement within the park should be pedestrian friendly and promote low speed vehicle movement.

The portion of the Zone located at Hillier will develop in accordance with the Evanston Gardens/Evanston South/Hillier Structure Plan Map Ga/1 (Overlay 1) Enlargement H and be undertaken in an orderly manner that achieves the most efficient use of the land.

Development will recognise that the lower areas of land fronting Clifford Road are subject to flood risk hazard. Housing and other accommodation forms will not be located within this area, including all land contained within Certificate of Title 5111/77, with development primarily limited to stormwater management. Housing and other accommodation forms may be located on the upper areas of the land, forming a logical extension to the Hillier Residential Village. Direct vehicle access to Clifford Road will not be provided.

Development which is on land subject to inundation in a 1 in 100 year average return interval flood event will not result in the loss of floodplain storage. This can be achieved by incorporating measures to increase floodplain capacity in the locality through the use of reserves, roadways and swales for temporary flood storage, with works designed and certified by a suitably qualified engineer.

Acoustic measures will be provided along the Clifford Road boundary to minimise noise and air quality impacts from traffic on Jack Cooper Drive. These measures will comprise a continuation of the existing earth mounding, landscaping and setbacks for dwellings already provided along the southern portion of Clifford Road. This mounding and associated landscaping will also provide a significant visual screening effect to the residential village when viewed from Jack Cooper Drive and Clifford Road.

Preliminary investigations indicate that the potential for site contamination is low. However, further investigations may be required prior to residential development occurring to confirm this.

PRINCIPLES OF DEVELOPMENT CONTROL

Land Use

- 1 The following forms of development are envisaged in the zone:

- Amenity block, including shower, toilet, laundry and kitchen facilities
- Caravan permanently fixed to land
- Cabin
- Camping ground
- Outbuilding ancillary to a dwelling
- Recreation area
- Residential park
- Resident workshop
- Storage area for recreation vehicle
- Swimming pool
- Transportable dwelling

Form and Character

- 2 Development should not be undertaken unless it is consistent with the desired character for the zone.
- 3 Permanent buildings should be limited to a dwelling (manager's house), shop (in association with and ancillary to a residential park), community or recreational facility and toilets/amenities.
- 4 Recreation facilities should be provided of a scale that is suitable to maintain the open natural character of the area and ancillary to the primary role and function of the park.
- 5 At least 16 square metres of contiguous private space, which may be used as a second car parking space, should be provided on each site intended for residential accommodation.
- 6 Caravan, cabin and dwelling sites should be greater than 100 square metres in area.
- 7 Landscaping should form an integral part of the design and be used to define spaces, reinforce internal networks, screen utility areas and enhance the visual amenity of the area.

Car Parking and Access

- 8 Every caravan, cabin or dwelling site should have parking for at least one vehicle, either located on the site or grouped within the park.

Street and Boundary Setbacks

- 9 Every dwelling, annex, caravan fixed to land, recreational facility or amenities building should be set back a minimum of:
- (a) 1 metre from an internal road (and the internal road surfaces should be surfaced to prevent dust becoming a nuisance)
 - (b) 6 metres from a public road

- (c) 2 metres from the boundary of the caravan park or camping ground.

Natural Hazards

- 10** In areas prone to flooding, bushfire or other natural hazards, buildings and structures (including annexes attached to caravans or caravans fixed to land) should be designed and constructed so that they can be removed in the event of a hazard.

Hazards

The following principles apply to land within the Gawler Rivers Floodplain Area identified on [Figures FI/1 to FI/8](#).

Flooding

- 11** Land division should not result in an additional allotment or allotments.
- 12** Dwellings, other than detached dwellings, should not be developed.
- 13** Detached dwellings should only be developed where:
- (a) the finished floor level is equal to or greater than 300 millimetres above the predicted level of a 1 in 100 ARI flood event; and
 - (b) in **Low** hazard flood risk areas:
 - (i) site coverage for all buildings on the allotment does not exceed 50 percent of the area of the allotment; and
 - (ii) set-backs of detached dwellings to side and rear boundaries, but excluding boundaries to a public road, are at least:
 - (A) one metre to side boundaries; and
 - (B) four metres to rear boundaries.
 - (c) in **Medium** hazard flood risk areas:
 - (i) site coverage for all buildings on the allotment does not exceed 40 percent of the area of the allotment; and
 - (ii) set-backs of detached dwellings to side and rear boundaries, but excluding boundaries to a public road, are at least:
 - (A) two metre to side boundaries; and
 - (B) five metres to rear boundaries.
 - (d) in **High** hazard flood risk areas:
 - (i) site coverage for all buildings on the allotment does not exceed 30 percent of the area of the allotment; and
 - (ii) set-backs of detached dwellings to side and rear boundaries, but excluding boundaries to a public road, are at least:
 - (A) three metre to side boundaries; and
 - (B) six metres to rear boundaries.

- 14** Ground floor additions to dwellings should:
- (a) not exceed a 40 square metre increase in floor area; and
 - (b) be the same or higher finished floor level as the existing dwelling; and
 - (c) comply with the applicable site coverage and boundary setback requirements in Principle of development Control 13.
- 15** Dwelling additions in excess of a 40 square metre increase in the existing floor area should:
- (a) be in the form of upper level additions; or
 - (b) have a finished floor level equal to or greater than 300 millimetres above the predicted level of a 1 in 100 ARI flood event; and
 - (c) comply with the applicable site coverage and boundary setback requirements in Principle of Development Control 13.
- 16** Outbuildings may be constructed at natural ground level providing:
- (a) there is no permanent storage of goods or equipment below 300 millimetres above the predicted level of a 1 in 100 ARI flood event level for the applicable hazard flood risk area; and
 - (b) the maximum site coverage requirements in Principle of Development Control 13.
- 17** Development in that part of the Zone north of Hillier Road at Hillier, which is on land subject to inundation in a 1 in 100 year average return interval flood event or within Certificate of Title 5111/77, should be limited to stormwater management.

Land Division

- 18** No additional allotments should be created wholly or partly within the zone except where a lease or license agreement is made, granted or accepted under the *Residential Parks Act 2007*.

PROCEDURAL MATTERS

Complying Development

- 19** Complying developments are prescribed in schedule 4 of the *Development Regulations 2008*.

Non-complying Development

- 20** The following kinds of development are non-complying in the Residential Park Zone:
- Amusement Machine Centre
 - Bus Depot
 - Cemetery
 - Commercial Forestry
 - Community Centre, except where in association with and ancillary to a residential park
 - Consulting Room
 - Crematorium
 - Dairy
 - Dam
 - Dwelling (except for a manager's residence in association with and ancillary to a residential park)
 - Educational Establishment
 - Farming
 - Fuel Depot
 - Horse Keeping
 - Horticulture

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Gawler (CT)

Hospital
 Hotel
 Indoor Recreation Centre, except where in association with and ancillary to a residential park
 Industry
 Intensive Animal Keeping
 Land Division which results in the creation of an additional allotment(s) either wholly or partly within the Zone, except where a lease or license agreement is made, granted or accepted under the *Residential Parks Act 2007*
 Marina
 Motor Repair Station
 Nursing Home
 Office, except where in association with and ancillary to a residential park
 Petrol Filling Station
 Place of Worship
 Pre-school
 Prescribed Mining Operations
 Public Service Depot
 Residential Flat Building
 Restaurant, except where it is both
 (a) less than 150 square metres in gross floor area
 (b) in association with and ancillary to a residential park
 Road Transport Terminal
 Service Trade Premises
 Shop or group of shops, except where it is both:
 (a) less than 150 square metres in gross floor area
 (b) in association with and ancillary to a residential park
 Stadium
 Stock Sales Yard
 Stock Slaughter Works
 Store
 Warehouse
 Waste reception, storage, treatment or disposal, except where in association with and ancillary to a residential park
 Wrecking Yard

Public Notification

- 21** For the purpose of Section 38 of the *Development Act 1993* the following kinds of development are assigned as **Category 1 Development** in the Residential Park Zone:

Amenity block, including shower, toilet, laundry and kitchen facilities
 Cabin
 Camping Ground
 Caravan permanently fixed to land
 Outbuilding
 Recreation Area
 Residential Park
 Resident Workshop
 Storage Area for recreation vehicle
 Swimming Pool
 Transportable Dwelling

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OFFICE OF THE MAYOR

Contact: Mr Ryan Viney

Ref: KR:js
CC16/1342

3 June 2019

Hon Stephan Knoll MP
Minister for Planning
Department of Planning, Transport and Infrastructure
GPO Box 1533
ADELAIDE SA 5001

Town of Gawler
43 High Street
Gawler East SA 5118
PO Box 130
Gawler SA 5118
Phone: (08) 8522 9211
Fax: (08) 8522 9212
council@gawler.sa.gov.au
gawler.sa.gov.au

Dear Minister Knoll

Re: Contributory Items – Planning and Design Code

Council has noted the most recent papers release by the Department of Planning, Transport and Infrastructure which include the Community Guide to Heritage and Character in the State's New Planning System.

It is heartening to see the positive aspects incorporated into the State Planning Commission Overview of Neighbourhood Growth and Change and the Community Guide to Design in our New Planning System.

In addition, the Community Guide to Heritage and Character also incorporates positive features, particularly in relation to the protection of State Heritage Areas and Places and Local Heritage Places.

Of concern to Council is the lack of specific protection afforded to Contributory Items, of which the Town of Gawler has 609. This is of particular concern, as these items are currently identified specifically in the Gawler (CT) Development Plan.

All but two are likely to be within the Local Heritage Overlay, but a lack of individual identification may lead to a structure of significance being altered or even demolished before such actions can be discovered by Council staff. Should this occur, a Contributory Item which, by its nature, forms part of the inherent heritage character of the township, could be lost to the community, never to be replaced.

Our understanding is that Heritage Places and Contributory Items will become Performance Assessed under the Planning and Design Code (the Code). It may be that further information contained in the Code, once released, will clarify the manner in which applications under the Heritage Overlays will be assessed, in particular as to whether they will be subject to Public Notification and be presented to the Council Assessment Panel. Should this not be the case, the propensity for error and loss of an important

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building and subsequently character and amenity in the subject area will be greatly increased.

Contributory Items are important in the makeup of the fabric and charm of Gawler and Council registers its strong concerns regarding their protection, especially considering the origins of Gawler as the first settlement established after the city of Adelaide in South Australia and its design by Colonel William Light.

The Gawler (CT) Development Plan lists its Contributory Items and offers solid protection to these structures, with demolition being Non-complying Development in Heritage (Conservation) Zones.

It is acknowledged that the Town of Gawler could undergo a Development Plan Amendment to convert its Contributory Items to Local Heritage Places. With 609 Contributory Items, this would be a massive and costly undertaking which possibly could not comply with the December 2020 deadline.

It is of paramount importance to the Gawler community to preserve and protect the unique and rich culture and heritage of the township.

Your response to Council's concerns will be much appreciated and I look forward to hearing from you.

If you require any additional information concerning this letter, please contact Ryan Viney, Manager Development, Environment and Regulatory Services on 8522 9271 or via e-mail ryan.viney@gawler.sa.gov.au.

Kind regards



Karen Redman
Mayor

Direct line: (08) 8522 9221
Email: Mayor@gawler.sa.gov.au

19MPL0427



Government
of South Australia

The Hon Stephan Knoll MP
Member for Schubert

Ms Karen Redman
Mayor
Town of Gawler
PO Box 130
GAWLER SA 5118


Dear Mayor Redman

Thank you for your correspondence regarding heritage protection.

The Marshall Liberal Government is wholly committed to the promotion and protection of heritage places in South Australia. Since commencing my role as Minister for Planning after the 2018 State Election, I have approved 208 new local heritage places throughout South Australia, specifically in Mid Murray, the City of Charles Sturt and the Adelaide Hills Council areas.

As to the implementation of the Planning and Design Code, and the future of 'Contributory Items', it is important to note that such items as they currently exist in development plans across the State lack consistent application, and it is in fact the zones and policy areas those items are located within, rather than independent listings themselves, which provide various levels of protection across council areas.

I reiterate my commitment that all of these existing historic conservation zones will transition into the new Planning and Design Code, taking the form of a policy Overlay. By identifying these areas as an Overlay, as opposed to a zone, their status is immediately elevated within the Code. The Overlay will contain policies which seek to protect local heritage values through demolition control (performance assessed), heritage assessment and promotion of adaptive reuse.

The proposed policy framework is to provide clarity and certainty around when demolition can be contemplated, and to ensure that the assessments are fair and consistent across the State when applications are received to undergo thorough consideration. These assessments are yet to be finalised and the Commission is working closely with councils and heritage practitioners to ensure the right balance is achieved.

Nevertheless, whilst 'Contributory Items' will not exist in the new system as individual entities, it does not mean they will not have protection. The intent is that they will not need to be singled out because the Overlay itself will provide them with performance assessed demolition control. It is worth noting that this is consistent with the approach taken in the current system, whereby demolition is considered 'on merit' in the overwhelming majority of cases.

Minister for Transport, Infrastructure and Local Government
Minister for Planning

Roma Mitchell House Adelaide SA 5000 | GPO Box 1533 Adelaide SA 5001 DX 171
Tel 08 7109 8430 | Email ministerknoll@sa.gov.au



Furthermore, the Overlay will also help to ensure places which are not currently 'Contributory Items' are redeveloped over time in a way which is sympathetic to the area they are located in, having consideration to heritage values and streetscape characteristics.

In this context, there is opportunity for councils to undertake a Heritage Development Plan Amendment where they consider existing 'Contributory Items' warrant elevation to the status of a Local Heritage Place; however this pathway is not a necessity to secure their protection.

It should be noted that the new system offers a range of tools not currently available, including the ability to provide additional guidance in the form of Practice Directions and Guidelines, mandating the provision of additional information to support development applications (e.g. heritage assessments and/or contextual analysis), and optional Design Review processes.

I therefore consider that the proposed policy framework, together with the new tools mentioned above, provide the opportunity not only to ensure the ongoing protection of our valued heritage areas, but to further enhance the way in which heritage and character are managed across the State.

Further detail regarding the formal consultation process will be available on the SA Planning Portal shortly at www.saplanningportal.sa.gov.au.

Yours sincerely



HON. STEPHAN KNOLL MP
MINISTER FOR TRANSPORT, INFRASTRUCTURE AND LOCAL GOVERNMENT
MINISTER FOR PLANNING

12/9/2019



**TOWN OF GAWLER
MONTHLY FINANCE REPORT
31 AUGUST 2019
FOR YEAR ENDING 30 JUNE 2020**

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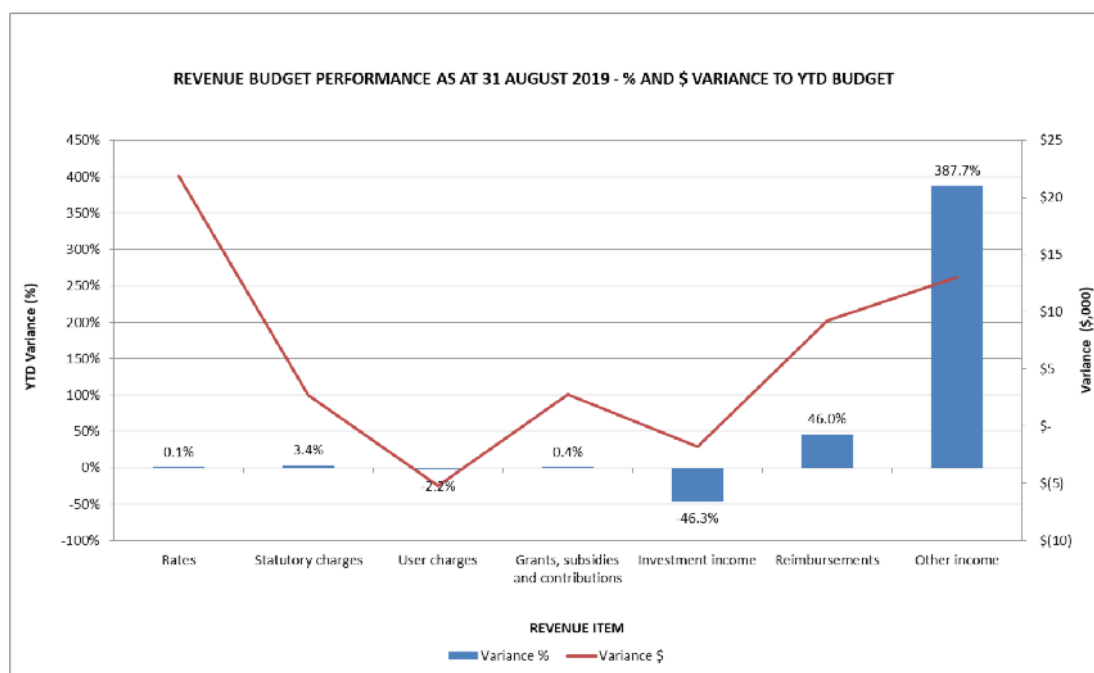
Executive Summary

The following report details the Town of Gawler's year to date (YTD) operating performance. All variances exceeding both \$10,000 and 5% have been identified and explanatory notes have been provided. All variances are closely monitored by budget managers and finance staff.

(a) Income

Graph 1 below shows a summary of the YTD actual operating income performance against the YTD budget.

Graph 1 – YTD Operating Income Performance against YTD Budget



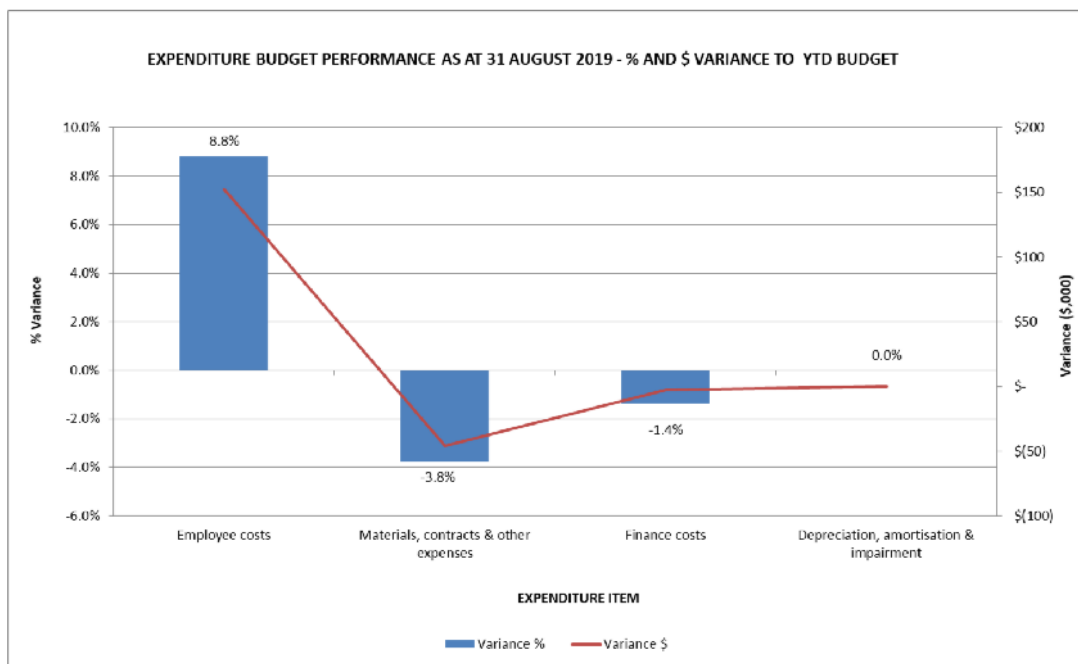
Overall, the YTD actual operating income of \$24.518M is \$43K higher than the YTD budget of \$24.475M. The variances that are greater than \$10K and 5% are disclosed below:

- **Other Income** – The YTD favourable variance is primarily a result of the number of participants who attended youth programs held during the school holidays. This additional income has also resulted in additional expenses.

(b) Expenditure

Graph 2 below shows a summary of the YTD actual operating expenditure performance against the YTD budget.

Graph 2 – YTD Operating Expenditure Performance against YTD Budget



Overall, the YTD actual operating expenditure of \$3.035K is \$104K lower than the YTD budget of \$3.138M. The variances that are greater than \$10K and 5% are disclosed below.

- **Employee Expenses** – At the time of reporting, Council had 12.26 FTE positions that were either vacant or being filled by agency staff. Council uses savings from vacant positions to fund recruitment costs and agency staff used in the interim while a position is being filled.

Where there are savings generated from a vacant position, these amounts will firstly be used to fund these recruitment and agency staff expenses before being declared as a budget saving.

(c) Overall Analysis

Overall, there is a **favourable YTD variance of \$147K** at the reporting date as disclosed in the Statement of Comprehensive Income.

Erin McGarry
Financial Accountant

TOWN OF GAWLER
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 AUGUST 2019
FOR THE YEAR ENDING 30 JUNE 2020

Annual Adopted Budget		Year To Date			
		Actual	Budget	Variance fav/(unfav)	
\$'000s		\$'000s	\$'000s	\$'000s	%
INCOME					
(23,453)	Rates	(23,415)	(23,393)	22	0.1%
(769)	Statutory charges	(84)	(81)	3	3.4%
(1,691)	User charges	(235)	(240)	(5)	-2.2%
(4,230)	Grants, subsidies and contributions	(736)	(733)	3	0.4%
(33)	Investment income	(2)	(4)	(2)	-46.3%
(331)	Reimbursements	(29)	(20)	9	46.0%
(7)	Other income	(16)	(3)	13	387.7%
(37)	Net gain - Equity Accounted Council Business	-	-	-	
(30,551)	Total Income	(24,518)	(24,475)	43	0.2%
EXPENDITURE					
11,555	Employee costs	1,574	1,726	152	8.8%
11,962	Materials, contracts & other expenses	1,257	1,211	(46)	-3.8%
821	Finance costs	204	201	(3)	-1.4%
5,979	Depreciation, amortisation & impairment	-	-	-	
39	Net gain - Equity Accounted Council Business	-	-	-	
30,356	Total Expenditure	3,035	3,138	104	-3.3%
(195)	OPERATING (SURPLUS) / DEFICIT	(21,485)	(21,337)	147	
OTHER COMPREHENSIVE INCOME					
-	Asset disposal & fair value adjustments	-	-	-	
(1,975)	Amounts received specifically for new or upgraded assets	(616)	(403)	213	53%
(24,441)	Physical resources received free of charge	-	-	-	
(26,611)	NET (SURPLUS) / DEFICIT	(22,101)	(21,740)	360	

TOWN OF GAWLER
MONTHLY FINANCE REPORT - INCOME/EXPENDITURE BY SERVICE
FOR THE PERIOD ENDED 31 AUGUST 2019
FOR THE YEAR ENDING 30 JUNE 2020

Annual Adopted Budget*		Year To Date				Service Description	Variance Comments (if > \$10,000 AND 5%)
		Actual	Adopted Budget**	Variance fav/(unfav)			
\$		\$	\$	\$	%		
INCOME							
(325,000)	Animal & Pest Control	(14,616)	(10,000)	4,616	46%	Dog Registrations, Expiation fees	
(45,300)	Building Control Services	(7,309)	(7,552)	(243)	-3%	Building Assessment Fees, Vehicle Contributions	
(160,269)	Cemetery Operations	(28,139)	(26,710)	1,429	5%	Burial, Lease, Cremation etc. Fees	
(6,630)	CEO Office	(2,000)	(893)	1,107	124%	Vehicle Contribution	
(170,600)	Civic Centre Operations	(3,949)	(13,794)	(9,845)	-71%	Business Innovation Hub	
(674,880)	Community Home Support Program	(157,935)	(160,770)	(2,835)	-2%	Grant Funding & Client Contributions	
(5,900)	Community Services Management	(1,538)	(794)	744	94%	Vehicle Contribution	
(523,148)	Council Buildings	(83,289)	(85,704)	(2,415)	-3%	Various Property Rentals	
(49,000)	Customer Services	(9,585)	(8,166)	1,419	17%	Property Search Fees	
(5,900)	Depot Operations	(1,538)	(794)	744	94%	Vehicle Contribution	
(6,516)	Development & Regulatory Services Administration	(1,692)	(877)	815	93%	Vehicle Contribution	
(25,848)	Economic Development, Marketing & Comm M	(1,572)	(787)	785	100%	Vehicle Contribution	
(52,500)	Elderly Citizen Facilities	(5,046)	(9,152)	(4,106)	-45%	Hire of Elderly Centre	
(10,000)	Elected Member Services	(1,667)	(1,666)	1	0%	Mayoral vehicle contribution	
(61,748)	Engineering Services	(4,017)	(1,582)	2,435	154%	Vehicle Contributions, Contributions to Various Projects & other Misc. Income	
(1,575,670)	Financial Services	(183,047)	(184,834)	(1,787)	-1%	Investment income, Financial Assistance Grant	
(383,325)	Gawler Aquatic Centre	(6,955)	(7,500)	(545)	-7%		
(176,043)	Gawler Business Development Group	(175,870)	(176,043)	(173)	0%	Separate Rate Revenue	

TOWN OF GAWLER
MONTHLY FINANCE REPORT - INCOME/EXPENDITURE BY SERVICE
FOR THE PERIOD ENDED 31 AUGUST 2019
FOR THE YEAR ENDING 30 JUNE 2020

Annual Adopted Budget*		Year To Date				Service Description	Variance Comments (if > \$10,000 <u>AND</u> 5%)
		Actual	Adopted Budget**	Variance fav/(unfav)			
\$		\$	\$	\$	%		
(83,537)	General Administration	0	(17)	(17)		Various insurance scheme rebates etc.	
(16,250)	Health Control Services	(3,889)	(330)	3,559	1078%	Food inspections, audits	
(107,251)	Human Resources	-	-	-		Traineeship rebates and WHS Special Distribution payment	
(4,710)	IES, Depot & Property Management	(1,538)	(634)	904	143%	Vehicle Contribution	
(12,300)	Immunisation	(114)	(360)	(246)	-68%	Grant funding, user contributions	
(2,000)	Inflammable Undergrowth Services	325	-	(325)			
(5,848)	Information Technology Services	(1,538)	(787)	751	95%	Vehicle contribution	
(88,257)	Libraries	(3,213)	(3,827)	(614)	-16%	Shared Resources Reimbursement, State Govt Subsidy	
(371,864)	Other Environmental & Regulatory Service	(366,588)	(366,464)	124	0%	NRM Levy	
(150,000)	Parking Control	(27,007)	(24,998)	2,009	8%	Expiation Fees Collected	
(13,500)	Plant Operations	-	-	-		Fuel Tax Credits Received from ATO, vehicle registration cancellation reimbursements	
(5,900)	Property Management Administration	(1,538)	(794)	744	94%	Vehicle contribution	
(20,782,495)	Rates Administration	(20,728,004)	(20,714,295)	13,709	0%	General Rates/Fines, etc.	
-	Records Management	(490)	-	490		FOI Requests	
(34,850)	Recreation Services Administration	(34,850)	(34,850)	-	0%	Grant funding	
(1,013,160)	Roads	(34,112)	(34,112)	-	0%	Grant funding	
(347,990)	Sports Facilities Indoor	(92,821)	(85,060)	7,761	9%	Sport & Community Centre	

TOWN OF GAWLER
MONTHLY FINANCE REPORT - INCOME/EXPENDITURE BY SERVICE
FOR THE PERIOD ENDED 31 AUGUST 2019
FOR THE YEAR ENDING 30 JUNE 2020

Annual Adopted Budget*		Year To Date				Service Description	Variance Comments (if > \$10,000 <u>AND</u> 5%)
		Actual	Adopted Budget**	Variance fav/(unfav)			
				\$	\$		
\$		\$	\$	\$	%		
-	Street Beautification	(5,471)	-	5,471		Reimbursements for tree removals and relocation	
(986,200)	Town Planning Services	(351,002)	(352,030)	(1,028)	0%	Development Application fees, etc.	
(51,380)	Visitors Information Centre	(14,107)	(11,480)	2,627	23%	Souvenirs sales, various commissions	
(2,195,289)	Waste Management	(2,148,746)	(2,143,289)	5,457	0%	Waste Management Service Charge revenue	
(4,500)	Youth Services	(12,963)	(3,000)	9,963	332%	Youth Activities	
(30,553,058)	Total Income	(24,518,183)	(24,475,479)	42,704	0%		

TOWN OF GAWLER
MONTHLY FINANCE REPORT - INCOME/EXPENDITURE BY SERVICE
FOR THE PERIOD ENDED 31 AUGUST 2019
FOR THE YEAR ENDING 30 JUNE 2020

Annual Adopted Budget*		Year To Date				Service Description	Variance Comments (if > \$10,000 AND 5%)
		Actual	Adopted Budget**	Variance fav/(unfav)			
		\$	\$	\$	%		
	EXPENDITURE						
310,060	Animal & Pest Control	25,495	23,163	(2,332)	-10%		
144,573	Bridges	-	-	-		Depreciation	
233,955	Building Control Services	19,152	33,648	14,496	43%	Building Assessment	Vacant Position
81,092	Car Parks	13,039	5,972	(7,067)	-118%		
151,785	Cemetery Operations	8,462	16,024	7,562	47%		
488,115	CEO Office	54,898	53,526	(1,372)	-3%		
512,284	Civic Centre Operations	62,502	66,372	3,870	6%		
						Council Communications and Marketing to public and Murray St Banners	
171,176	Communication & Marketing	24,242	33,670	9,428	28%	Home Assist Program	
674,880	Community Home Support Program	85,915	88,237	2,322	3%	Administration of Community Services departments	
348,015	Community Services Management	46,077	51,887	5,810	11%	Support of various Community events/grants	
297,975	Community Support	50,401	54,726	4,325	8%		
1,435,952	Council Buildings	87,450	73,322	(14,128)	-19%	Building maintenance	Unfavourable variance due to unplanned works at various locations
7,600	Crime Prevention	117	700	583	83%	CCTV operating expenses	
287,438	Customer Services	39,739	40,647	908	2%	Staff Salaries	
292,138	Depot Operations	37,565	36,345	(1,220)	-3%		
1,062,799	Development & Regulatory Services Administration	125,476	133,452	7,976	6%		
476,754	Economic Development, Marketing & Comm M	67,812	61,814	(5,998)	-10%		
11,217	Elderly Citizen Facilities	1,888	3,066	1,178	38%	Elderly Centre Allowances & expenses	
340,432	Elected Member Services	55,757	48,517	(7,240)	-15%		
896,297	Engineering Services	125,856	115,775	(10,081)	-9%		This unfavourable variance is due to the timing of capital works
265,563	Finance & Corporate Services Management	49,637	50,644	1,007	2%		

TOWN OF GAWLER
MONTHLY FINANCE REPORT - INCOME/EXPENDITURE BY SERVICE
FOR THE PERIOD ENDED 31 AUGUST 2019
FOR THE YEAR ENDING 30 JUNE 2020

Annual Adopted Budget*		Year To Date				Service Description	Variance Comments (if > \$10,000 <u>AND</u> 5%)
		Actual	Adopted Budget**	Variance fav/(unfav)			
\$		\$	\$	\$	%		
1,366,063	Financial Services	281,601	275,345	(6,256)	-2%	Accounting services, Audit Committee, Loan interest	
506,837	Footpaths	81	122	41	34%	Depreciation	
883,448	Gawler Aquatic Centre	35,970	55,634	19,664	35%		Vacant Position - recently been filled
176,043	Gawler Business Development Group	43,968	44,011	44	0%	Gawler Business Development Group contribution	
563,615	General Administration	77,180	93,639	16,459	18%	General admin, WHS, Agenda/Minutes preparation	Community contributions less than anticipated YTD
138,518	Governance Services	19,057	20,392	1,335	7%		
150,016	Health Control Services	20,804	19,637	(1,167)	-6%		
4,294	Heritage	3,712	3,780	68	2%	Heritage collection maintenance, Heritage Walls Grants	
509,467	Human Resources	77,594	68,404	(9,190)	-13%	HR admin expenses, recruitment costs	
261,593	IES, Depot & Property Management	38,265	36,578	(1,687)	-5%		
50,367	Immunisation	3,090	3,570	480	13%	Immunisation services	
43,711	Inflammable Undergrowth Services	4,511	5,724	1,213	21%		
1,204,073	Information Technology Services	202,384	198,725	(3,659)	-2%		
703,088	Kerb & Gutter	-	-	-		Depreciation Only	
990,890	Libraries	149,081	142,367	(6,714)	-5%		
64,917	Litter Control	5,333	8,706	3,373	39%	Programmed collection of litter/rubbish from litter bins	
(948,403)	Oncosts Recovered	(100,512)	(129,932)	(29,420)		Wages overhead costs recovered	This unfavourable variance is due to the use of agency staff to fill positions vacant. Oncosts are not internally recovered where agency staff are used.

TOWN OF GAWLER
MONTHLY FINANCE REPORT - INCOME/EXPENDITURE BY SERVICE
FOR THE PERIOD ENDED 31 AUGUST 2019
FOR THE YEAR ENDING 30 JUNE 2020

Annual Adopted Budget*		Year To Date				Service Description	Variance Comments (if > \$10,000 <u>AND</u> 5%)
		Actual	Adopted Budget**	Variance fav/(unfav)			
		\$	\$	\$	%		
383,823	Other Environmental & Regulatory Service	-	-	-		NRM Levy payments	
182,173	Parking Control	28,563	22,405	(6,158)	-27%		
1,644,014	Parks & Gardens	130,962	163,729	32,767	20%	Programmed maintenance of parks, gardens & reserves	Labour costs favourable due to staff spending time on other functions YTD
(106,197)	Plant Operations	58,708	67,327	8,619	13%	Includes internal plant hire costs recovered	
290,238	Property Management Administration	38,227	41,586	3,359	8%		
90,582	Public Conveniences	9,666	10,310	644	6%	Routine cleaning maintenance of 7 sites	
284,171	Rates Administration	35,691	39,030	3,339	9%		
220,005	Records Management	21,402	25,877	4,475	17%		
84,850	Recreation Services Administration	3,553	10,000	6,447	64%	Karbeethan Master Plan & assistance to Karbeethan Sporting association with Governance	
3,584,136	Roads	199,230	186,482	(12,748)	-7%		This unfavourable variance is due to the timing of capital works
34,330	Roundabouts	-	-	-		Depreciation	
381,468	Sports Facilities Indoor	57,227	63,359	6,132	10%	Sport & community Centre	
761,699	Sports Facilities Outdoor	25,401	40,213	14,812	37%	Programmed ovals maintenance	Favourable variance driven by timing of seasonal works
1,217,911	Stormwater Drainage	30,809	38,494	7,685	20%	Drain cleaning, repairs & maintenance	Favourable variance driven by timing of seasonal works
580,849	Street Beautification	74,538	68,497	(6,041)	-9%	Tree replacement / removal and maintenance, Garden beds maintenance	

TOWN OF GAWLER
MONTHLY FINANCE REPORT - INCOME/EXPENDITURE BY SERVICE
FOR THE PERIOD ENDED 31 AUGUST 2019
FOR THE YEAR ENDING 30 JUNE 2020

Annual Adopted Budget*		Year To Date				Service Description	Variance Comments (if > \$10,000 AND 5%)
		Actual	Adopted Budget**	Variance fav/(unfav)			
		\$	\$	\$	%		
154,900	Street Cleaning	13,067	12,832	(235)	-2%	Programmed Cleaning of CBD and Urban Streets	
434,610	Street Lighting	42,622	43,099	477	1%		
804,837	Town Maintenance	66,518	89,157	22,639	25%	Linemarking, Weedspraying and other various services	Labour costs favourable due to staff spending time on other functions
1,395,792	Town Planning Services	122,991	136,787	13,796	10%	Development assessment, various studies, DAP committee	Vacant Position
6,730	Traffic Management	153	-	(153)		Street/traffic control signs maintenance	
152,505	Visitors Information Centre	22,772	15,315	(7,457)	-49%		
247,362	Volunteer Services	14,682	34,121	19,439	57%	Volunteer Resource Centre, Graffiti removal team	Vacant Position
2,167,758	Waste Management	158,108	166,188	8,080	5%	Kerbside waste collection & disposal	
198,582	Youth Services	36,065	25,443	(10,622)	-42%	Youth Activities	The youth program has incurred additional expenses in line with additional income generated from programs/events held YTD
30,355,765	Total Expenditure	3,034,555	3,138,460	103,905	-3%		
(197,293)	NET OPERATING RESULT	(21,483,628)	(21,337,019)	146,609			

*Annual Adopted Budget - This is the Original Budget adopted by Council on 16 July 2019.

**YTD Adopted Budget - This represents the expected revenue/expenditure as at the reporting date based on the Annual Adopted Budget.

TOWN OF GAWLER POLICY



Policy Section:	Section 1 Corporate Governance
Policy Name:	Public Interest Disclosure Policy
Classification:	Council Policy
Adopted:	(Date of Council meeting)
Frequency of Review:	Biennial
Last Review:	New
Next Review Due:	September 2021
Responsible Officer(s):	Position Title/s
Policy and Code of Practice Manual File Ref:	CC13/241
Council File Reference:	CR19/42634
Legislation Authority:	Public Interest Disclosure Act
Related Policies and Codes:	Public Interest Disclosure Policy
Related Procedures:	N/A

1. INTRODUCTION

1.1. The Town of Gawler is committed to upholding the principles of transparency and accountability in its administrative and management practices and, therefore, encourages the making of disclosures that reveal public interest information.

1.2. The purpose of this Policy is to ensure that the Town of Gawler:

- properly fulfils its responsibilities under the *Public Interest Disclosure Act 2018*;
- encourages and facilitates Disclosures of Public Interest Information in accordance with the objects and requirements of the PID Act ;
- ensures there is appropriate oversight of public interest disclosures about corruption, misconduct and maladministration in public administration;
- provides appropriate protection for those who make Disclosures in accordance with the Act; and

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PUBLIC INTEREST DISCLOSURE POLICY

- acknowledges the need to appropriately support Informants, the Responsible Officer and, as appropriate, those Public Officers affected by any appropriate Disclosure.

1.3. The Council will review and update this Policy each year as part of its annual policy review.

2. SCOPE

2.1. This Policy applies to appropriate Disclosures of Public Interest Information that are made in accordance with the PID Act by public officers including Council Members, Officers and Employees of the Council, and by members of the public, and is intended to complement the reporting framework under the ICAC Act.

2.2. This Policy is also designed to complement the existing communication channels within Council, and operate in conjunction with other existing policies, including:

- Fraud & Corruption Prevention Policy;
- Code of Conduct for Council Members; and
- Internal Review of Council Decisions Policy under section 270 of the *Local Government Act 1999*.

2.3. The Council is committed to:

- referring, as necessary, appropriate Disclosures to another Relevant Authority;
- where the Disclosure relates to Corruption, or serious or systemic Misconduct or Maladministration in public administration, reporting the Disclosure directly to the OPI in accordance with the Guidelines and the requirements of the ICAC Act;
- otherwise facilitating the investigation of appropriate Disclosures in a manner which promotes fair and objective treatment of those involved; and
- rectifying any substantiated wrongdoing to the extent practicable in all the circumstances.

3. DEFINITIONS

For the purposes of this Policy the following definitions apply.

3.1. **Commissioner** means the person holding or acting in the office of the Independent Commissioner Against Corruption.

3.2. **Corruption in public administration** is defined in section 5(1) of the ICAC Act and means:

3.2.1. an offence against Part 7 Division 4 (Offences relating to public officers) of the *Criminal Law Consolidation Act 1935*, which includes the following offences:

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PUBLIC INTEREST DISCLOSURE POLICY

- (i) bribery or corruption of public officers;
 - (ii) threats or reprisals against public officers;
 - (iii) abuse of public office;
 - (iv) demanding or requiring benefit on basis of public office;
 - (v) offences relating to appointment to public office; or
- 3.3.2 an offence against the *Public Sector (Honesty and Accountability) Act 1995* or the *Public Corporations Act 1993*, or an attempt to commit such an offence; or
- 3.3.3 an offence against the *Lobbyists Act 2015*, or an attempt to commit such an offence; or
- 3.3.4 any other offence (including an offence against Part 5 (Offences of dishonesty) of the [Criminal Law Consolidation Act 1935](#)) committed by a public officer while acting in his or her capacity as a public officer or by a former public officer and related to his or her former capacity as a public officer, or by a person before becoming a public officer and related to his or her capacity as a public officer, or an attempt to commit such an offence; or
- 3.3.5 any of the following in relation to an offence referred to in a preceding paragraph:
- (i) aiding, abetting, counselling or procuring the commission of the offence;
 - (ii) inducing, whether by threats or promises or otherwise, the commission of the offence;
 - (iii) being in any way, directly or indirectly, knowingly concerned in, or party to, the commission of the offence;
 - (iv) conspiring with others to effect the commission of the offence
- 3.3. **Council** means the Town of Gawler.
- 3.4. **Detriment** includes:
- injury, harm (including psychological harm), damage (including damage to reputation) or loss;
 - intimidation or harassment;
 - discrimination, disadvantage or adverse treatment in relation to a person's employment; and/or
 - threats of reprisal (which may be express or implied, and/or conditional or unconditional).

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PUBLIC INTEREST DISCLOSURE POLICY

3.5. **Directions and Guidelines** is a reference to the Directions and Guidelines issued pursuant to section 20 of the ICAC Act and/or section 14 of the PID Act, which are available on the Commissioner's website (www.icac.sa.gov.au).

3.6. **Disclosure** means an appropriate disclosure of public interest information made by an Informant to a Relevant Authority.

A person makes an **appropriate disclosure of environmental and health information** if:

- (a) the person:
 - i. believes on reasonable grounds that the information is true; or
 - ii. is not in a position to form a belief on reasonable grounds about the truth of the information, but believes on reasonable grounds that the information may be true and is of sufficient significance to justify its disclosure so that its truth may be investigated; and
- (b) the disclosure is made to a Relevant Authority.
- (c) the Information will cause serious harm or death

A person makes an **appropriate disclosure of public administration information** if:

- (a) the person:
 - i. is a public officer;
 - ii. reasonably suspects that the information raises a potential issue of corruption, misconduct or maladministration in public administration; and
- (b) the disclosure is made to a Relevant Authority.

3.7. **Employee** refers to all the Council's employees, whether they are working in a full-time, part-time or casual capacity.

3.8. **Environmental and health information** means information that raises a potential issue of a substantial risk to the environment or to the health or safety of the public generally or a significant section of the public.

3.9. **Fraud** includes an intentional dishonest act or omission done with the purpose of deceiving.

3.10. **ICAC Act** is the *Independent Commissioner Against Corruption Act 2012*.

3.11. **Independent Assessor** means the person designated by the Responsible Officer as being responsible for investigating a disclosure made to the Town of Gawler in accordance with the Public Interest Disclosure Procedure.

3.12. **Informant** means a person who makes an appropriate disclosure of public interest information to a Relevant Authority.

PUBLIC INTEREST DISCLOSURE POLICY

3.13. **Maladministration in public administration** is defined in section 5(4) of the ICAC Act and

3.13.1. means:

- (i) conduct of a public officer, or a practice, policy or procedure of a public authority, that results in an irregular and unauthorised use of public money or substantial mismanagement of public resources; or
- (ii) conduct of a public officer involving substantial mismanagement in or in relation to the performance of official functions; and

3.13.2. includes conduct resulting from impropriety, incompetence or negligence; and

3.13.3. is to be assessed having regard to relevant statutory provisions and administrative instructions and directions.

3.14. **Misconduct in public administration** is defined in section 5(3) of the ICAC Act and means:

3.14.1. contravention of a code of conduct by a public officer while acting in his or her capacity as a public officer that constitutes a ground for disciplinary action against the officer; or

3.14.2. other misconduct of a public officer while acting in his or her capacity as a public officer.

3.15. **Office for Public Integrity (OPI)** is the office established under the ICAC Act that has the function to:

- 3.15.1. receive and assess complaints about public administration from members of the public;
- 3.15.2. receive and assess reports about corruption, misconduct and maladministration in public administration from the Ombudsman, the Council and public officers;
- 3.15.3. refer complaints and reports to inquiry agencies, public authorities and public officers in circumstances approved by the Commissioner or make recommendations as to whether and by whom complaints and reports should be investigated;
- 3.15.4. give directions or guidance to public authorities in circumstances approved by the Commissioner;
- 3.15.5. perform other functions assigned to the Office by the Commissioner.

3.16. **Public administration** defined at section 4 of the ICAC Act and, without limiting the acts that may comprise public administration, an administrative act within the meaning of the *Ombudsman Act 1972* will be taken to be carried out in the course of public administration.

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- 3.17. **Public administration information** means information that raises a potential issue of corruption, misconduct or maladministration in public administration.
- 3.18. **Public interest information** means environmental or health information, or public administration information.
- 3.19. **PID Act** means the *Public Interest Disclosure Act 2018*.
- 3.20. **Principal Officer** for the purposes of the PID Act means the Chief Executive Officer of the Council.
- 3.21. **Public Officer** has the meaning given by section 4 and Schedule 1 of the ICAC Act, and includes:
- a Council Member; and
 - an employee or officer of the Council;
- 3.22. **Relevant Authority** means the person or entity that receives an appropriate disclosure of public interest information in accordance with the PID Act, as set out in Appendix A to this Policy.
- 3.23. **Responsible Officer** is a person who has completed any training courses approved by the Commissioner for the purposes of the *Public Interest Disclosure Regulations 2019* and has been designated by the Council as responsible officer under section 12 of the PID Act.
- 3.24. **Victimisation** occurs when a person causes detriment to another on the ground, or substantially on the ground, that the other person (or a third person) has made or intends to make an appropriate disclosure of public interest information.

4. CONFIDENTIALITY

- 4.1. The identity of an Informant will be maintained as confidential in accordance with the PID Act.
- 4.2. A recipient of an appropriate Disclosure may only divulge the identity of an Informant where:
- 4.2.1. the recipient believes on reasonable grounds that it is necessary to divulge the identity of the Informant in order to prevent or minimise an imminent risk of serious physical injury or death to any person, **and** the identity of the Informant is then divulged to a person or authority that the recipient believes on reasonable grounds is the most appropriate authority or person to be able to take action to prevent or minimise the imminent risk of serious physical injury or death to any person;
 - 4.2.2. the recipient has been issued with a notice from the OPI advising that the identity of the Informant is required by the OPI, in which case the recipient **must** disclose the identity of the Informant to the OPI;
 - 4.2.3. doing so is necessary for the matter to be properly investigated (but only to the extent necessary to ensure proper investigation); or

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4.2.4. the Informant consents to his/her identity being disclosed.

4.3. The PID Act does not expressly require any other information relating to a Disclosure (including, for example, the nature of the allegations) to be maintained as confidential, but in considering whether to further disclose other information provided as part of an appropriate Disclosure the Council should be mindful of the prohibition against Victimisation in the PID Act.

4.4. An Informant may wish to remain anonymous, but in that event must ensure that the allegation is sufficiently supported by the provision of necessary details and evidence to enable the matter to be properly investigated.

5. DISCLOSURE PROCESS

5.1. Disclosures are to be handled by the Council in accordance with the Public Interest Disclosure Procedure.

5.2. Nothing in this Policy prevents a person from making a Disclosure to a Relevant Authority external to the Council (i.e. the Ombudsman or the OPI). This is a choice to be made by the Informant at his/her discretion. The Council recommends an Informant have regard to the factors at clause 6.4 of the Public Interest Disclosure Procedure when deciding where to direct a Disclosure.

5.3. A Disclosure may be made to the Council's designated Responsible Officer in person, by telephone or in writing. The relevant contact details are:

Telephone: 8522 9211

Email: disclosures@gawler.sa.gov.au

Address:

Confidential

Responsible Officer, Public Interest Disclosure

PO Box 130

Gawler SA 5118

6. THE ROLE OF THE RESPONSIBLE OFFICER

6.1. A person designated as a Responsible Officer for the Council:

6.1.1. must:

6.1.1.1. receive appropriate Disclosures relating to the Council and ensure compliance with the PID Act, and the Public Interest Disclosure Procedure, in relation to any such Disclosures;

6.1.1.2. make appropriate recommendations to the principal officer of the Council in relation to dealing with Disclosures, including any suggested changes to this Policy or the Public Interest Disclosure Procedure; and

6.1.1.3. provide advice to officer and employees of the Council in relation to the administration of the PID Act; and

6.1.1.4. complete any training courses approved by the Commissioner for the purposes of the Public Interest Disclosure Regulations; and

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- 6.1.2. may carry out any other functions relating to the PID Act.
- 6.2. Upon the receipt of a Disclosure, the Responsible Officer will deal with the disclosure in accordance with the Public Interest Disclosure Procedure.
- 6.3. In making any determination or taking any action under this Policy or pursuant to the Public Interest Disclosure Procedure:
 - 6.3.1. the Responsible Officer may seek legal advice from Council's lawyers and/or guidance from SAPOL or the Ombudsman in relation to the most appropriate course of action to pursue; and
 - 6.3.2. is authorised to incur costs in accordance with the Council's Budget for that purpose.
- 6.4. The Responsible Officer will liaise as required with the Informant and any Independent Assessor in relation to any investigation process undertaken in accordance with the Public Interest Disclosure Procedure, and will ensure that the Informant is provided with support and protection as necessary and appropriate in the circumstances of the Disclosure.

7. INFORMATION TO ELECTED BODY

- 7.1. As a matter of discretion, the Chief Executive Officer may inform the elected body, on a confidential basis, of the fact that an investigation of a Disclosure took place and the outcome of the investigation.
- 7.2. Factors the Chief Executive Officer will take into account in determining whether to inform the elected body under paragraph 7.1 above and the level of detail provided in doing so are to include:
 - 7.2.1. if known, the identity of the Informant, and whether the Informant has consented to his/her identity being divulged;
 - 7.2.2. if applicable, the identity of any person the subject of the Disclosure;
 - 7.2.3. the impact (if any) of the investigation upon the Council's achievement of its objectives under its Strategic Plan and/or policies; and
 - 7.2.4. the impact of any action taken to finalise the matter upon the Council's operations and/or budget.
- 7.3. In the event the Disclosure and/or any subsequent investigation process is confined to issues that impact only upon Council staff and human resource processes, the Chief Executive Officer will not inform the elected body of the fact of the Disclosure and/or investigation (since these matters fall outside the roles and responsibilities of elected members under the *Local Government Act 1999*).

8. PROTECTION FOR THE INFORMANT

- 8.1. An Informant who makes an appropriate Disclosure is protected by:
 - 8.1.1. immunity from criminal or civil liability as provided for in section 5(1) of the PID Act;

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- 8.1.2. a prohibition on disclosure of his/her identity as provided for in section 8 of the PID Act;
- 8.1.3. a prohibition against Victimisation as provided for in section 9 of the PID Act; and
- 8.1.4. a prohibition against hindering, obstructing or preventing an Informant from making an appropriate Disclosure as provided for in section 11 of the PID Act.
- 8.2. The PID Act does not provide any protection to people who knowingly make disclosures that are false or misleading in a material particular (whether by reason of the inclusion or omission of a particular).
- 8.3. A person who knowingly makes a Disclosure that is false or misleading in a material particular is guilty of an offence and may be prosecuted.
- 8.4. A person who personally commits an act of Victimisation against an Informant is guilty of an offence and may be prosecuted.
- 8.5. The Council will take action as appropriate in the circumstances of the relevant Disclosure/s to protect Informants from Victimisation. Such action may include acting in accordance with the risk minimisation steps set out in the Public Interest Disclosure Procedure and/or referring the matter to the SA Police.
- 8.6. Any Council Member or employee or officer of the Council who:
 - 8.6.1. knowingly makes a disclosure that is false or misleading in a material particular; or
 - 8.6.2. commits an act of Victimisation in relation to an Informant; or
 - 8.6.3. acts otherwise than in accordance with this Policy or the Public Interest Disclosure Procedure (including with respect to divulging the identity of an Informant) in relation to a Disclosuremay also face disciplinary action by the Council or the Chief Executive Officer (as appropriate).

9. AVAILABILITY OF THE POLICY

- 9.1. This Policy will be available for inspection at the Council's Offices during ordinary business hours and via the Council's website www.gawler.sa.gov.au. Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

PUBLIC INTEREST DISCLOSURE POLICY

10. REVIEW AND EVALUATION

The effectiveness of this Policy will be reviewed biennially and may be reviewed at any time.

The Chief Executive Officer will report to Council on the outcome of the evaluation and if relevant make recommendations for amendments, alteration or substitution of a new Policy.

The Policy will not be altered or substituted so as to affect a process already commenced.

11. FURTHER INFORMATION

Further information about this Policy can be obtained by:-

Telephone: 8522 9211

Email: council@gawler.sa.gov.au

Appointment: Town of Gawler Administration Centre, 43 High Street, Gawler East.

Letter: PO Box 130, Gawler SA 5118

12. AVAILABILITY OF POLICY

The Policy is available for inspection during ordinary business hours at the Council principal office, Town of Gawler Administration Centre 43 High Street, Gawler East or is available on the Council website at www.gawler.sa.gov.au.

A copy of this Policy will be provided to interested parties upon request, for a fee as contained in the Register of Fees and Charges.

PUBLIC INTEREST DISCLOSURE POLICY

Appendix A Relevant Authorities

Where the information relates to...	the relevant authority is...
<p>a public officer*</p> <p><small>*as defined and set out in Schedule 1 of the <i>Independent Commissioner Against Corruption Act 2012</i> - relevantly, this includes members, officers and employees of local government bodies</small></p>	<p>either:</p> <ul style="list-style-type: none"> • the person who is designated by the Guidelines as being taken to be responsible for management or supervision of the public officer; or • the person who is in fact responsible for the management or supervision of the public officer; or • the relevant responsible officer (as designated by the Council in accordance with section 12 of the PID Act)
a public sector agency or public sector employee	<p>either:</p> <ul style="list-style-type: none"> • the Commissioner for Public Sector Employment; or • the responsible officer for the relevant public sector agency
an agency to which the <i>Ombudsman Act 1972</i> applies	the Ombudsman
a location within the area of a particular council established under the <i>Local Government Act 1999</i>	a member, officer or employee of that Council
a risk to the environment	the Environment Protection Authority
an irregular and unauthorised use of public money or substantial	the Auditor-General
the commission, or suspected commission, of any offence	a member of the police force
a judicial officer	the Judicial Conduct Commissioner
a member of Parliament	the Presiding Officer of the House of Parliament to which the member belongs
a person or a matter of a prescribed class ¹	an authority declared by the regulations to be a relevant authority in relation to such information

¹ at this stage, no prescribed persons or classes have been identified

PUBLIC INTEREST DISCLOSURE POLICY

Where the information relates to...	the relevant authority is...
public interest information - being: <ul style="list-style-type: none">• environmental and health information (information that raises a potential issue of a substantial risk to the environment or to the health or safety of the public generally or a significant section of the public); or• public administration information (information that raises a potential issue of corruption, misconduct or maladministration in public administration)	<ul style="list-style-type: none">• the OPI;• a Minister of the Crown; or• any other prescribed person or person of a prescribed class

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TOWN OF GAWLER PROCEDURE



Procedure Name:	Public Interest Disclosure Procedure
Classification:	Mandatory or N/A
Adopted:	(Date of when procedures were finalised by staff or date of Council meeting if it is a mandatory procedure)
Frequency of Review:	Biennial
Last Review:	New
Next Review Due:	September 2021
Responsible Officer(s):	Position Title/s
Procedure Manual File Ref:	CC14/407
Council File Reference:	CR19/42635
Legislation Authority:	Public Interest Disclosure Act
Related Policies:	Public Interest Disclosure Policy
Related Procedures:	N/A

1. INTRODUCTION

1.1. The Town of Gawler is committed to:

- upholding the principles of transparency and accountability in its administrative and management practices;
- the protection of informants who make public interest Disclosures; and
- the genuine and efficient consideration and action in relation to information provided in a public interest Disclosure

and, therefore, encourages the making of appropriate Disclosures that reveal public interest information in accordance with this Procedure.

1.2. The Council is also committed to:

- referring, as necessary, appropriate Disclosures to another Relevant Authority;
- where the Disclosure relates to Corruption, or serious or systemic Misconduct or Maladministration in public administration, reporting the Disclosure directly to the OPI in accordance with the Guidelines and the requirements of the ICAC Act;

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- otherwise facilitating the investigation of appropriate Disclosures in a manner which promotes fair and objective treatment of those involved; and
 - rectifying any substantiated wrongdoing to the extent practicable in all the circumstances.
- 1.3. This document explains the applicable procedures and processes that the Town of Gawler has in place for making and dealing with appropriate Disclosures of public interest information, to ensure that the Town of Gawler:
- properly fulfils its responsibilities under the PID Act and the ICAC Act;
 - appropriately encourages and facilitates Disclosures of Public Interest Information, including environmental and health information regarding a location within the area of the Town of Gawler;
 - provides a process by which Disclosures may be made so that they are properly investigated;
 - provides appropriate protection for those who make Disclosures in accordance with the Act; and
 - recognises the need to appropriately support Informants, the Responsible Officer and, as appropriate, those Public Officers affected by any appropriate Disclosure.
- 1.4. The Council will review and update this Procedure each year as part of its annual policy review.

2. SCOPE

- 2.1. This Procedure applies to appropriate Disclosures of Public Interest Information that are made in accordance with the PID Act, by public officers including Council Members, Officers and Employees of the Council, and by members of the public.
- 2.2. This Procedure is intended to complement the reporting framework under the ICAC Act, and designed to complement the existing communication channels within Council and to operate in conjunction with other existing policies, including the:
- Public Interest Disclosure Policy;
 - Fraud & Corruption Prevention Policy;
 - Code of Conduct for Council Members; and
 - Internal Review of Council Decisions Policy under section 270 of the *Local Government Act 1999*.

3. DEFINITIONS

For the purposes of this Procedure the following definitions apply.

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PUBLIC INTEREST DISCLOSURE PROCEDURE

- 3.1. **Commissioner** means the person holding or acting in the office of the Independent Commissioner Against Corruption.
- 3.2. **Corruption in public administration** is defined in section 5(1) of the ICAC Act and means:
- 3.2.1. an offence against Part 7 Division 4 (Offences relating to public officers) of the *Criminal Law Consolidation Act 1935*, which includes the following offences:
- (i) bribery or corruption of public officers;
 - (ii) threats or reprisals against public officers;
 - (iii) abuse of public office;
 - (iv) demanding or requiring benefit on basis of public office;
 - (v) offences relating to appointment to public office; or
- 3.2.2 an offence against the *Public Sector (Honesty and Accountability) Act 1995* or the *Public Corporations Act 1993*, or an attempt to commit such an offence; or
- 3.2.3 an offence against the *Lobbyists Act 2015*, or an attempt to commit such an offence; or
- 3.2.4 any other offence (including an offence against Part 5 (Offences of dishonesty) of the [Criminal Law Consolidation Act 1935](#)) committed by a public officer while acting in his or her capacity as a public officer or by a former public officer and related to his or her former capacity as a public officer, or by a person before becoming a public officer and related to his or her capacity as a public officer, or an attempt to commit such an offence; or
- 3.2.5 any of the following in relation to an offence referred to in a preceding paragraph:
- (i) aiding, abetting, counselling or procuring the commission of the offence;
 - (ii) inducing, whether by threats or promises or otherwise, the commission of the offence;
 - (iii) being in any way, directly or indirectly, knowingly concerned in, or party to, the commission of the offence;
 - (iv) conspiring with others to effect the commission of the offence
- 3.3. **Council** means the Town of Gawler.
- 3.4. **Detriment** includes:
- injury, harm (including psychological harm), damage (including damage to reputation) or loss;

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- intimidation or harassment;
- discrimination, disadvantage or adverse treatment in relation to a person's employment; and/or
- threats of reprisal (which may be express or implied, and/or conditional or unconditional).

3.5. **Directions and Guidelines** is a reference to the Directions and Guidelines issued pursuant to section 20 of the ICAC Act and/or section 14 of the PID Act, which are available on the Commissioner's website (www.icac.sa.gov.au).

3.6. **Disclosure** means an appropriate Disclosure of public interest information made by an Informant to a Relevant Authority.

A person makes an **appropriate Disclosure of environmental and health information** if:

- (a) the person:
 - i. believes on reasonable grounds that the information is true; or
 - ii. is not in a position to form a belief on reasonable grounds about the truth of the information, but believes on reasonable grounds that the information may be true and is of sufficient significance to justify its Disclosure so that its truth may be investigated; and
- (b) the Disclosure is made to a Relevant Authority.
- (c) the Information will cause serious harm or death.

A person makes an **appropriate Disclosure of public administration information** if:

- (a) the person:
 - i. is a public officer; and
 - ii. reasonably suspects that the information raises a potential issue of corruption, misconduct or maladministration in public administration; and
- (b) the Disclosure is made to a Relevant Authority.

3.7. **Employee** refers to all the Council's employees, whether they are working in a full-time, part-time or casual capacity.

3.8. **Environmental and health information** means information that raises a potential issue of a substantial risk to the environment or to the health or safety of the public generally or a significant section of the public.

3.9. **Fraud** includes an intentional dishonest act or omission done with the purpose of deceiving.

3.10. **ICAC Act** is the *Independent Commissioner Against Corruption Act 2012*.

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3.11. **Independent Assessor** means the person designated by the Responsible Officer as being responsible for investigating a Disclosure made to [INSERT COUNCIL NAME] in accordance with clause 10 of this Procedure.

3.12. **Informant** means a person who makes an appropriate Disclosure of public interest information to a Relevant Authority.

3.13. **Maladministration in public administration** is defined in section 5(4) of the ICAC Act and

3.13.1. means:

- (i) conduct of a public officer, or a practice, policy or procedure of a public authority, that results in an irregular and unauthorised use of public money or substantial mismanagement of public resources; or
- (ii) conduct of a public officer involving substantial mismanagement in or in relation to the performance of official functions; and

3.13.2. includes conduct resulting from impropriety, incompetence or negligence; and

3.13.3. is to be assessed having regard to relevant statutory provisions and administrative instructions and directions.

3.14. **Misconduct in public administration** is defined in section 5(3) of the ICAC Act and means:

3.14.1. contravention of a code of conduct by a public officer while acting in his or her capacity as a public officer that constitutes a ground for disciplinary action against the officer; or

3.14.2. other misconduct of a public officer while acting in his or her capacity as a public officer.

3.15. **Office for Public Integrity (OPI)** is the office established under the ICAC Act that has the function to:

3.15.1. receive and assess complaints about public administration from members of the public;

3.15.2. receive and assess reports about corruption, misconduct and maladministration in public administration from the Ombudsman, the Council and public officers;

3.15.3. refer complaints and reports to inquiry agencies, public authorities and public officers in circumstances approved by the Commissioner or make recommendations as to whether and by whom complaints and reports should be investigated;

3.15.4. give directions or guidance to public authorities in circumstances approved by the Commissioner;

3.15.5. perform other functions assigned to the Office by the Commissioner.

PUBLIC INTEREST DISCLOSURE PROCEDURE

- 3.16. **Public administration** is defined in section 4 of the ICAC Act and, without limiting the acts that may comprise public administration, an administrative act within the meaning of the *Ombudsman Act 1972* will be taken to be carried out in the course of public administration.
- 3.17. **Public administration information** means information that raises a potential issue of corruption, misconduct or maladministration in public administration.
- 3.18. **Public interest information** means environmental and health information, or public administration information.
- 3.19. **PID Act** means the *Public Interest Disclosure Act 2018*.
- 3.20. **Principal Officer** for the purposes of the PID Act means the Chief Executive Officer of the Council.
- 3.21. **Public Officer** has the meaning given by section 4 and Schedule 1 of the ICAC Act, and includes
- a Council member; and
 - an employee or officer of the Council;
- 3.22. **Relevant Authority** means the person or entity that receives an appropriate Disclosure of public interest information in accordance with the PID Act, as set out in Appendix A to this Procedure.
- 3.23. **Responsible Officer** is a person who has completed any training courses approved by the Commissioner for the purposes of the *Public Interest Disclosure Regulations 2019* and has been designated by the Council as responsible officer under section 12 of the PID Act.
- 3.24. **Victimisation** occurs when a person causes detriment to another on the ground, or substantially on the ground, that the other person (or a third person) has made or intends to make an appropriate Disclosure of public interest information.

4. RESPONSIBILITIES

- 4.1. The Principal Officer is responsible for:
- 4.1.1. ensuring that one or more appropriately qualified officers or employees of the Council are designated as responsible officers of the Council for the purposes of the PID Act and undertake any training required by the Public Interest Disclosure Regulations; and
 - 4.1.2. ensuring that the name and contact details of each responsible officer of the Council are made available to officers and employees of the council; and
 - 4.1.3. the preparation and maintenance of this Procedure in accordance with the requirements of the PID Act and the Directions and Guidelines, in particular the Public Interest Disclosure Guidelines.
- 4.2. A person designated as a Responsible Officer for the Council:

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4.2.1. must:

- 4.2.1.1. receive appropriate Disclosures relating to the Council and ensure compliance with the PID Act, and this Procedure, in relation to any such Disclosures;
- 4.2.1.2. make appropriate recommendations to the principal officer of the Council in relation to dealing with Disclosures, including any suggested changes to this Procedure or the Public Interest Disclosure Policy; and
- 4.2.1.3. provide advice to officers and employees of the Council in relation to the administration of the PID Act; and
- 4.2.1.4. complete any training courses approved by the Commissioner for the purposes of the Public Interest Disclosure Regulations; and

4.2.2. may carry out any other functions relating to the PID Act.

4.3. A Council member, employee or officer of the Council is responsible for:

- 4.3.1. ensuring they comply with this Procedure and the Public Interest Disclosure Policy when dealing with any Disclosure; and
- 4.3.2. immediately referring any Disclosure of environmental and health information made to them by a member of the public, or any Disclosure of public interest information made to them by a public officer, to the Responsible Officer.

4.4. Upon receipt of a Disclosure, the Responsible Officer will deal with the Disclosure in accordance with the processes described in this Procedure, and within the authority granted by the Public Interest Disclosure Policy and the PID Act.

4.5. If an Informant believes that his/her Disclosure is not being dealt with appropriately or in accordance with this Procedure or the Public Interest Disclosure Policy, they should contact the Responsible Officer in the first instance.

4.6. The Responsible Officer may be contacted in person, by telephone or in writing. The relevant contact details are:

Telephone: 8522 9211

Email: disclosures@gawler.sa.gov.au

Address: Confidential
Responsible Officer, Public Interest Disclosure
PO Box 130
Gawler SA 5118

5. CONFIDENTIALITY

5.1. The identity of an Informant will be maintained as confidential in accordance with the PID Act.

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- 5.2. A recipient of an appropriate Disclosure may only divulge the identity of an Informant where:
- 5.2.1. the recipient believes on reasonable grounds that it is necessary to divulge the identity of the Informant in order to prevent or minimise an imminent risk of serious physical injury or death to any person, **and** the identity of the Informant is then divulged to a person or authority that the recipient believes on reasonable grounds is the most appropriate authority or person to be able to take action to prevent or minimise the imminent risk of serious physical injury or death to any person;
 - 5.2.2. the recipient has been issued with a notice from the OPI advising that the identity of the Informant is required by the OPI, in which case the recipient must disclose the identity of the Informant to the OPI;
 - 5.2.3. doing so is necessary for the matter to be properly investigated (but only to the extent necessary to ensure proper investigation); or
 - 5.2.4. the Informant consents to his/her identity being disclosed
- 5.3. The PID Act does not expressly require any other information relating to a Disclosure (including, for example, the nature of the allegations) to be maintained as confidential, but in considering whether to further disclose other information provided as part of an appropriate Disclosure the Council should be mindful of the prohibition against Victimisation in the PID Act.
- 5.4. An Informant may wish to remain anonymous, but in that event must ensure that the allegation is sufficiently supported by the provision of necessary details and evidence to enable the matter to be properly investigated. In the instant that the Informant remains anonymous Council is unable to advise of the outcome of the investigation.

6. DISCLOSURE PROCESS

- 6.1. Relevantly for the purposes of this Procedure, the PID Act provides for protection for Informants where public interest Disclosures are made:
- 6.1.1. by a member of the public or a public officer about environmental and health information which the Informant reasonably believes to be true or which the Informant believes may be true and is of sufficient significance to warrant Disclosure, regarding a location within the Council area of a particular council; and/or
 - 6.1.2. by a public officer with a reasonable suspicion about public administration information regarding either a location within a Council area or a public officer who is a member, officer or employee of the Council.
- 6.2. Disclosures should generally, and wherever possible, be directed in the first instance to the Responsible Officer, who has the responsibility for receiving appropriate Disclosures relating to the Council.
- 6.3. However, nothing in this Procedure prevents a person from making a Disclosure to another Relevant Authority, including a Relevant Authority external to the Council. This is a choice to be made by the Informant at his/her discretion.

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6.4. The following are relevant considerations for an Informant in determining where to direct a Disclosure:

- 6.4.1. when choosing to make a Disclosure internally, Disclosures relating to an elected member or a member of council staff, including the Chief Executive Officer (or person acting in that position), should usually be made to a Responsible Officer;
- 6.4.2. any Disclosure relating to a person appointed as a Responsible Officer should be made to the other person appointed as a Responsible Officer or failing this, to a Relevant Authority external to the Council (such as the OPI);
- 6.4.3. any Disclosure relating to public administration information about a public officer who is a member, officer or employee of the Council may be made to a Responsible Officer, or to the person responsible (either in fact, or as may be designated by the PID Act) for the management or supervision of the public officer the subject of the Disclosure;
- 6.4.4. any Disclosure relating to Maladministration or Misconduct in public administration may be reported to OPI in accordance with the ICAC Act;
- 6.4.5. if there is a reasonable suspicion of Corruption, or of Maladministration or Misconduct that is serious or systemic, it must be reported to the OPI in accordance with the Directions and Guidelines;
- 6.4.6. if a Disclosure contains allegations of Fraud or Corruption, the Informant should report the matter in accordance with the Council's Fraud and Corruption Policy, which provides that:
 - 6.4.6.1. if the Disclosure relates to Corruption in public administration it will be reported to the OPI; and
 - 6.4.6.2. if the Disclosure relates to Fraud, it may be reported to the Responsible Officer or direct to SAPOL.

6.5. A Disclosure may be made in person, by telephone or in writing (either by post, email or at the website www.gawler.sa.gov.au). Where a Disclosure is made by telephone, the recipient must take notes of the conversation and, where possible, should ask the Informant to verify and sign the notes.

6.6. The following steps will be taken to ensure that a Disclosure is received securely:

- 6.6.1. Council has established a secure email address that is only accessible to the responsible officers.

7. RECEIPT OF A DISCLOSURE

- 7.1. A flowchart outlining the Disclosure Process is at **Appendix B** to this Procedure.
- 7.2. If a Council Member, employee or officer receives a Disclosure of public interest information regarding a location within the Council area, the recipient of that Disclosure will:

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- 7.2.1. ask the Informant whether they consent to the details of their identity being provided to the Responsible Officer, and in doing so advise the Informant that a failure to provide that consent may mean that the Disclosure cannot be properly investigated; and
- 7.2.2. refer the Disclosure to the Responsible Officer and, in doing so, comply with the wishes of the Informant with respect to whether details of their identity may be divulged.
- 7.3. Upon the receipt of a Disclosure (whether directly, or by referral from a Council Member, employee or officer), the Responsible Officer will:
 - 7.3.1. immediately undertake a Preliminary Assessment in accordance with Part 8 of this Procedure; and
 - 7.3.2. as soon as practicable thereafter, in accordance with Part 9 of this Procedure:
 - 7.3.2.1. notify the OPI of the Disclosure; and
 - 7.3.2.2. confirm receipt of the Disclosure with the Informant; and
 - 7.3.3. subject to the outcome of the Preliminary Assessment, then take appropriate action, including, where required:
 - 7.3.3.1. appointing an Independent Assessor to further investigate the Disclosure in accordance with Part 10 of this Procedure; and
 - 7.3.3.2. notifying the Informant of the outcome of any action, including any investigation in accordance with Part 11 of this Procedure; and
 - 7.3.3.3. notifying the OPI of the outcome of any action taken in accordance with Part 11 of this Procedure; and/or
 - 7.3.3.4. reporting the outcome of any action taken to the Minister in accordance with Part 11 of this Procedure; and
 - 7.3.3.5. preparing and issuing a final report to the Principal Officer in accordance with Part 12 of this Procedure.

8. PRELIMINARY ASSESSMENT OF DISCLOSURE

- 8.1. Where the identity of the Informant is known to the Responsible Officer or is reasonably ascertainable, the Responsible Officer will acknowledge receipt of the Disclosure within 5 days and in doing so, will provide a copy of this Policy to the Informant.
- 8.2. Upon receipt of a Disclosure, the Responsible Officer will undertake a preliminary assessment to determine:
 - 8.2.1. if the content of the Disclosure suggests there is an imminent risk of serious physical injury or death to any person or the public generally;

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- 8.2.2. if the matter/s the subject of the Disclosure involve corruption in public administration, or serious or systemic misconduct or maladministration in public administration; or
- 8.2.3. if the information disclosed justifies further action, including a decision as to whether the Disclosure:
 - 8.2.3.1. is frivolous, vexatious or trivial (in which case, no further action will be taken in relation to the Disclosure);
 - 8.2.3.2. involves a matter which has already been investigated or acted upon by a Relevant Authority and there is no reason to re-examine the matter or there is other good reason why no action should be taken in respect of the matter (in which case, no further action will be taken in relation to the Disclosure);
 - 8.2.3.3. requires referral to another Relevant Authority external to the Council; or
 - 8.2.3.4. warrants referral to an Independent Assessor for a formal investigation and report to Council.
- 8.3. Where the Disclosure relates to public administration information about a public officer who is a member, officer or employee of the Council and it is made to the person responsible for the management or supervision of the public officer the subject of the Disclosure (**the Supervisor**), the Supervisor will conduct the Preliminary Assessment instead of the Responsible Officer, and will then report the outcome of his/her determination following the Preliminary Assessment to the Responsible Officer to action.
- 8.4. The Responsible Officer must report the outcome of his/her determination following the Preliminary Assessment to the Chief Executive Officer (unless the Disclosure relates to the Chief Executive Officer). Any report prepared in accordance with this Part will not disclose particulars that will or are likely to lead to the identification of the Informant, unless the circumstances in clause 5.2 of this Procedure apply.
- 8.5. Where the Responsible Officer (or Supervisor) determines that the content of the Disclosure suggests there is an imminent risk of serious physical injury or death to any person or to the public generally, the Responsible Officer (or Supervisor) must immediately communicate such information as may be necessary to mitigate that risk to the most appropriate agency (for example, South Australia Police, SafeWork SA, SA Ambulance, Environment Protection Authority). In doing so, the Responsible Officer or Supervisor must also have regard to clause 5.2.1 of this Procedure.
- 8.6. Where the Responsible Officer (or Supervisor) forms a reasonable suspicion that the matter/s the subject of the Disclosure involve corruption in public administration, or serious or systemic misconduct or maladministration in public administration, the Responsible Officer (or Supervisor) must comply with his/her reporting obligations under the ICAC Act in accordance with the Directions and Guidelines.
- 8.7. Where the Responsible Officer determines the Disclosure warrants referral to an external body or another Relevant Authority, the Responsible Officer will

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undertake the referral, including ensuring that such information as is necessary to enable action to be taken is communicated to the most appropriate person or relevant authority to take that action. Where the Preliminary Assessment is being undertaken by the Supervisor, the Supervisor will include this recommendation in his/her report to the Responsible Officer for the Responsible Officer to action.

- 8.8. Where the Responsible Officer determines the Disclosure warrants further investigation, the Responsible Officer will, having regard to available resources, appoint the Independent Assessor and refer the Disclosure to the Independent Assessor for investigation. Where the Preliminary Assessment is being undertaken by the Supervisor, the Supervisor will include this recommendation in his/her report to the Responsible Officer for the Responsible Officer to action.
- 8.9. Where the Responsible Officer determines the Disclosure requires any other action to ensure the matter the subject of the Disclosure is properly addressed, the Responsible Officer will include in his/her determination details of that other recommended action. Where the Preliminary Assessment is being undertaken by the Supervisor, the Supervisor will include this recommendation in his/her report to the Responsible Officer for the Responsible Officer to action.

9. NOTIFICATION OF PRELIMINARY ASSESSMENT

- 9.1. So long as the identity of the Informant is known to the Responsible Officer or is reasonably ascertainable, the Responsible Officer will notify the Informant of the outcome of his/her determination in writing as soon as is reasonably practicable after the Preliminary Assessment has been made, and in any event **within 30 days of receipt** of the Disclosure. In doing so, the Responsible Officer must advise the Informant of:
 - 9.1.1. any action that has been, or will be, taken in relation to the Disclosure; or
 - 9.1.2. if no action is being taken in relation to the Disclosure, the reason/s why.
- 9.2. If the Responsible Officer fails to notify the Informant in accordance with clause 9.1 above, the Informant may be entitled to protection in relation to any subsequent Disclosure of that information to a journalist or member of Parliament in accordance with the PID Act.
- 9.3. If the Informant is dissatisfied with the Responsible Officer's determination, it is open to him/her to report the Disclosure to another Relevant Authority external to the Council.
- 9.4. As soon as reasonably practicable following the Preliminary Assessment and notification to the Informant, the Responsible Officer must use the dedicated online notification form at icac.sa.gov.au to notify OPI of the Disclosure (**Initial Notification**), and in doing so must ensure that the details required by Guideline 1.4 of the Public Interest Disclosure Guidelines are included in the Initial Notification.
- 9.5. The Responsible Officer will retain the unique reference number issued by the OPI upon making the Initial Notification, and will ensure that reference number is provided to any other person or authority to whom the Disclosure is referred.

10. INVESTIGATION PROCEDURE

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- 10.1. Where the Responsible Officer determines, following a Preliminary Assessment, that a Disclosure warrants referral to an Independent Assessor for a formal investigation and report to Council, the Responsible Officer will appoint an Independent Assessor in accordance with this Part to investigate the Disclosure.
- 10.2. The Independent Assessor will be appointed on a case-by-case basis depending on the nature of the Disclosure. The Council may prepare a list of pre-approved persons who may be appointed as an Independent Assessor in any given circumstances, in which case the Responsible Officer must have regard to this list in appointing the Independent Assessor.
- 10.3. The objectives of the investigation process are:
 - 10.3.1. in appropriate circumstances, to investigate the substance of the Disclosure and to determine whether there is evidence in support of the matters raised or, alternatively, to refute the report made;
 - 10.3.2. to collate information relating to the allegation as quickly as possible. This may involve taking steps to protect or preserve documents, materials and equipment;
 - 10.3.3. to consider the information collected and to draw conclusions objectively and impartially;
 - 10.3.4. to observe procedural fairness in the treatment of any person who is subject of the Disclosure; and
 - 10.3.5. to make recommendations arising from the conclusions drawn concerning remedial or other appropriate action.
- 10.4. The Independent Assessor will observe the principles of natural justice throughout the investigation process. The investigation will be conducted in an efficient manner and will involve a thorough and balanced assessment of the available evidence and any other factors deemed relevant to making a fair and reasonable judgement about the matter.
- 10.5. Upon receipt of a Disclosure referral under this Part, the Independent Assessor will bring the fact of the Disclosure to the attention of the person who is the subject of it in writing within 5 days, and provide them with an opportunity to respond to the Disclosure within a reasonable timeframe (either in writing or in person). The full details of any allegations contained in the Disclosure need not be brought to the person's attention if the Independent Assessor considers that doing so will compromise the investigation.
- 10.6. During any interview with the Independent Assessor, the person who is the subject of a Disclosure may be accompanied by any person providing support to him/her (including a lawyer) as he/she considers fit. Any costs incurred in relation to obtaining the assistance of a support person are the personal expenses of the person subject of the Disclosure. The support person is bound by a duty of confidentiality in relation to any matter discussed during such interview.
- 10.7. The investigation will be undertaken in confidence. So long as the identity of the Informant is known to the Responsible Officer or is reasonably ascertainable, the Independent Assessor will keep the identity of the Informant confidential unless the circumstances in clause 5.2 of this Procedure apply.

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- 10.8. The Independent Assessor will keep the Responsible Officer informed of the expected timeframes for completion of the investigation and the provision of his/her investigation report to the Responsible Officer.
- 10.9. Upon finalising an investigation the Independent Assessor must prepare an investigation report to the Responsible Officer that will contain the following details:
- 10.9.1. the allegation(s);
 - 10.9.2. an account of all relevant information received including any rejected evidence, and the reasons why the rejection occurred;
 - 10.9.3. the conclusions reached and the basis for them; and
 - 10.9.4. any recommendations arising from the conclusions, including any remedial action which should be taken by the Council.
- The report is to be accompanied by:
- 10.9.5. the transcript or other record of any verbal evidence taken, including tape recordings; and
 - 10.9.6. all documents, statements or other exhibits received by the Independent Assessor and accepted as evidence during the course of the investigation.
- 10.10. Any report prepared in accordance with this Part will not disclose particulars that will or are likely to lead to the identification of the Informant, unless the circumstances in clause 5.2 of this Procedure apply.
- 10.11. The Responsible Officer must take whatever action is, in his/her discretion, considered appropriate in the circumstances having regard to the matters identified in the Independent Assessor's report.

11. NOTIFICATION OF FURTHER ACTION

- 11.1. So long as the identity of the Informant is known to the Responsible Officer or is reasonably ascertainable, the Responsible Officer will notify the Informant of the outcome of his/her determination in writing as soon as is reasonably practicable after the Further Action has been taken and, in any event, **within either:**
- 11.1.1. **90 days of receipt** of the Disclosure; or
 - 11.1.2. such longer period as may be specified by written notice given by the Responsible Officer within that 90 day period.
- 11.2. In doing so the Responsible Officer must advise the Informant of:
- 11.2.1. any action that has been, or will be, taken in relation to the Disclosure; or
 - 11.2.2. if no action is being taken in relation to the Disclosure, the reason/s why.
- 11.3. If the Responsible Officer fails to notify the Informant in accordance with clauses 11.1 and 11.2 above, the Informant may be entitled to protection in relation to any subsequent Disclosure of that information to a journalist or member of Parliament in accordance with the PID Act.

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- 11.4. If the Informant is dissatisfied with the Responsible Officer's determination or the action taken it is open to him/her to report the Disclosure to another Relevant Authority external to the Council.
- 11.5. As soon as reasonably practicable following the Preliminary Assessment and notification to the Informant, the Responsible Officer must use the dedicated online notification form at icac.sa.gov.au to notify OPI of the action taken in relation to the Disclosure (**Further Notification**) and, in doing so, must ensure that the details required by Guideline 2 of the Public Interest Disclosure Guidelines are included in the Further Notification.
- 11.6. If the Disclosure came to the Council by way of a referral from a Minister, the Responsible Officer must ensure that the Minister is also notified of the action taken in relation to the Disclosure, and the outcome of any such action. The Minister should be notified in accordance with this clause following the Preliminary Assessment if the Responsible Officer determines that no action is to be taken.

12. FINAL REPORT AND RECOMMENDATION

- 12.1. Upon finalising any action required in relation to a Disclosure, the Responsible Officer must prepare a report that will contain the following details:
- 12.1.1. the subject of the Disclosure;
 - 12.1.2. an account of the steps taken by the Responsible Officer in accordance with this Procedure, including, where appropriate, enclosing a copy of any Independent Assessor's report;
 - 12.1.3. conclusions reached as a result of the steps taken in response to the Disclosure and the basis for them; and
 - 12.1.4. any recommendations arising from the conclusions, including any remedial action which should be taken by the Council.
- 12.2. Any report prepared in accordance with this Part will not disclose particulars that will or are likely to lead to the identification of the Informant, unless the circumstances in clause 5.2 of this Procedure apply.
- 12.3. The Responsible Officer's Report must be provided to the Chief Executive Officer to action as he/she considers appropriate.
- 12.4. The Chief Executive Officer may, in his/her discretion, inform the elected body, on a confidential basis, about a Disclosure in accordance with Part 7 of the Public Interest Disclosure Policy.

13. SECURE HANDLING AND STORAGE OF INFORMATION

- 13.1. The Responsible Officer must ensure accurate records of an appropriate Disclosure are securely and confidentially maintained including notes of all discussions, phone calls, and interviews.
- 13.2. The Responsible Officer will ensure all information relating to an appropriate Disclosure is maintained as confidential and as such, will be solely responsible for the secure storage of this information.

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- 13.3. In performing his/her duties, the Responsible Officer will maintain a confidential file of information (including written documents, disks, tapes, film or other objects that contain information) that relates to a Disclosure and/or is a product of the associated investigation/reporting process. All such information will be recorded in a register which is to remain confidential and be securely stored.
- 13.4. In the event that a person's appointment as a Responsible Officer is terminated, the person must provide this information to the newly-appointed Responsible Officer and having done so will continue to be bound by a duty of confidentiality in respect of an Informant's identity and the information received as a result of the Disclosure.
- 13.5. Although the Responsible Officer is ultimately responsible to ensure public interest information will be securely received and stored, the security and confidentiality obligations outlined in this Part also apply to any Independent Assessor appointed pursuant to this Procedure in relation to any Investigation.

14. PROTECTION FOR THE INFORMANT

- 14.1. Although the PID Act does not provide any protection to people who knowingly make Disclosures that are false or misleading in a material particular, an Informant who makes an appropriate Disclosure will ordinarily be protected by:
 - 14.1.1. immunity from criminal or civil liability;
 - 14.1.2. a prohibition on Disclosure of his/her identity, other than in limited specific circumstances;
 - 14.1.3. a prohibition against Victimisation; and
 - 14.1.4. a prohibition against hindering, obstructing or preventing an Informant from making an appropriate Disclosure.
- 14.2. A person who personally commits an act of Victimisation against an Informant is guilty of an offence and may be prosecuted.
- 14.3. The Council will take action as appropriate in the circumstances of the relevant Disclosure/s to protect Informants from Victimisation, and/or from being hindered or obstructed in making a Disclosure. Such action may include acting in accordance with the following risk minimisation steps:
 - 14.3.1. Secure email accessible only by the responsible officers to protect the anonymity of a person making a disclosure and a secure records storage strategy for any documents.
 - 14.3.2. set out in the Public Interest Disclosure Procedure and/or referring the matter to the SA Police
 - 14.3.3. disciplinary action by the Council or the Chief Executive Officer (as appropriate) for any failure to act otherwise than in accordance with this Procedure or the Public Interest Disclosure Policy (including with respect to divulging the identity of an Informant) in relation to a Disclosure.

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15. AVAILABILITY OF THE PROCEDURE

15.1. This Procedure will be available free of charge for inspection at the Council's Offices during ordinary business hours and via the Council's website www.gawler.sa.gov.au. Copies will also be provided to the public upon request and upon payment of a fee in accordance with the Council's Schedule of Fees and Charges.

16. REVIEW AND EVALUATION

he effectiveness of this Procedure will be reviewed on an biennial basis to ensure that its commitment to the principles of good conduct and standards is being achieved.

TOWN OF GAWLER POLICY



Policy Number:	4.7
Policy Name:	Whistleblower Protection Policy
Classification	Public – Council Policy
Adopted:	28 July 2015
Frequency of Review:	Biennial
Last Review:	July 2015
Next Review Due:	July 2017
Responsible Officer(s):	Chief Executive Officer
Policy and Code of Practice Manual File Ref:	CC10/2601
Council File Reference:	CR15/13999
Legislation Authority:	Whistleblowers Protection Act 1993
Related Policies:	Internal Review of a Council Decision Ombudsman Enquiry and Investigation Management
Related Procedures:	Whistleblower Investigation Procedure

1. INTRODUCTION

- 1.1 The Town of Gawler is committed to upholding the principles of transparency and accountability in its administrative and management practices and, therefore, encourages the making of Disclosures that reveal Public Interest Information.
- 1.2 The purpose of this Policy is to ensure that the Town of Gawler:
 - 1.2.1 properly fulfils its responsibilities under the *Whistleblowers Protection Act 1993*;
 - 1.2.2 encourages and facilitates Disclosures of Public Interest Information which may include occurrences of Maladministration and Waste within the Council, and corrupt or illegal conduct in general, so that internal controls may be strengthened;
 - 1.2.3 provides a process by which Disclosures may be made so that they are properly investigated;
 - 1.2.4 provides appropriate protection for those who make Disclosures in accordance with the Act; and

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- 1.2.5 recognises the need to appropriately support the Whistleblower, the Responsible Officer and, as appropriate, those Public Officers affected by any allegation that affects them.

2. SCOPE

- 2.1 This Policy applies to appropriate Disclosures of Public Interest Information that concerns a Public Officer, and are made in accordance with the Act by Council Members, Employees of the Council, and members of the public. This Policy is also intended to complement the reporting framework under the Independent Commissioner Against Corruption (ICAC) Act.
- 2.2 This Policy is designed to complement the existing communication channels within Council, and operate in conjunction with existing policies, including:
- 2.2.1 Fraud & Corruption Prevention Policy;
- 2.2.2 Code of Conduct for Council Employees;
- 2.2.3 Code of Conduct for Council Members; and
- 2.2.4 Internal Review of Council Decisions Policy under section 270 of the *Local Government Act 1999*.
- 2.3 The Council is committed to:
- 2.3.1 referring, as necessary, appropriate Disclosures to the Appropriate Authority, which, depending on the nature of the Disclosure include a Minister of the Crown, the SA Police, the Anti-Corruption Branch of the SA Police, the Auditor-General or the Ombudsman. Further, where the Disclosure relates to Corruption it must be reported directly to the OPI in accordance with the Directions and Guidelines. A report of Misconduct or Maladministration may be made to the OPI, but it must be reported to the OPI if the Disclosure gives rise to a reasonable suspicion of serious or systemic Misconduct and/or Maladministration unless there is knowledge that the Disclosure has already been reported to the State Ombudsman;
- 2.3.2 otherwise facilitating the investigation of all appropriate Disclosures of Public Interest Information in a manner which promotes fair and objective treatment of those involved; and
- 2.3.3 rectifying any substantiated wrongdoing to the extent practicable in all the circumstances.

3. DEFINITIONS

For the purposes of this Policy the following definitions apply.

- 3.1 *Act* means the *Whistleblowers Protection Act 1993*.

WHISTLEBLOWER PROTECTION POLICY**4.7**

3.2 An *Appropriate Authority* that receives Disclosure of Public Interest Information includes:

- 3.2.1 a *Minister of the Crown*;
- 3.2.2 a *member of the police force* - where the information relates to an illegal activity;
- 3.2.3 the *Auditor-General* – where the information relates to the irregular or unauthorised use of public money;
- 3.2.4 the *Ombudsman* – where the information relates to a Public Officer;
- 3.2.5 a *Responsible Officer* - where the information relates to a matter falling within the sphere of responsibility of a Local Government body; or
- 3.2.6 any other person¹ to whom, in the circumstances of the case, it is reasonable and appropriate to make the Disclosure.

3.3 *Corruption in public administration means:*

- 3.3.1 an offence against Part 7 Division 4 (Offences relating to public officers) of the *Criminal Law Consolidation Act 1935*, which includes the following offences:
 - 3.3.1.1 bribery or corruption of public officers;
 - 3.3.1.2 threats or reprisals against public officers;
 - 3.3.1.3 abuse of public office;
 - 3.3.1.4 demanding or requiring benefit on basis of public office;
 - 3.3.1.5 offences relating to appointment to public office.

3.4 *Detriment includes:*

- 3.4.1 injury, damage or loss; or
- 3.4.2 intimidation or harassment; or
- 3.4.3 discrimination, disadvantage or adverse treatment in relation to a person's employment; or
- 3.4.4 threats of reprisal.

¹ Such a person may include

- a Council employee (such as the Chief Executive Officer) to whom the whistleblower feels comfortable making the disclosure; and/or
- The OPI where the disclosure relates to corruption, maladministration or misconduct in public administration.

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- 3.5 *Directions and Guidelines* is a reference to the Directions and Guidelines issued pursuant to section 20 of the ICAC Act, which are available on the Commissioner's website (www.icac.sa.gov.au).
- 3.6 *Disclosure* means an appropriate Disclosure of Public Interest Information made by the Whistleblower to an Appropriate Authority, including to a Responsible Officer. A person makes an *appropriate Disclosure* of Public Interest Information if the person:
- 3.6.1 believes on reasonable grounds that the information is true; or
 - 3.6.2 is not in a position to form a belief on reasonable grounds about the truth of the information but believes on reasonable grounds that the information may be true and is of sufficient significance to justify its Disclosure so that its truth may be investigated; and
 - 3.6.3 the Disclosure is made to an Appropriate Authority.
- 3.7 *Employee* refers to all the Council's employees and includes trainees, work experience students, volunteers, and contractors whether they are working in a full-time, part-time or casual capacity.
- 3.8 *Fraud* is an intentional dishonest act or omission done with the purpose of deceiving.
- 3.9 *ICAC Act* is the *Independent Commissioner Against Corruption Act 2012*.
- 3.10 *Immunity* is an undertaking given by the Council (in accordance with the Act) to a Whistleblower in relation to action it does not intend to take against a Whistleblower as a result of receiving an appropriate Disclosure of Public Interest Information from the Whistleblower.
- 3.11 *Independent Assessor* is the person responsible for investigating, a Disclosure made to a Responsible Officer. The Independent Assessor will be appointed by the Responsible Officer on a case-by-case basis (depending upon the nature of the Disclosure) in accordance with paragraph 7.3 of this Policy. The Council may prepare a list of pre-approved persons who may be appointed as an Independent Assessor in any given circumstances, in which case, the Responsible Officer must have regard to this list in appointing the Independent Assessor.
- 3.12 *Maladministration* is defined in the *Whistleblowers Protection Act 1993* to include impropriety or negligence. Section 4 of the *Independent Commissioner Against Corruption Act 2012* defines Maladministration in public administration to mean:
- 3.12.1 conduct of a public officer, or a practice, policy or procedure of a public authority, that results in an irregular and unauthorised use of public money or substantial mismanagement of public resources; or
 - 3.12.2 conduct of a public officer involving substantial mismanagement in or in relation to the performance of official functions; and

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- 3.12.3 includes conduct resulting from impropriety, incompetence or negligence; and
- 3.12.4 is to be assessed having regard to relevant statutory provisions and administrative instructions and directions.
- 3.13 *Misconduct* in public administration defined at Section 4 of the *ICAC Act* means:
 - 3.13.1 contravention of a code of conduct by a public officer while acting in his or her capacity as a public officer that constitutes a ground for disciplinary action against the officer; or
 - 3.13.2 other misconduct of a public officer while acting in his or her capacity as a public officer.
- 3.14 *Office for Public Integrity (OPI)* is the office established under the *ICAC Act* that has the function to:
 - 3.14.1 receive and assess complaints about public administration from members of the public;
 - 3.14.2 receive and assess reports about corruption, misconduct and maladministration in public administration from the Ombudsman, the Council and public officers;
 - 3.14.3 make recommendations as to whether and by whom complaints and reports should be investigated;
 - 3.14.4 perform other functions assigned to the Office by the Commissioner.
- 3.15 *Public administration* defined as section 4 of the *ICAC Act* means without limiting the acts that may comprise public administration, an administrative act within the meaning of the *Ombudsman Act 1972* will be taken to be carried out in the course of public administration.
- 3.16 *Public interest information*² means information that tends to show:
 - 3.16.1 that an adult person, a Council or other Government Agency, is or has been involved in:
 - 3.16.1.1 an illegal activity; or
 - 3.16.1.2 an irregular and unauthorised use of public money; or substantial mismanagement of public resources; or
 - 3.16.1.3 conduct that causes a substantial risk to public health or safety, or to the environment; or
 - 3.16.1.4 that a Public Officer is guilty of Maladministration in or in relation to the performance of official functions.

² This definition captures conduct that constitutes corruption, misconduct and maladministration in public administration.

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3.17 *Public Officer* includes:

3.17.1 a Council Member; and

3.17.2 an Employee or Officer of the Council.

3.18 *Responsible Officer* is a person appointed pursuant to Section 302B of the *Local Government Act 1999* who is authorised to receive and act upon Public Interest Information received from a Whistleblower³. Each Council must ensure that a member of the staff of the Council (with qualifications prescribed by the Regulations⁴) is designated as a Responsible Officer for the Council for the purposes of the Act.

3.19 *Victimisation* occurs when a person causes detriment to another on the ground, or substantially on the ground, that the other person (or a third person) has made or intends to make an appropriate Disclosure of Public Interest Information.

3.20 *Waste* refers to the Waste of public resources (including public money), which occurs as a result of the substantial mismanagement, irregular or unauthorised use of public resources.

3.21 *Whistleblower* is any person who makes an appropriate Disclosure of Public Interest Information.

4. CONFIDENTIALITY

4.1 The identity of a Whistleblower will be maintained as confidential in accordance with the Act. Confidentiality will remain in all circumstances, unless the Whistleblower consents to his/her identity being disclosed, or Disclosure is otherwise required so that the matter may be properly investigated. The Act does not expressly require any other information relating to a Disclosure (i.e. the nature of the allegations) to be maintained as confidential.

4.2 A Whistleblower may wish to remain anonymous. In the event that an anonymous Disclosure is made, the Whistleblower must ensure that the allegation is sufficiently supported by the provision of necessary details and evidence to enable the matter to be properly investigated. Accordingly, if an allegation is not supported by sufficient evidence it will not be investigated under the provisions of the Act.

³ It is recommended that the Responsible Officer is one or two Council Officers and is not the Chief Executive Officer, the Mayor, Council Member or a Council Committee. A Council Member should not be appointed as a Responsible Officer as Council Members are not equipped to properly deal with an appropriate disclosure in terms of the roles and responsibilities of their office. Furthermore the Responsible Officer is an administrative role and the principles of good governance require division between the administrative and governing bodies of a Council.

⁴ Regulation 21B of the *Local Government (General) Regulations 1999*, states that the prescribed qualifications are the qualifications determined by the Minister. The Minister has not yet made any determination.
CR15/13999

WHISTLEBLOWER PROTECTION POLICY**4.7****5. DISCLOSURE PROCESS**

- 5.1 A Disclosure is to be made to the Responsible Officer. A Whistleblower may alternatively choose to disclose Public Interest Information directly to an Appropriate Authority.
- 5.2 The following are relevant considerations for the Whistleblower in determining where to direct a Disclosure:
- 5.2.1 subject to this paragraph, when choosing to make a Disclosure internally, Disclosures relating to a Council Member or a member of Council staff, other than the Chief Executive Officer (or person acting in that position), should be made to a Responsible Officer;
 - 5.2.2 any Disclosure relating to a person appointed as a Responsible Officer should be made to the other person appointed as a Responsible Officer or failing this, to an Appropriate Authority external to the Council;
 - 5.2.3 any Disclosure relating to the Chief Executive Officer should be made external to the Council to the Ombudsman or, where it relates to Corruption in public administration to the OPI;
 - 5.2.4 any Disclosure relating to Maladministration or Misconduct in public administration may be reported in accordance with the ICAC Act or, if there is a reasonable suspicion that the Maladministration or Misconduct is serious or systemic, it must be reported to the OPI in accordance with the Directions and Guidelines;
 - 5.2.5 if a Disclosure contains allegations of Fraud or Corruption, the Whistleblower should report the matter in accordance with the Council's Fraud and Corruption Policy. That is, if the Disclosure relates to Corruption in public administration it should be reported to the OPI in the first instance⁵. If the Disclosure relates to Fraud, it may be reported to the Responsible Officer or direct to SAPOL;
 - 5.2.6 any allegations of Fraud or Corruption and/or criminal conduct will not be investigated by an Independent Assessor under this Policy.
- 5.3 Nothing in this Policy prevents a person from making a Disclosure to an Appropriate Authority external to the Council (i.e. the Ombudsman or the OPI). This is a choice to be made by the Whistleblower at his/her discretion.

⁵ The OPI is the authority charged with receiving complaints and reports relating to such information. However, it remains open to the Whistleblower to make a disclosure relating to corruption in public administration to the Responsible Officer if he/she feels more comfortable doing so.
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WHISTLEBLOWER PROTECTION POLICY**4.7**

- 5.4 A Disclosure made to the Responsible Officer may be made in person, by telephone or in writing. The relevant contact details are:

Chief Executive Officer
Telephone: 8522 9211
Email: whistleblower@gawler.sa.gov.au
Address: Confidential - Whistleblowers
Town of Gawler
PO Box 130
GAWLER SA 5118

- 5.5 Where a Disclosure is made by telephone, the Responsible Officer must take notes of the conversation and, where possible ask the Whistleblower to verify and sign the notes.

6. THE ROLE OF THE RESPONSIBLE OFFICER

- 6.1 Upon the receipt of a Disclosure, the Responsible Officer will:
- 6.1.1 undertake a preliminary assessment in accordance with Part 7 of this Policy below to determine the nature of the Public Interest Information contained within the Disclosure; and
 - 6.1.2 either refer the Disclosure to the Appropriate Authority (where it is appropriate to do so), or proceed with an investigation process outlined in Part 8 of this Policy.
- 6.2 If the Disclosure relates to the Chief Executive Officer (or a person acting in that position), the Responsible Officer will immediately refer it to the Ombudsman for investigation as the Ombudsman deems appropriate. Alternatively, if the Disclosure relates to Corruption in public administration, the Responsible Officer must immediately report the matter to the OPI in accordance with the Directions and Guidelines.
- 6.3 In making any determination under this Policy (i.e. such as to refer a disclosure to the Appropriate Authority or proceed with an assessment or otherwise determining whether to pursue an investigation):
- 6.3.1 the Responsible Officer may seek legal advice from Council's Lawyers and/or seek guidance from SAPOL or the Ombudsman in relation to the best course of action to pursue; and
 - 6.3.2 is authorised to incur costs in accordance with the Council's Budget for this purpose.
- 6.4 In the event that the Responsible Officer determines that the Disclosure warrants further investigation by the Council, the Responsible Officer will appoint an Independent Assessor for these purposes under paragraph 7.3 of this Policy.

WHISTLEBLOWER PROTECTION POLICY**4.7**

- 6.5 The Responsible Officer will liaise with the Independent Assessor and the Whistleblower in relation to any ensuing investigation process and will ensure that the Whistleblower is provided with adequate support and protection as necessary.
- 6.6 The Whistleblower will be notified of the progress of any investigation by the Responsible Officer and, wherever practicable and in accordance with the law, of the final outcome.

7. PRELIMINARY ASSESSMENT OF COMPLAINT

- 7.1 Where the identity of the Whistleblower is known to the Responsible Officer or is reasonably ascertainable, the Responsible Officer will acknowledge receipt of the Disclosure within 2 days and in doing so, will provide a copy of this Policy to the Whistleblower.
- 7.2 Upon receipt of a Disclosure, the Responsible Officer will undertake a preliminary assessment to determine whether it:
 - 7.2.1 is frivolous, vexatious or trivial, in which case, no further action will be taken in relation to the complaint; or
 - 7.2.2 warrants referral to an Independent Assessor for a formal investigation and report to Council; or
 - 7.2.3 requires referral an Appropriate Authority external to the Council.
- 7.3 The Responsible Officer must report the outcome of his/her determination under paragraph 7.2 above to the Chief Executive Officer (unless the disclosure relates to the Chief Executive Officer in which case it is to be dealt with pursuant to paragraph 6.2 above and must not be investigated by an Independent Assessor). Where the Responsible Officer determines the Disclosure warrants investigation, the Responsible Officer will, having regard to available resources, appoint the Independent Assessor and refer the Disclosure to the Independent Assessor for investigation.
- 7.4 Where the Responsible Officer determines the Disclosure warrants referral to an external body, the Responsible Officer will undertake the referral.
- 7.5 The Responsible Officer will inform the Whistleblower of the outcome of his/her determination under paragraph 7.2 above in writing as soon as is reasonably practicable after the determination has been made.
- 7.6 If the Whistleblower is dissatisfied with the Responsible Officer's determination it is open to him/her to report the Disclosure to an Appropriate Authority external to the Council.

WHISTLEBLOWER PROTECTION POLICY**4.7****8. FINAL REPORT AND RECOMMENDATION**

- 8.1 Upon finalising a detailed investigation the Independent Assessor must prepare a report that will contain the following:
- 8.1.1 the allegation(s);
 - 8.1.2 an account of all relevant information received including any rejected evidence, and the reasons why the rejection occurred;
 - 8.1.3 the conclusions reached and the basis for them;
 - 8.1.4 any recommendations arising from the conclusions; and
 - 8.1.5 any remedial action which should be taken by the Council.
- 8.2 The report will be accompanied by:
- 8.2.1 the transcript or other record of any verbal evidence taken, including tape recordings; and
 - 8.2.2 all documents, statements or other exhibits received by the officer and accepted as evidence during the course of the investigation.
- 8.3 The report will not disclose particulars that will or are likely to lead to the identification of the Whistleblower.
- 8.4 The report must be provided to the Chief Executive Officer to action as he/she considers appropriate.

9. HANDLING OF INFORMATION

- 9.1 The Independent Assessor must ensure accurate records of the investigation process are maintained including notes of all discussions, phone calls, and interviews. It is recommended that the interviewee sign written records of interviews and interviews be taped, but only where the interviewee has consented to this. Witness statements should also be signed.
- 9.2 In performing his/her duties, the Independent Assessor will maintain a confidential file of information (including written documents, disks, tapes, film or other objects that contain information) that relates to a Disclosure and/or is a product of the associated investigation/reporting process. All such information will be recorded in a register which is to remain confidential and be securely stored⁶.

⁶ The Responsible Officer, in conjunction with the independent assessor will ensure all information relating to an appropriate disclosure is maintained as confidential and as such, will be solely responsible for the secure storage of this information. It is recommended that the information be stored separately from the Council's records. In the event that a person's appointment as a Responsible Officer is terminated, the person must provide this information to the newly-appointed Responsible Officer and having done so will continue to be bound by a duty of confidentiality in respect of the Whistleblower's identity and the information received.

WHISTLEBLOWER PROTECTION POLICY**4.7****10. INFORMATION TO ELECTED BODY**

- 10.1 As a matter of discretion, the Chief Executive Officer may inform the elected body, on a confidential basis, of the fact an investigation of a Disclosure took place and the outcome of the investigation.
- 10.2 Factors the Chief Executive Officer will take into account in determining whether to inform the elected body under paragraph 10.1 above and the level of detail provided in doing so are as follows:
- 10.2.1 the identity of the person subject of the Disclosure;
 - 10.2.2 the impact (if any) of the investigation upon the Council's achievement of its objectives under its Strategic Plan and/or policies; and
 - 10.2.3 the nature of the impact of any action taken to finalise the matter upon the Council's operations and/or budget.
- 10.3 In the event the Disclosure and investigation process is confined only to issues impacting upon Council staff and human resource processes, the Chief Executive Officer will not inform the elected body of the fact of the Disclosure and/or investigation since these matters fall outside the roles and responsibilities of Council Members under the *Local Government Act 1999*.

11. PROTECTION FOR THE WHISTLEBLOWER

- 11.1 The Act provides immunity from criminal or civil liability for Whistleblowers, and protection for Whistleblowers against victimisation. Accordingly the Council will take action as appropriate to protect Whistleblowers from victimisation. Furthermore, in the event that a Whistleblower is victimised, the Council will, immediately refer the matter to the SA Police.
- 11.2 The Act does not provide any protection to people who knowingly make false Disclosures or are reckless as to whether their Disclosures are true.
- 11.3 A person who knowingly makes a false Disclosure or is reckless as to whether the Disclosure is true is guilty of an offence and may be prosecuted.
- 11.4 A Public Officer who knowingly makes a false Disclosure, or is reckless as to whether the Disclosure is true, in addition to being guilty of an offence under the Act, may face disciplinary action taken by the Council.

12. REVIEW AND EVALUATION

The effectiveness of this Policy will be reviewed on a biennial basis.

The Chief Executive Officer will report to Council on the outcome of the evaluation and if relevant make recommendations for amendments, alteration or substitution of a new Policy.

The Policy will not be altered or substituted so as to affect a process already commenced.

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WHISTLEBLOWER PROTECTION POLICY**4.7****14. FURTHER INFORMATION**

Further information about this Policy can be obtained by:-

Telephone: 8522 9211
Fax: 8522 9212
Email: council@gawler.sa.gov.au
Appointment: Town Hall, 89 – 91 Murray Street, Gawler
Letter: PO Box 130, Gawler SA 5118

15. AVAILABILITY OF POLICY

The Policy is available for inspection during ordinary business hours at the Council principal office, Gawler Town Hall or Library Council Offices, 89 – 91 Murray Street, Gawler or is available for the Council website at www.gawler.sa.gov.au.

A copy of this Policy will be provided to interested parties upon request, for a fee as contained in the Register of Fees and Charges.

TOWN OF GAWLER CODE OF PRACTICE



Code Section:	1. Corporate Governance
Code Name:	Code of Practice for Working Advisory Groups
Classification:	Public – Council Code of Practice
Adopted:	12 July 2016 (Corporate and Community Services Committee) November 2018
Frequency of Review:	Biennial and after each General Election of Council
Last Review:	July 2016 November 2018
Next Review Due:	July 2018 November 2020
Responsible Officer(s):	Governance Officer and Chief Executive Officer
Policy and Code of Practice Manual File Ref:	CC10/2601
Council File Reference:	CR16/32068 CR18/64184
Legislation Authority:	N/A
Related Policies and Codes:	Code of Practice for Council and Committee Meeting Procedures Code of Practice for Committee Meeting Procedures Informal Gatherings Policy
Related Procedures:	N/A

1. BACKGROUND

- 1.1 This Code applies to Working ~~Advisory~~ Groups that operate within the Council area. A Working ~~Advisory~~ Group is a group established by the Council for the purposes of facilitating communication between the community and the Council in relation to specific matters that are relevant to the functions of the Council and to otherwise bring local matters to the Council's attention. Any group (howsoever named) which satisfies the above definition and which is not a Committee, Subsidiary, Incorporated Association or other recognised legal group or entity is a Working ~~Advisory~~ Group for the purposes of this Code of Practice.

~~1.1.1 For the meeting procedures of the Council, the Corporate and Community Services Committee, the Infrastructure and Environmental Services Committee, and other Committees to which the Council has resolved to apply Part 2 of the Regulations, see the Code of Practice for Council Meeting Procedures.~~

[CR16/32068](#) ~~CR18/64184~~

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~~1.1.2 For the meeting procedures of other Committees, see the Code of Practice for Committee Meeting Procedures.~~

~~1.1.3 For procedures applicable to informal gatherings, please see the Informal Gatherings Policy~~

1.2 Working/~~Advisory~~ Groups will not be established to consider matters that would more appropriately be considered in a Committee, Subsidiary or other statutorily regulated forum.

1.3 Working/~~Advisory~~ Groups do not have any delegated decision making powers from the Council.

1.4 Working/~~Advisory~~ Groups are established at the discretion of the Council.

2. PRINCIPLES

2.1 Working/~~Advisory~~ Groups provide an opportunity for members of the public to meet, including with Council Members, to discuss various community issues, the outcomes of which discussions may subsequently be communicated to the Council or to a Council Committee by a Council officer or a Council Member for the purpose of Council decision-making.

2.2 The Council considers that the Working/~~Advisory~~ Groups constitute a valuable link between Council and the community.

2.3 A Working/~~Advisory~~ Group may only deal with matters relevant to its purpose as determined by the Council. The Council will describe the purpose and Terms of Reference of a Working/~~Advisory~~ Group by resolution.

2.4 This Code:

2.4.1 assists the Council in acting as a representative, informed, transparent and responsible decision maker in the interests of the community; and

2.4.2 assists Council Members in fulfilling their role under section 59(1)(b) of the *Local Government Act 1999* to represent the interests of residents and ratepayers, to provide community leadership and to facilitate communication between the community and the Council.

3. OPERATING MATTERS

3.1 Membership of Working/~~Advisory~~ Groups is to comprise residents and/or ratepayers of the Council area, or persons with an identified interest with Gawler, and Council Members and Council officers as follows, subject to an absolute discretion of the Council to determine the membership of any Working/~~Advisory~~ Group:

3.1.1 Council will request nominations from the public from persons who wish to be members of a Working/~~Advisory~~ Group. This will occur by way of notice in local newspapers and on the Council's website. Only persons who fulfil the relevant selection criteria determined by the Council may nominate.

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- 3.1.2 In the event 5 or less nominations are received, each of the persons nominated who satisfy the selection criteria will become a member of the Working/~~Advisory~~ Group.
- 3.1.3 In the event more than 5 nominations are received, the Council will appoint a least five (5) of those persons who best fulfil the relevant selection criteria to be members of the Working/~~Advisory~~ Group and will inform them accordingly.
- 3.1.4 Each Working/~~Advisory~~ Group ~~will~~~~can~~ be assigned up to two (2) Council Members. The Council Members may attend and participate in meetings of the ~~Working~~ Group at their discretion.
- 3.1.5 Each Working/~~Advisory~~ Group will be assigned a Council Officer who will attend meetings of the ~~Working~~ Group on an as needs basis.
- 3.2 All members of a Working/~~Advisory~~ Group hold membership by appointment by Council. No reasons are required for the removal of any member.
- 3.3 At the first meeting of each Working/~~Advisory~~ Group a Chairperson must be appointed from amongst the ~~Working~~ Group's members. The Chairperson will chair meetings of the ~~Working~~ Group and is the person with whom Council staff will directly liaise.
- 3.4 The role of the Chairperson includes:
 - 3.4.1 Overseeing and facilitating the conduct of meetings of the Working/~~Advisory~~ Group in a timely and efficient manner.
 - 3.4.2 Ensuring that the business discussed at Working/~~Advisory~~ Group meetings is limited to the matters listed for discussion at that meeting.
 - 3.4.3 Ensuring all persons present have an opportunity to participate in discussions.
 - 3.4.4 Determining the time and place of the next meeting of the Working/~~Advisory~~ Group in consultation with the members and the Council Officer.
- 3.5 Items for discussion at meetings of Working/~~Advisory~~ Groups will be finalised as follows:
 - 3.5.1 Members of the ~~Working~~ Group may request, in writing, that the Chairperson include a matter on the list of items for discussion.
 - 3.5.2 The Chairperson is responsible for compiling the list of items for discussion which should include all matters contained in requests by members and may include any other matters the Chairperson considers fit and providing it to the Council Officer for comment and finalisation.
 - 3.5.3 The Chairperson, in conjunction with the Council Officer, is responsible for finalising the list of items for discussion at the ~~Working~~ Group meetings.

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3.5.4 The proforma for the meeting format and list of items is shown at **Appendix 1**.

3.6 The 'Items for Discussion' for Working/~~Working~~/Advisory Group meetings are as determined by the ~~Working~~-Group.

3.7 Each Working/~~Working~~/Advisory Group is responsible for ensuring a record of its meeting is kept. At a minimum such record must contain:

3.7.1 The persons present at the meeting.

3.7.2 A brief summary of matters discussed.

3.7.3 Any agreements or conclusions reached and any recommendations which the ~~Working~~-Group has requested be taken to the Council or a Committee meeting by a Council Member or a Council officer.

3.8 The Working/~~Working~~/Advisory Group must ensure a copy of the record of each meeting is provided to the Council Officer within 7 days of the meeting.

3.9 The level of support provided to a Working/~~Working~~/Advisory Group is at the discretion of the Council.

3.10 The above provisions are subject to the specific Terms of Reference of a Working/~~Working~~/Advisory Group, and to any other resolution of the Council.

4. CONDUCT AND INTEGRITY

4.1 Working/~~Working~~/Advisory Groups are established to facilitate exploration and discussion of issues and ideas relevant to the Town of Gawler, its residents, ratepayers, and the community at large. A meeting of a ~~Working~~-Group is a forum consisting of differing, and sometimes conflicting, views.

4.2 Constructive debate in Working/~~Working~~/Advisory Group meetings is encouraged. However, all members of Working/~~Working~~/Advisory Groups must at all times treat each other with respect, and not engage in conduct directed towards disparaging other members, or which is not relevant to the proceedings of the ~~Working~~ Group, or which is obstructive to the proceedings of the ~~Working~~-Group.

4.3 No member of a Working/~~Working~~/Advisory Group may within that ~~Working~~-Group discuss an issue in which they have an interest. An interest may be monetary or non-monetary, may be direct or indirect, and may constitute either a benefit to the member, a relative, a business associate or an organisation, or a detriment to a person or organisation (other than an interest that would be enjoyed or suffered in common with all or a substantial proportion of the ratepayers, electors or residents of the area or a ward or some other substantial class of persons).

4.4 If an issue in which a member has an interest arises for discussion at a Working/~~Working~~/Advisory Group meeting, the member must disclose their interest and leave the meeting. The member must not return to the meeting until the conclusion of the discussion of the issue.

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CODE OF PRACTICE FOR WORKING GROUPS

5. COMMUNICATION TO COUNCIL

- 5.1 Working/~~Advisory~~ Group meetings are a means of gathering information to inform report writing and Council decision making. ~~Minutes of the Working/Advisory Group will be presented at the next Ordinary Meeting of Council~~
- 5.2 Operational matters identified by the Working/~~Advisory~~ Group ~~that are outside of the Terms of Reference~~ are to be raised with the Chief Executive Officer in the first instance, and may ~~depending on resource requirements~~ form the basis of a report to Council by the Council officer assigned to the ~~Working~~-Group or any other Council officer requested by the Chief Executive Officer to write the report.
- 5.3 Separately, if a Council Member attends a meeting of a Working/~~Advisory~~ Group, he/she may individually seek to bring to the Council's or a Council Committee's attention any matters discussed at the ~~Working~~ Group meeting by way of a motion with or without notice.

6. REVIEW AND EVALUATION

The effectiveness of this Code will be reviewed ~~on a biennial basis~~ after each Local Government general election.

The Chief Executive Officer will report to council on the outcome of the evaluation and if relevant make recommendations for amendments, alteration or substitution of a new Code.

The Code will not be altered or substituted so as to affect a process already commenced.

~~The Code will be reviewed after each general election of Council.~~

7. FURTHER INFORMATION

Further information about this Code can be obtained by:-

Telephone: 8522 9211
 Email: council@gawler.sa.gov.au
 Appointment: Town of Gawler Administration Centre 43 High Street, Gawler East
 Letter: PO Box 130, Gawler SA 5118

8. AVAILABILITY OF CODE

The Code is available for inspection during ordinary business hours at the Council principal office, Town of Gawler Administration Centre 43 High Street, Gawler East or is available from the Council website at www.gawler.sa.gov.au

A copy of this Code will be provided to interested parties upon request, for a fee as contained in the Register of Fees and Charges.

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CODE OF PRACTICE FOR WORKING GROUPS

APPENDIX 1



Town of Gawler

.....(group title).....

WORKING GROUP MEETING

ITEMS FOR DISCUSSION

Meeting Date

1. MEETING OPENED
2. PRESENT
3. APOLOGIES
4. ITEMS FOR DISCUSSION
 - 4.1
 - 4.2
5. NEXT MEETING

Time/date/venue
6. MEETING CLOSED

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TOWN OF GAWLER POLICY



Policy Section:	1. Corporate Governance
Policy Name:	Mayor Seeking Legal Advice
Classification:	Public – Council Policy
Adopted:	27 January 2015
Frequency of Review:	Within 12 months after the conclusion of each Local Government Council Election Biennial
Last Review:	January 2015 August 2019
Next Review Due:	January 2017 August 2022
Responsible Officer(s):	Chief Executive Officer Governance Officer
Policy and Code of Practice Manual File Ref:	CC130/2412601
Council File Reference:	CR45/636 CR 19/51388
Legislation Authority:	Local Government Act 1999
Related Policies and Codes:	N/A
Related Procedures:	Obtaining Legal Advice: Guidelines for Mayors/ Chairpersons (Local Government Association of SA)

1. BACKGROUND / INTRODUCTION

- 1.1 As a general rule, any legal advice obtained on behalf of a Council will occur through the CEO or be authorised by the CEO or a Council resolution. A CEO of a Council is responsible for the implementation of lawful Council decisions and for the overall administration and budget management of the Council.
- 1.2 However, there may be limited circumstances where it is not appropriate or not possible for a Council to obtain legal advice through the CEO.

2. PURPOSE OF THE POLICY

- 2.1 This policy is designed to set out Council's position in relation to the circumstances in which the Mayor is authorised to seek legal advice independently of the CEO.

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MAYOR SEEKING LEGAL ADVICE**3. CIRCUMSTANCES IN WHICH IT IS APPROPRIATE FOR THE MAYOR TO SEEK LEGAL ADVICE**

- 3.1 In circumstances in which it is not possible or appropriate for the CEO to seek legal advice, the Mayor should, ideally, seek a Council resolution to obtain legal advice. However, where this is not possible, the Mayor may seek the advice independently as set out below.

3.1.1 Urgent matters relating to a Council Meeting if the CEO is unavailable.

While the CEO has a good working knowledge of Council meeting procedures, matters may arise from time to time which require an urgent legal opinion. Where legal advice is required in the absence of the CEO:

- (a) The Mayor may seek legal advice in situations in which a response is required urgently, including for an imminent Council meeting or other urgent matter;
- (b) Any legal advice obtained in this way will be reported to the Council at the earliest available meeting (which may be conducted 'in confidence' for this purpose under section 90(3)(h) of the *Local Government Act 1999*) [\(the Act\)](#);
- (c) The legal advice will also be provided to the CEO (unless this is not appropriate – see below).

3.1.2 The legal advice relates to the CEO or the exercise of the CEO's powers

In circumstances where Council is to consider a matter related to the CEO (e.g. urgent employment related issues or where the Council is investigating a failure by the CEO to comply with a resolution of Council or where a matter relates to the exercise of a CEO's powers) and it is the view of the Mayor that the consideration of this matter by the Council should occur with the benefit of legal advice:

- (a) The advice will be obtained as a matter of administrative necessity by the Mayor to ensure the legality of the Council's actions and decisions;
- (b) The Mayor will not confer with Council staff where the legal advice relates to the CEO's employment or other personal matter;
- (c) The Mayor may confer with other relevant senior Council staff, such as the ~~Deputy CEO or~~ Human Resources Manager, if the matter concerns an issue that is not confidential to the CEO, such as a conflict of interest matter relating matters disclosed in the register of interests;
- (d) The Mayor will keep the Council fully informed of any advice obtained on behalf of the Council and advise ~~members~~ [Members](#) of the advice received at the next available meeting;

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MAYOR SEEKING LEGAL ADVICE

- (e) Where the Mayor has obtained the advice other than in accordance with a Council resolution Council should, as a matter of caution, retrospectively endorse the Mayor's decision to obtain the advice.

4. RECORD KEEPING AND CONFIDENTIAL DOCUMENTS

- 4.1 Where the Mayor obtains legal advice relating to the CEO or the exercise of the CEO's powers, and it is not appropriate to provide that advice to the CEO, the advice must be placed in the records management system in such a way as to ensure that it cannot be accessed by the CEO. This procedure will also apply to other documents relevant to the matter which, in the opinion of the Council, should be kept confidential.
- 4.2 The documents will be made password accessible and be available only to the Mayor and the ~~deputy CEO~~ [or other such senior officer]. These restricted access records will be maintained in accordance with the *State Records Act 1997* and will remain subject to assessment as part of any relevant application made under the *Freedom of Information Act 1991*.

5. REVIEW AND EVALUATION

The effectiveness of this Policy will be reviewed within 12 months after the conclusion of each Local Government Council Election, on a biennial basis.

The Chief Executive Office will report to Council on the outcome of the evaluation and if relevant make recommendations for amendments, alteration or substitution of a new Policy.

The Policy will not be altered or substituted so as to affect a process already commenced.

The Policy will be reviewed after each general election of Council.

6. FURTHER INFORMATION

Further information about this Code can be obtained by:-

Telephone: 8522 9211

Email: council@gawler.sa.gov.au

Appointment: Town of Gawler Administration Centre, 43 High Street, Gawler East.

Letter: PO Box 130, Gawler SA 5118

7. AVAILABILITY OF THE POLICY

The Policy is available for inspection during ordinary business hours at the Council principal office, Town of Gawler Administration Centre 43 High Street, Gawler East or is available from the Council website at www.gawler.sa.gov.au.

A copy of this Policy will be provided to interested parties upon request, for a fee as contained in the Register of Fees and Charges.

CR15/63619/51388

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TOWN OF GAWLER PROCEDURE



Policy Section:	1. Corporate Governance
Procedure Name:	Complaints Handling Procedure Under the Code of Conduct for Council Members'
Classification:	Mandatory
Adopted:	24 November 2015
Frequency of Review:	Biennial and within 12 months of a Council Election
Last Review:	September 2017 July 2019
Next Review Due:	September 2019 July 2021
Responsible Officer(s):	Governance Officer and Chief Executive Officer
Procedure Manual File Ref:	CC14/407
Council File Reference:	CR17/44304
Legislation Authority:	Local Government Act 1999 Local Government (General) Variation Regulations 2013 Independent Commissioner Against Corruption Act 2012 Public Interest Disclosure Act 2018
Related Policies:	Caretaker (Elections) Whistleblower
Related Procedures:	N/A

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1. INTRODUCTION

- 1.1 On 29 August 2013, a new Code of Conduct for Council Members was made by Regulation.
- 1.2 The Code of Conduct applies to all Council Members across South Australia. Alleged breaches of the Code of Conduct may be the subject of a Council investigation or an Ombudsman investigation, depending on the nature of the issue.
- 1.3 The Code of Conduct also contains sanctions which may be imposed by Council on a Council Member where a breach of the Code is found to be sustained.

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COMPLAINTS HANDLING – UNDER COUNCIL MEMBERS' CODE OF CONDUCT**2. PURPOSE AND SCOPE**

This procedure applies when the Council receives a complaint against a Council Member under the Code of Conduct for Council Members.

3. BREACHES OF THE CODE OF CONDUCT

Breaches of the Code of Conduct may relate to less serious behavioural issues (in Part 2 of the Code) or misconduct (in Part 3 of the Code). Criminal or corruption matters, which are subject to separate legislation, do not form part of the Code of Conduct for Council Members. This procedure covers referral of these types of complaints to other agencies.

4. ALLEGED BREACH

4.1 Where an alleged breach occurs the complainant should report the allegation, in writing, to the Council, addressed to the ~~Chief Executive Officer~~ **Principal Member**. The allegation should:

4.1.1 be specific;

~~4.1.2 be provided in writing;~~

4.1.3 identify the provision/s of the Code which is/are alleged to have been breached;

4.1.4 provide as much supporting evidence as possible to assist an investigation; and

4.1.5 provide the name of the Council Member(s) who has allegedly breached the Code.

4.2 Complainants can, at any time, take the alternative option of lodging the complaint with the Office of Public Integrity (OPI), which will direct the complaint in accordance with the ICAC Act or directly to the South Australian Ombudsman who can deal with complaints under the Ombudsman Act 1972.

4.3 The Chief Executive Officer will be responsible for receiving the referral of a complaint and will refer the complaint to the Principal Member (or if it relates to the Principal Member, his/her deputy) within 3 working days of receipt of a complaint.

4.4 The Principal Member ~~(or deputy)~~ will determine whether the complaint relates to:

4.4.1 behaviour which falls under Part 2 of the Code;

4.4.2 misconduct which triggers action under Part 3 of the Code; or

4.4.3 criminal or corrupt behaviour.

4.5 Complaints relating to misconduct or criminal behaviour must be referred to the appropriate authorities immediately. (See below at clauses 9 and 10)

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COMPLAINTS HANDLING – UNDER COUNCIL MEMBERS' CODE OF CONDUCT

- 4.6 Council maintains jurisdiction where the complaint deals with conduct that falls into Part 2 of the Code. Part 2 deals with conduct that reflects reasonable community expectations of how Council Members should conduct themselves. Robust debate within Council which is conducted in a respectful manner is not a breach of this Part.
- 4.7 For the remainder of this policy, where the deputy Principal Member is handling a complaint, the policy is to be read such that the "Principal Member" is the deputy Principal Member.
- 4.8 In relation to a complaint determined to be one of which falls under Part 2 of the Code, having regard to the seriousness of the allegation and information provided, the Principal Member may:
- 4.8.1 seek to resolve the matter internally;
- 4.8.2 ~~if agreed to by all parties, refer the complaint to a mediator or conciliator (can be formal or informal);~~
- 4.8.3 ~~refer the complaint to the Local Government Governance Panel, an independent investigator or other option provided by Council; Council will from time to time determine which of these options are available;~~ and
- 4.8.34 dismiss the allegation on the basis that it is, trivial, vexatious or frivolous or not related to matters covered by the Code, or that a complaint dealing with the same matter has already been decided (unless significant new information is provided).
- 4.9 Within three (3) days of receipt of an allegation, the complainant will receive acknowledgement from the Principal Member of the complaint received and the Council Member who is the subject of the complaint will be advised by the Principal Member of the complaint and its substance. The Council Member will also be advised of the manner in which the Principal Member intends to deal with the complaint.
- 4.10 The Council at its discretion and as far as possible, will endeavour to keep the identity of the person making the complaint (the Complainant) confidential.
- 4.11 The Complainant will not be victimised for making the complaint.
- 4.12 The Principal Member may in their absolute discretion decide not to investigate an anonymous complaint.
- 4.13 The Principal Member may in their absolute discretion not investigate or discontinue investigating a complaint if the Complainant fails to assist the Council in the investigation of the complaint.

5. ALLEGED BREACH OF PART 2 – INTERNAL RESPONSE

- 5.1 Only matters which are determined to be of a minor nature will be dealt with internally and only with the agreement of the parties. The Principal Member may hold meetings with the complainant and the Council Member and may seek mediation and conciliation between the parties in an attempt to resolve the matter to the satisfaction of all parties. This may be appropriate, for

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COMPLAINTS HANDLING – UNDER COUNCIL MEMBERS' CODE OF CONDUCT

example, where the complainant is also a Council Member.

- 5.2 The Principal Member must ensure that the principles of natural justice and procedural fairness are observed.
- 5.3 Where the matter is resolved by the Principal Member to the satisfaction of all the parties, the matter will be closed and no further action will be taken. The Principal Member will send written confirmation to all the parties confirming that the matter has been resolved and provide a report to a meeting of the Council if a breach has occurred.

- ~~5.4 Where the matter cannot be resolved, the Principal Member will refer the original complaint to the Local Government Governance Panel or alternative independent investigator.~~

6. REFERRAL TO THE LOCAL GOVERNMENT GOVERNANCE PANEL AN INDEPENDENT INVESTIGATOR

- 6.1 Where there has been an allegation that a Council Member has breached Part 2 of the Code the complaint may be referred to ~~the Local Government Governance Panel~~ an independent investigator by the Principal Member under this procedure.
- 6.2 Complaints referred to ~~the Governance Panel~~ an independent investigator will specify the ground/s of the complaint, set out the circumstances of the complaint and be accompanied by any other material that is available to support the complaint. ~~A copy of the Governance Panel's procedures is available on the Governance Panel webpage on the LGA's website under Rules of Engagement: www.lga.sa.gov.au.~~
- 6.3 ~~The matter will be assessed initially by the Panel Manager who will determine the process to be followed and the person who will deal with the matter. The matter may be dismissed if it is frivolous, vexatious, misconceived or lacking in substance. The Panel Manager will consider the applicable facts from the material provided and may form a provisional conclusion that further investigation is unnecessary, as it would be unlikely to result in a breach finding. In these circumstances, Council may accept the views of the Panel Manager and take no further action or, Council may consider the recommendation from the Panel Manager and determine whether to proceed to a full investigation.~~

~~Where a complaint progresses to an investigation, a report will be prepared by the Panel and will be provided to the Principal Member. The report may recommend to the Council appropriate action in relation to the matter, including the imposition of any of the sanctions available to a Council under clause 2.25 of the Code of Conduct (see below).~~

- 6.43 A breach of Part 2 of the Code must be the subject of a report to a meeting of the Council once the investigation has occurred.

7. REPORT AND SANCTIONS

- 7.1 If, following investigation by the ~~Local Government Governance Panel or an independent investigator~~, a breach of the Part 2 of the Code is found, the breach must be the subject of a report to the Council (clause 2.24 of the Code). The report of the ~~Panel or independent~~ investigator ~~may will~~ be tabled at the

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COMPLAINTS HANDLING – UNDER COUNCIL MEMBERS' CODE OF CONDUCT

Council meeting. ~~If the report is not tabled, a Council report of the breach will be made in writing and will include any recommendations made by the Panel or independent investigator.~~ The outcome of the item will be minuted. The Council may, by resolution, take any of the following actions:

- 7.1.1 Take no action.
- 7.1.2 Pass a censure motion in respect of the Council Member.
- 7.1.3 Request a public apology, whether written or verbal.
- 7.1.4 Request the Council Member to attend training on the specific topic found to have been breached.
- 7.1.5 Resolve to remove or suspend the Council Member from a position within the Council (not including the Member's elected position on Council).
- 7.1.6 Request the member to repay monies to the Council.

7.2 Where ~~an Panel or independent~~ investigator report ~~finds recommends~~ no breach of the Code, a report will not be presented to Council except at the request of the Council Member who was the subject of the complaint. If such a request is made, a copy of the report will be tabled at the next practicable Council meeting. If no such request is received, no further action will be taken, although a summary report may be made to the Council regarding other observations or recommendations made by the ~~Panel or~~ independent investigator that are of broader application.

7.3 The complainant will be notified by letter of the outcome of the investigation. Where the full investigation report is to be tabled at a Council meeting, the complainant will be entitled to a copy of the report at, or following, the Council meeting which receives the report. If the full report is not presented at a Council meeting, the complainant will not be provided with a copy of the report as a matter of course.

8. APPEALS

Council will not enter into any process of appeal in relation to Part 2 of the Code.

9 PART 3 – MANDATORY CODE (MISCONDUCT)

- 9.1 Any person may report an alleged breach of Part 3 of the Code to the Council, the Ombudsman or the Office for Public Integrity. Alleged breaches of this Part made to Council or to the Office for Public Integrity may be referred to the Ombudsman for investigation.
- 9.2 Under the Code of Conduct, a Council Member who is of the opinion that a breach of Part 3 of the Code has occurred, or is currently occurring, must report the breach to the Principal Member of the Council or Chief Executive Officer, the Ombudsman or the Office for Public Integrity.
- 9.3 A failure to report an alleged or suspected breach of Part 3 of the Code is in itself a breach under Part 2 of the Code.

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COMPLAINTS HANDLING – UNDER COUNCIL MEMBERS' CODE OF CONDUCT

- 9.4 A failure of a Council Member to co-operate with the Council's process for handling alleged breaches of Part 2 of the Code may be referred for investigation under Part 3.
- 9.5 A failure of a Council Member to comply with a finding of an investigation under Part 2 of the Code, adopted by the Council, may be referred for investigation under Part 3.
- 9.6 Repeated or sustained breaches of Part 2 of the Code by the same Council Member may be referred, by resolution of the Council, to the relevant authority as a breach of Part 3.
- 9.7 A report from the Ombudsman that finds a Council Member has breached Part 3 of the Code of Conduct must be the subject of a [public](#) report to a meeting of the Council.
- 9.8 The Council must pass a resolution to give effect to any recommendations received from the Ombudsman, within two ordinary meetings of the Council following the receipt of these recommendations.

10. CRIMINAL MATTERS – APPENDIX TO THE CODE OF CONDUCT

- 10.1 The matters within the Appendix to the Code of Conduct are matters for which a criminal penalty attaches. These matters must be reported to the Office for Public Integrity.
- 10.2 In addition, allegations of a breach of any offence provisions in the Local Government Act 1999 must also be reported to the Office for Public Integrity (see Council's Fraud and Corruption Prevention Policy for further information on reporting requirements or the Directions and Guidelines issued by the Independent Commissioner Against Corruption).
- 10.3 In compliance with the Independent Commissioner against Corruption Act 2012, referral of such complaints to the Office for Public Integrity will remain confidential.

11. REVIEW AND EVALUATION

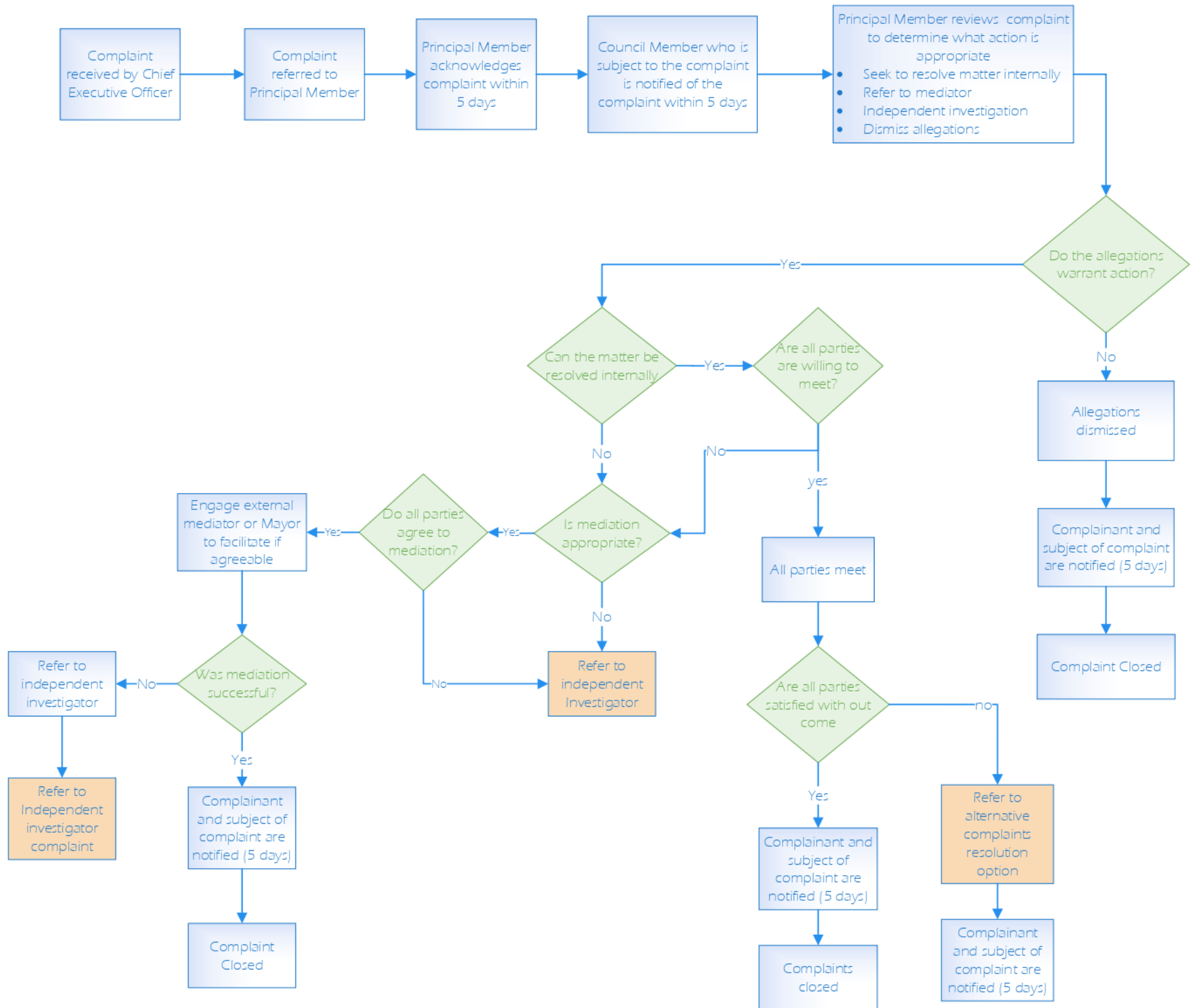
The effectiveness of this Procedure will be reviewed on a biennial basis and within 12 months of a Council Election to ensure that its commitment to the principles of good conduct and standards is being achieved.

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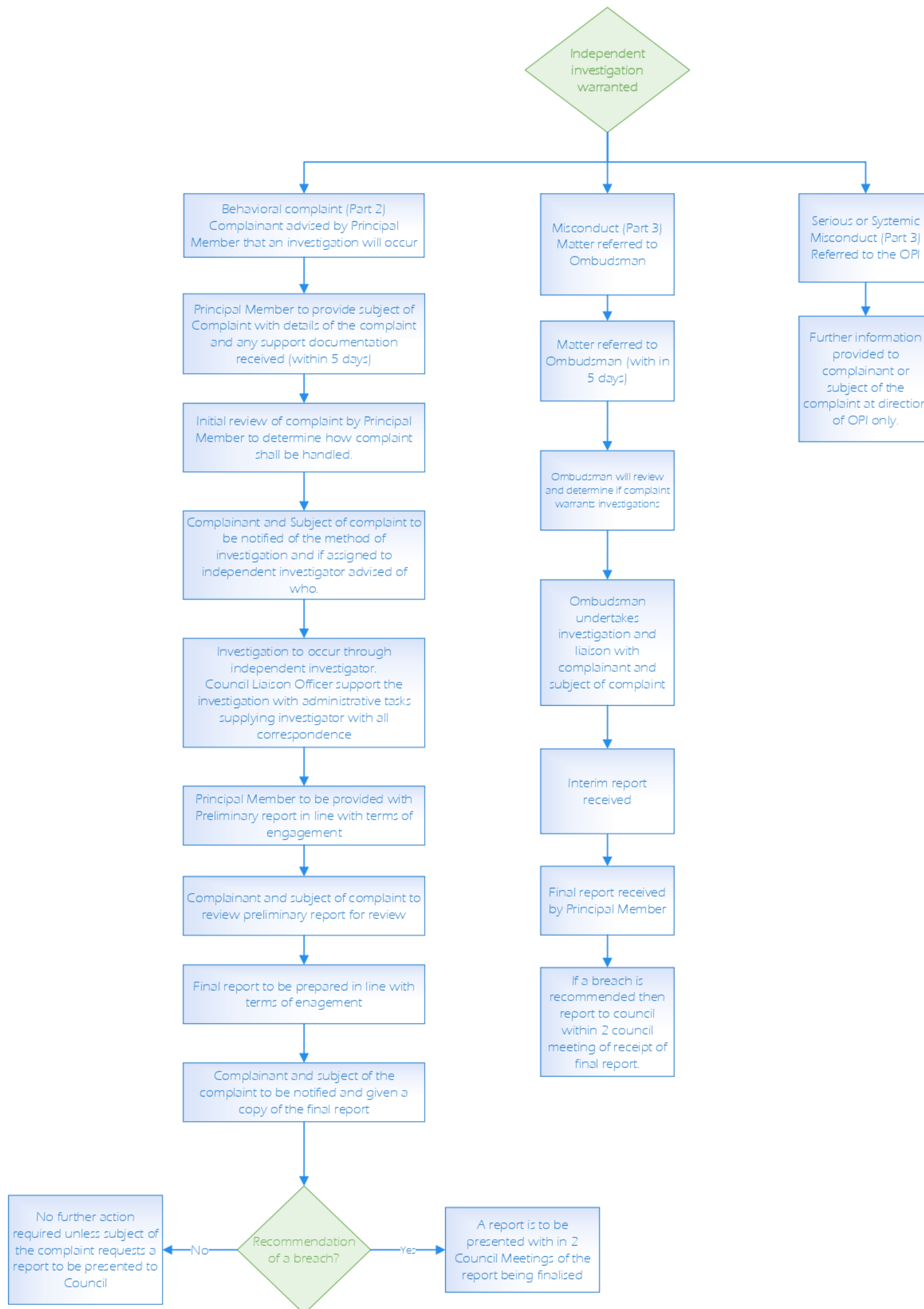
Council Member Code of Conduct Complaint Process



Note; 'days' refers to business day

CR19/7813

Council Member Code of Conduct Complaint Process





ANNUAL REPORT

2018-2019

Gawler River Floodplain Management Authority

Constituent Councils:

Adelaide Hills Council

Adelaide Plains Council

The Barossa Council

Town of Gawler

Light Regional Council

City of Playford

GRFMA

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Chairman's Foreword

The Gawler River Floodplain Management Authority is unique in its structure and role in floodplain management in Australia. Representing six councils (i.e., Adelaide Hills, Adelaide Plains, Barossa, Gawler, Light and Playford), the Authority established in 2005 as a Regional Subsidiary pursuant to Section 43 of the Local Government Act, 1999 was primarily purposed with responsibility for flood mitigation protection within the Gawler River catchment.

During 2019 the Authority met on nine occasions (i.e., six Ordinary and three Special meetings) progressing activities outlined within its Business Plan 2018 – 2021 and attending to other matters received by the Board for consideration and appropriate action.

The following provides a brief outline of important actions pursued by the Authority during the report period: -

Northern Floodway Project and Associated Public Relations Strategy

The Authority has pursued endeavors to obtain State and Federal government funding for the project having an estimated \$27 million cost, on the basis of securing commitment from Federal and State Governments to fund in totality all capital costs, including the further design and development cost associated with the project

An application submitted to the Federal government seeking \$2 million from the Building Better Regions Infrastructure Scheme to undertake the first stage of the project incorporating ground-truthing investigations, preliminary design and documentation, further impacted landowner consultation, environmental and heritage surveys was unsuccessful.

With recent changes to State and Federal Government representation following respective election outcomes, it has been necessary to review strategies to engage with and seek political support for project funding. The Authority has initiated work in developing such advocacy strategies which hopefully will soon prove successful.

A recent alternative approach seeking matched contributions from State and Federal Government for \$1.8 million (i.e., \$900,000 each) has been supported by Minister David Spiers MP, and Senator Simon Birmingham in his letter to governmental colleague Minister David Littleproud MP.

Charter and Governance Review

A periodic review of the Authority's Charter and associated governance review was initiated with a Working Group formed to progress in two stages, initially to pursue a short review of the Charter to identify any immediate amendments necessary for continuing operation and immediately following, undertake a further process to scope and consider other contemporary governance arrangements to be undertaken.

The Charter Review has progressed with proposed amendments supported by the Board, referred for legal review and circulated to the constituent councils for support pending adoption and subsequent Gazettal.

The Authority acknowledges the Working Group representation provided by each of the constituent councils and in particular, assistance provided by the Playford Council with legal service review.

Policy Review

A review of the following Authority operating policies was undertaken and subsequently reindorsed:

- Internal Review Decisions
- Procurement and Operations
- Dam Valuation and Treasury Management, and
- Public Consultation

Gawler River Unharmed Mitigation Project (GRUMP)

The Authority has agreed to enter into partnership with Bushfire and Natural Hazards CRC and the University of Adelaide to further develop an existing decision support tool (UNHaRMED) to explore how to manage flood risk into the future applying an integrated and dynamic approach. The project will consider specific pilot studies and develop a methodology for integrated flood mitigation planning by this Authority. The model once developed will also be available to other councils and floodplain managers responsible for flood-associated social, environmental and economic risk modelling and subsequent management.

The project has been supported by \$98,980 in funding the National Disaster Resilience Program. A joint University of Adelaide, Government and GRFMA constituent council representative Project Steering Group has been formed to progress the project which is due to be completed in March 2020.

Reforming Natural Resource Management in South Australia

Submission was forwarded to the Hon David Spiers MP, Minister for Environment and Water regarding the State Governments proposal to establish new SA Landscapes Boards. The Authority is seeking clarification on the placement of constituent councils in the proposed regional reform and assurance that strategic flood management objectives and relevant landscape levy funding mechanisms are maintained.

Dam Break and Consequence Assessment Report

Hydrology and Risk Consulting Pty Ltd was engaged to undertake a risk assessment of the Bruce Eastick North Para Flood Mitigation Dam. The report has been received and is currently undergoing review by Board members prior to initiating any actions resulting from the recommendations contained therein.

Dam Deflection Survey

Recommendations contained within a survey report prepared by John Bested & Associates were received and identified for implementation.

Work required for the replacement of a Deep Bench Mark adjacent the dam structure was deferred for consideration within the 20/21 Budget.

Other Dam Maintenance Works Undertaken

The following works were undertaken within budgetary allocations:

- Dewatering of stilling pond and inspection of low-level outlet to remove flow restrictions
- Reinstatement of the down-stream access track (acknowledging services provided by Light Regional Council)
- Earthworks to downstream right abutment scouring

New and Outgoing Board Members

Following the outcome of the Local Government elections held in November 2018 the following constituent council elected member representations were appointed:

- Cr Stephen Coppins (Playford)
- Cr Terry-Anne Keen (Adelaide Plains)
- Cr Paul Koch (Gawler)
- Mayor Bim Lange (Barossa)

Outgoing members were acknowledged for services provided to the Board:

- Cr Denis Davey (Playford)
- Cr Mel Lawrence (Adelaide Plains)
- Cr Adrian Shackley (Gawler)
- Mayor Bob Sloane (Barossa)
- Mr. Mal Hemmerling (Playford)

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The Authority maintains a short-term priority for the delivery of the Northern Floodway Project to provide increased flood protection for the lower reaches of the Gawler River.

Ultimately, resources will be aligned in providing 1:100 Average Recurrence Interval flood protection to the Gawler River catchment.

Ian J. Baldwin

Chairman and Independent Member
Gawler River Floodplain Management Authority

Gawler River Floodplain Management Authority (GRFMA)**The Gawler River**

The Gawler River is formed by the confluence of the North Para and South Para in the town of Gawler and is located in the Adelaide Plains district of South Australia. The district surrounding the river produces cereal crops and sheep for both meat and wool, as well as market gardens, almond orchards and vineyards. The farm gate output of the Gawler River Floodplain horticultural areas is estimated to be at least \$225 million.

Purpose of the GRFMA

The Gawler River Floodplain Management Authority (GRFMA) was formed as a Regional Subsidiary under Section 43 and Schedule 2 of the Local Government Act 1999 on 22 August 2002. The Constituent Councils are the Adelaide Hills Council, The Adelaide Plains Council, The Barossa Council, The Town of Gawler, Light Regional Council, and the City of Playford.

The Charter provides for one independent person, who is not an officer, employee or elected member of a Constituent Council, to be appointed as the Chairperson of the Board of Management of the GRFMA for a term of two years.

The Charter sets down the powers, functions, safeguards, accountabilities and an operational framework and the Business Plan sets down the operational plan and financial plan to achieve agreed objectives.



The Authority has been established for the following purposes:

- to co-ordinate the construction, operation and maintenance of flood mitigation infrastructure for the Gawler River. This purpose is the core business of the Authority;
- to raise finance for the purpose of developing, managing and operating and maintaining works approved by the Board;
- to provide a forum for the discussion and consideration of topics relating to the Constituent Council's obligations and responsibilities in relation to management of flood mitigation for the Gawler River;
- upon application of one or more Constituent Councils pursuant to clause 12.4:
 - to coordinate the construction, maintenance and promotion and enhancement of the Gawler River and areas adjacent to the Gawler River as recreational open space for the adjacent communities; and
 - to enter into agreements with one or more of the Constituent Councils for the purpose of managing and developing the Gawler River.

The Board

The Members of the Board are:

Council	Board Members	Deputy Board Members
Chairperson and Independent Member	Mr. Ian Baldwin	
Adelaide Hills Council	Cr Malcolm Herrmann Mr. Marc Salver	Cr Pauline Gill
Adelaide Plains Council	Cr Terry-Anne Keen Mr James Miller	Cr John Lush Mr Robert Veitch
The Barossa Council	Mayor Bim Lange Mr. Gary Mavrinac	Cr Russell Johnstone
Town of Gawler	Cr Paul Koch Mr. Sam Dilena	Cr Kelvin Goldstone Mr. Ben DeGilio
Light Regional Council	Cr William Close Mr. Brian Carr	Mr. Andrew Philpott
City of Playford	Cr Stephen Coppins Mr. Greg Pattinson	

Meetings of the Board are held at such time and such place as the Board decides subject only to the requirement that there will be at least one meeting in every two calendar months. A special meeting of the Board may be held at any time and may be called at the request of the Chairperson or at the written request of six members of the Board representing all of the Constituent Councils.

Ordinary meetings of the Board are generally held bi-monthly on the third Thursday of the even months commencing at 9.45 am: excepting December which is held on the second Thursday,

Meetings are hosted by the Constituent Councils on a rotational roster with six Board meetings and three Special Meetings were held during the year as follows:

- | | |
|-----------------------------|----------------------------|
| - Thursday 5 July 2018 | Gawler (Special Meeting) |
| - Thursday 16 August 2018 | Gawler |
| - Thursday 18 October 2018 | Mallala (Adelaide Plains) |
| - Monday 12 November 2018 | Gawler (Special Meeting) |
| - Thursday 13 December 2018 | Playford |
| - Thursday 7 February 2019 | Kapunda (Light) |
| - Thursday 21 March 2019 | Playford (Special meeting) |
| - Thursday 18 April 2019 | Gumeracha (Adelaide Hills) |
| - Thursday 17 May 2018 | Playford (Special Meeting) |
| - Thursday 13 June 2019 | Barossa |

Technical Assessment Panel

A Technical Assessment Panel has been appointed to support the decision-making processes of the Board with delegated powers to provide advice and manage the technical aspects of the design, assessment and construction of the various parts of the Scheme.

The Members of the Panel are:

- Mr Ian Baldwin, Independent Chair
- Ms Ingrid Franssen, Manager Flood Management, DEWNR
- Dr Moji Kan, Principal Engineer Dams, SA Water
- Mr Matt Elding, Barossa Council
- Mr Braden Austin, Playford Council
- Mr David Hitchcock Executive Officer
- Mr Dino Musolino, Observer, Lower Gawler River representative

No meetings of the Panel were held during the year, however email out of session consideration was undertaken to consider the Bruce Eastick Dam Break Consequence Report.

Audit Committee

An Audit Committee has been appointed to review:

- the annual financial statements to ensure that they present fairly the state of affairs of the Board, and
- the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Board on a regular basis.

The Committee held four meetings during the year:

- 13 August 2018
- 10 December 2018
- 15 March 2019
- 3 June 2019

The members of the Committee are:

- Mr Peter Brass, Independent Member
- Mr Greg Pattinson, City of Playford
- Cr Malcolm Herrmann, Adelaide Hills Council

Charter and Governance Review Working Group

A periodic review of the Authority's Charter and associated governance review was initiated with a Working Group formed to progress in two stages, initially to pursue a short review of the Charter to identify any immediate amendments necessary for continuing operation and immediately following, undertake a further process to scope and consider other contemporary governance arrangements to be undertaken.

The first stage of the Charter Review is expected to be completed by December 2019 with the governance and financial contributions review to be then initiated.

GRFMA Policies

The following Policies have been adopted to provide management guidelines for the day-to-day business of the GRFMA:

- Procurement and Operations Policy
- Grant Policy
- Internal Review of Decisions Policy
- Public Consultation Policy
- Access to Meetings and Documents Policy
- Dam Valuation Policy
- Treasury Management Policy

The purpose of policies is to provide prudent management guidelines for the day-to-day management of the affairs of the Authority.

All meetings of the GRFMA and its committees are open to the public, with the exception of those matters to be considered under Section 90 of the Local Government Act 1999.

No Freedom of Information requests were received during the year.

Forum	Total Resolutions for the year	Resolutions to exclude the Public - Sec 90(3)	Purpose	Order for docs to remain confidential - Sec 91(7)	%
Board	99	7	Possible commercial advantage of a person	0	0
Technical Assessment Panel		0		0	0
Audit Committee	18	1		0	0

Mr David Hitchcock has been engaged to provide Executive Officer services under a services agreement until 31 December 2019. Mr Hitchcock has extensive experience in the administration of Councils and regional subsidiaries under the Local Government Act 1999.

The GRFMA has no employees and all services are engaged on a contract basis.

Evaluation of Performance against the Business Plan**Part A: Funding**

Performance Targets:	Timings:	To be measured By:	Actual Achievements
Secure Additional Project Funding	June 2016	All Councils, stakeholders and Governments agree to contribute to the project in accordance with the Plan	<input checked="" type="checkbox"/> Scheme total funding achieved to date \$21,913,859 and which includes grants of \$17,016,420
Grant Claims	At all times	Lodge claims monthly for the payment of Commonwealth and State Government Grants.	<input checked="" type="checkbox"/> Claims lodged at the end of the month
Maintain positive Cash Flow	At all times	Positive bank account balances at all times.	<input checked="" type="checkbox"/> Positive cash flow maintained

Part B: Proposed Flood Mitigation Scheme Works

South Para Works			
<p>The South Para Reservoir is under the control and management of SA Water Corporation who have agreed to undertake the required modifications to the South Para Reservoir to provide the required level of flood mitigation capacity as a cost to the Scheme.</p> <p>Dam safety review and design proposal to modify the dam wall and spillway completed September 2005</p> <p>Detailed hydrology study of the catchment using the very latest methodologies let to Department of Transport, Energy and Infrastructure completed March 2007.</p>			
Performance Targets:	Timings:	To be measured By:	Actual Achievements
Detailed design of works	December 2010	Completion of detailed design and tender documents	<input checked="" type="checkbox"/> July 2011 Final approvals granted
Construction of the works	June 2012	Completion of construction	<input checked="" type="checkbox"/> Practical completion achieved June 2012

Gawler River Flood Mitigation Scheme

- One What will the Mark Two Scheme Include? (Note these steps may occur concurrently and not necessarily in the following order)
- Two Reconfirm with the Constituent Councils that a 1 in 100-year level of protection is the protection standard that is to be pursued in the development of the Gawler River Flood Mitigation Scheme - Mark Two Strategy. N.B. The protection standard does not guarantee full protection for all flood events. ***The Findings Report 2016 advises the 1 in 100 ARI event is considered to be the minimum desirable level of flood protection for new development as well as for much of the existing floodplain development.***
- Determine if a second dam on the North Para River or modification to the Bruce Eastick North Para Flood Mitigation Dam is an option. The GRFMA Board has recently accepted a tender for a Findings Report to undertake an assessment to determine if a second dam is required and feasible. ***The Findings Report 2016 advises enlarging the existing Bruce Eastick North Para Flood Mitigation Dam on the North Para offers the greatest level of protection with least impacts and is rated as the most favoured structural mitigation option. This option deferred pending completion of the Northern Floodway Project proposal. Noting feasibility of raising the height of the Bruce Eastick Dam is still a strategic consideration;***
- Three The Gawler River Floodplain Mapping Model should be maintained as the reference tool to demonstrate the level of flood protection and validity of design of land proposed for development as part of the approval process. To achieve this, the model should be upgraded to include recent works such as the Northern Expressway works and the additional floodplain mapping completed as part of the Light River Templers Creek Salt Creek Mapping Study by the Adelaide Plains Council. ***Completed.***
- Four To further develop the preliminary assessment of possible local area levees prepared in the 2008 Gawler River Floodplain Mapping Study at Gawler, Angle Vale and Two Wells and develop a levee strategy for Virginia to a robust design standard with a staging plan. Undertake a cost benefit study for each stage of the plan. ***Currently being considered in association with the Northern Floodway Project proposal.***
- Five Establish a protocol with the Floodplain Councils that where development of land in areas identified as 'at risk of flooding' is planned to proceed by the implementation of a local area levee that mapping of the proposed levees on the Gawler River Floodplain Mapping Study Model will be required. ***It is anticipated the Gawler River Unharmful Mitigation Project, currently underway, will contribute to understanding of this issue and relevant strategies.***
- Six Maintain a working relationship with the Australian Rail Track Corporation to ensure that any changes to Railtrack infrastructure of culverts and rail heights are mapped on the Gawler River Floodplain Mapping Study Model to identify any changes to flooding impacts. ***Ongoing***
- Seven Develop a funding strategy for flood protection that is delivered by local area levees on the questions of who should own and maintain the levees and whether local area levees are regional works that the GRFMA should fund or are they local works that are the responsibility of the local Council. ***Currently being considered in association with the Northern Floodway Project proposal.***
- Eight Investigate opportunities for funding partners and grants to undertake the necessary assessments and designs. ***Ongoing.***
- Nine The Scheme will also seek to clarify, through the Local Government Association, the policy and legal framework around maintenance of rivers and creeks where those rivers and creeks are part of the regional flood management plan. Under current legislation a landowner is responsible for the condition of a creek or waterway on private land. ***Currently under review by Department Environment and Water. GRFMA submission provided.***

Part B: Maintenance of the Scheme

Performance Targets:	Timings:	To be measured By:	Actual Achievements
Six monthly inspection	June and December	Completion of Inspection Report	<input checked="" type="checkbox"/> Comprehensive Dam inspection (Newman Engineering) carried out Jan 2018 <input checked="" type="checkbox"/> Dam Break Consequence study due for completion June 2019. <input checked="" type="checkbox"/> Road Access Repairs completed February 2019. <input checked="" type="checkbox"/> Dam Survey Monument (5 year) Survey completed April 2019. <input checked="" type="checkbox"/> Lower Level Outlet Pipe and stilling basin dewatered and inspections undertaken March 2019.

Part C: Operation of the Regional Subsidiary

Performance Targets:	Timings:	To be measured By:	Actual Achievements
Reports to Stakeholders	Twice yearly	The publication and distribution of a Fact Sheet to all stakeholders and affected landowners.	<input checked="" type="checkbox"/> Newsletters were forwarded to all stakeholders following completion of Findings Report. Now not required due to no Dam construction work being undertaken.
	Bi-Monthly	Key Outcomes Summary to be published following each Board Meeting to include a summary of the progress of the development of the Scheme.	<input checked="" type="checkbox"/> Key Outcomes Summary prepared following GRFMA meetings
Maintain effective Regional Subsidiary	December	The performance of the Executive Officer be reviewed annually Charter Review	<input checked="" type="checkbox"/> Next review to be conducted in December 2019. <input checked="" type="checkbox"/> GRFMA Charter Review (1 st stage) completed June 2019
	August	The appointment of Auditor, Bank Operators, levels of insurance, appropriate registrations, delegations and policies be reviewed annually.	<input checked="" type="checkbox"/> Auditor reappointed up to 30 June 2019 <input checked="" type="checkbox"/> EOI invited in May 2019 for Auditor services 2019-2024 <input checked="" type="checkbox"/> Appropriate levels of insurance reviewed in July 2018
Review of the Business Plan	By 31 st March	Review the Business Plan prior to preparing the Budget Forward to the Councils	<input checked="" type="checkbox"/> June 2018 – Business Plan 2018-2021 adopted <input checked="" type="checkbox"/> June 2019 – Achievements against the Business Plan 2018-2019 presented

13

Annual Budget	By 31 st March, June, October, December	Adopt for consultation forward to Councils- Adopt Budget – copy to Councils in 5 days- Conduct Budget Reviews	<input checked="" type="checkbox"/> March 2019 –Council consultation <input checked="" type="checkbox"/> Budget 2019–2020 adopted at June 2019 Board meeting
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Subscriptions	June December	Send half year subscriptions to Council	<input checked="" type="checkbox"/> All first half subscriptions paid <input checked="" type="checkbox"/> All Second half subscriptions paid
Report to Constituent Councils	Following each Board meeting By 30 th September	The receipt of the following reports by Councils, Board Meeting Key Outcome Summary Annual Report including Annual Financial Statements	<input checked="" type="checkbox"/> Key Outcomes Summary prepared following meetings <input checked="" type="checkbox"/> Annual Report forwarded electronically to Councils.

Financial Statements 2018-2019

1. Certification of Financial Statements
2. Financial Statements and Notes
3. Related Parties Disclosures
4. Statement of Auditors Independence
5. Certification of Auditor Independence
6. Management Letter

GAWLER RIVER FLOODPLAIN MANAGEMENT AUTHORITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019
CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by the Gawler River Floodplain Management Authority Council to certify the financial statements in their final form.

In our opinion:

- the accompanying financial statements comply with the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and Australian Accounting Standards.
- the financial statements present a true and fair view of the Authority's financial position at 30 June 2019 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Authority's accounting and other records.



David Hitchcock
EXECUTIVE OFFICER
15/8/19



Ian Baldwin
CHAIRMAN
15/8/19

GAWLER RIVER FLOODPLAIN MANAGEMENT AUTHORITY			
STATEMENT OF COMPREHENSIVE INCOME			
for the year ended 30 June 2019			
	Notes	2019 \$	2018 \$
INCOME			
Subscriptions	3	231,577	79,600
Investment income	1(d)	1,718	2,428
State Government Grants	2	-	-
Other Income		5,024	20,000
Total Income		238,319	102,028
EXPENSES			
Contractual Services	4	129,856	85,445
Depreciation	1(i), 9	233,081	231,213
Other		16,746	15,106
Total Expenses		379,684	331,764
OPERATING SURPLUS / (DEFICIT)		(141,365)	(229,736)
NET SURPLUS / (DEFICIT)		(141,365)	(229,736)
transferred to Equity Statement			
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment		5,830,163	-
Total Other Comprehensive Income		5,830,163	-
TOTAL COMPREHENSIVE INCOME		5,688,798	(229,736)
This Statement is to be read in conjunction with the attached Notes.			

GAWLER RIVER FLOODPLAIN MANAGEMENT AUTHORITY			
STATEMENT OF FINANCIAL POSITION			
as at 30 June 2019			
	Notes	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents		3,034	2,124
Investments	1(d)	63,868	57,288
Debtors		-	-
Debtors - GST		1,891	1,663
Accrued Interest		67	149
Total Current Assets		68,860	61,225
Non-current Assets			
Infrastructure	9	25,329,000	18,497,000
Accumulated Depreciation Infrastructure	1(i), 9	(3,474,000)	(2,311,850)
Land	9	477,000	465,687
Total Non-current Assets		22,332,000	16,650,837
Total Assets		22,400,860	16,712,062
LIABILITIES			
Current Liabilities			
Trade & other payables		-	-
Borrowings		-	-
Total Liabilities		-	-
NET ASSETS		22,400,860	16,712,062
EQUITY			
Accumulated Surplus		13,718,887	13,860,252
Asset Revaluation Reserves	1(h)	8,681,973	2,851,810
TOTAL EQUITY		22,400,860	16,712,062
This Statement is to be read in conjunction with the attached Notes.			

GAWLER RIVER FLOODPLAIN MANAGEMENT AUTHORITY**STATEMENT OF CHANGES IN EQUITY**
for the year ended 30 June 2019

	Notes	Accumulated Surplus \$	Asset Revaluation Reserve \$	TOTAL EQUITY \$
2019				
Balance at end of previous reporting period		13,860,252	2,851,810	16,712,062
Restated opening balance		13,860,252	2,851,810	16,712,062
Net Surplus / (Deficit) for Year		(141,365)		(141,365)
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment			5,830,163	5,830,163
Balance at end of period		13,718,887	8,681,973	22,400,860
2018				
Balance at end of previous reporting period		14,089,988	2,851,810	16,941,798
Restated opening balance		14,089,988	2,851,810	16,941,798
Net Surplus / (Deficit) for Year		(229,736)		(229,736)
Other Comprehensive Income				
Balance at end of period		13,860,252	2,851,810	16,712,062

This Statement is to be read in conjunction with the attached Notes

GAWLER RIVER FLOODPLAIN MANAGEMENT AUTHORITY			
STATEMENT OF CASHFLOWS			
for the year ended 30 June 2019			
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	Notes	\$	\$
Receipts		236,374	149,732
Interest Receipts		1,800	2,774
Payments		<u>(146,602)</u>	<u>(100,552)</u>
Net Cash provided by (or used in) Operating Activities		91,572	51,954
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Payments</u>			
Expenditure on new/upgraded assets		<u>(84,081)</u>	<u>(139,323)</u>
Net Cash provided by (or used in) Investing Activities		(84,081)	(139,323)
Net Increase (Decrease) in cash held	7.1	7,491	(87,369)
Cash & cash equivalents at beginning of period		59,412	146,781
Cash & cash equivalents at end of period	7.2	<u>66,902</u>	<u>59,412</u>
This Statement is to be read in conjunction with the attached Notes			

GAWLER RIVER FLOODPLAIN MANAGEMENT AUTHORITY**UNIFORM PRESENTATION OF FINANCIAL STATEMENTS****for the year ended 30 June 2019**

	Notes	2019 \$	2018 \$
Operating Revenues		238,319	102,028
Less: Operating Expenses		(379,684)	(331,764)
Operating Surplus/(Deficit) before Capital Amounts		(141,365)	(229,736)
Less Net Outlays in Existing Assets			
Capital Expenditure on renewal and replacement of Existing Assets		-	-
Less Depreciation Amortisation and Impairment		(233,081)	(231,213)
Less Proceeds from Sale of Replaced Assets		-	-
		(233,081)	(231,213)
Less Net Outlays on New and Upgraded Assets			
Capital Expenditure on New and Upgraded Assets		84,081	139,323
Less Amounts received specifically for New and Upgraded Assets		-	-
Less Proceeds from Sale of Surplus Assets		-	-
		84,081	139,323
Net Lending / (Borrowing) for Financial Year		7,635	(137,846)

This Statement is to be read in conjunction with the attached Notes

GAWLER RIVER FLOODPLAIN MANAGEMENT AUTHORITYSchedule of Constituent Council's Interest in Net Assets as at 30th June 2019**Prepared to meet the requirements of Clause 15.5 of the Charter**

"The 'Schedule of Constituent Councils' Interests in Net Assets' will reflect the proportionate contribution each Constituent Council has made to the growth of the net assets of the Authority having regard to the proportionate contribution to subscriptions. The Schedule when updated by the Board at the end of each financial year will reflect the proportionate contribution of each Constituent Council since the commencement of the Authority and once accepted by each Constituent Council will be evidence of the agreed proportion of a Constituent Council's interests in the net assets as at 30 June in that year."

For the purposes of this Clause all subscriptions by Constituent Councils have been included.

This Schedule has been prepared on the basis that the Authority was 'wound up' on 30 June 2019. The value of infrastructure and land as stated in the Audited Financial Statements at 30th June have been included. Grants and contributions from the Commonwealth Government, State Government and the former Northern Adelaide Barossa Catchment Water Management Board that have contributed to these costs have not been deducted.

Calculation of Net Equity**Assets**

Investments / Debtors	\$ 68,860
Infrastructure	\$ 21,855,000
Land	\$ 477,000
	\$ 22,400,860

Less Liabilities

Accounts Payable / Creditors	\$ 0
NET EQUITY	\$ 22,400,860

Allocation of Councils Interest in Net Assets

Constituent Councils	Accumulated Subscriptions for Operations to 30 June 2019	Accumulated Subscriptions for Maintenance to 30 June 2019	Accumulated Subscriptions for Scheme Works to 30 June 2019	All Subscriptions to 30 June 2019	Percentage of Contributions to the Total	Council's Interests in Net Assets
Adelaide Hills Council	\$123,594	\$4,005	\$70,988	\$198,587	3.92%	\$878,114
Adelaide Plains Council	\$123,594	\$66,878	\$1,183,146	\$1,373,618	27.11%	\$6,072,873
The Barossa Council	\$123,594	\$20,056	\$354,951	\$498,601	9.84%	\$2,204,245
Town of Gawler	\$123,594	\$40,073	\$709,892	\$873,559	17.24%	\$3,861,908
Light Regional Council	\$123,594	\$20,056	\$354,951	\$498,601	9.84%	\$2,204,245
City of Playford	\$123,594	\$80,229	\$1,419,763	\$1,623,586	32.05%	\$7,179,475
	\$741,564	\$231,297	\$4,093,691	\$5,066,552	100%	\$22,400,860

Schedule of Constituent Councils' Interests in Net Assets' as at the 30th June 2019 adopted by the Board in accordance with Clause 15.5 of the Charter on 15/8/19

Gawler River Floodplain Management Authority
Notes to the Financial Statements for the year ended 30th June 2019

1 Statement of Significant Accounting Policies

a) The Local Government Reporting Entity

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The Gawler River Floodplain Management Authority is a Regional Subsidiary under Section 43 and Schedule 2 of the Local Government Act 1999. The Constituent Councils are the Adelaide Hills Council, The Barossa Council, Town of Gawler, Light Regional Council, Adelaide Plains Council and The City of Playford.

All funds received and expended by the Authority have been included in the financial statements forming part of this financial report.

b) Basis of Accounting

This financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values, or except where specifically stated, current valuation of non-current assets.

c) Employees

The Association has no employees.

d) Investments

Investments are valued at cost. Interest revenues are recognised as they accrue.

e) Cash

For purposes of the statement of cash flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdraft.

f) Infrastructure

The Bruce Eastick North Para Flood Mitigation Dam was constructed in 2007. The valuation includes all materials, contractor's costs plus costs incidental to the acquisition, including engineering design and supervision fees and all other costs incurred.

g) Land

The dam land includes the land on which the dam is constructed, rights of way access to the land and 'right to flood' easements over the land upstream from the dam that will be inundated by dam waters for short periods of time during a flood event. The Board valuation was undertaken at 30th June 2011. Additional Land surrounding the dam was purchased in 2017/18.

h) Revaluation

The Board sought an independent valuation to be applied as at 30th June 2019, of the Bruce Eastick North Para Flood Mitigation Dam. The Board recognises that the dam is a unique infrastructure. The Board sought the advice of Entura (Hydro Tasmania), who provided a replacement cost valuation based on the actual construction contract costs, including some 'owner's costs' which would be incurred in the event of a replacement being necessary. The estimate of the replacement cost was \$25.245 million at June 2019. In accordance with Accounting Standard (AASB)13 Fair Value Measurement, it is to be noted that valuation has been under level 3 valuation.

Fair value level 3 valuations of buildings, infrastructure and other assets – There is no known market for these assets and they are valued at depreciated current replacement cost. The method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

The method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

i) Depreciation

The depreciation period for the Bruce Eastick North Para Flood Mitigation Dam is based on an expected life of 80 years.

The depreciation period for the Access Road is based on an expected life of 15 years

j) Revenue

Revenue from the Subscriptions is recognised upon the delivery of the service to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue is stated net of the amount of goods and services tax (GST).

2 Functions / Activities of the Association

a) Revenues and expenses have been attributed to the following functions / activities, descriptions of which are set out in Note b.

b) The activities of the Authority are categorised into the following function / activities:

Administration: The operations of the Authority and its Board

Other Environment: Flood Mitigation

c) Functions of the Gawler River Floodplain Management Authority
(excluding depreciation)

	Year	Revenue		Expenses		Surplus (deficit)
		Grants	Other	Total Revenue	Expenses Total	
Administration	2019		\$148,842	\$148,842	\$75,351	\$73,491
	2018		\$ 63,028	\$ 63,028	\$75,431	(\$12,403)
Other	2019		\$ 89,477	\$ 89,477	\$71,251	\$32,251
Environment:						
Flood Mitigation	2018		\$ 39,000	\$ 39,000	\$25,120	\$13,880
	2019		\$238,319	\$238,319	\$146,602	\$91,717
Total	2018		\$102,028	\$102,028	\$100,551	\$1,477

3 Subscriptions

The following subscriptions were levied on the Constituent Councils in accordance with Clause 10.2 of the Charter for the year:

Constituent Council	Scheme Works		Maintenance		Operations		TOTALS	
	2019	2018	2019	2018	2019	2018	2019	2018
Adelaide Hills Council			\$ 1,548	\$ 329	\$23,683	\$10,100	\$25,231	\$10,429
The Barossa Council			\$ 7,758	\$1,647	\$23,683	\$10,100	\$31,441	\$11,747
Town of Gawler			\$15,515	\$3,295	\$23,683	\$10,100	\$39,198	\$13,395
Light Regional Council			\$ 7,758	\$1,647	\$23,683	\$10,100	\$31,441	\$11,747
Adelaide Plains Council			\$25,868	\$5,492	\$23,683	\$10,100	\$49,551	\$15,592
City of Playford			\$31,030	\$6,590	\$23,683	\$10,100	\$54,713	\$16,690
TOTAL	-	-	\$89,477	\$19,000	\$142,098	\$60,600	\$231,575	\$79,600

4 Contractual Services

Contractual Services involve payments or liabilities for the external provision of services and include (net of GST):

Consultants	2019	2018
I Baldwin	\$770	\$0
David Hitchcock	\$49,253	\$50,471
Ball PR	\$5,000	\$0
Water Technology	\$1,080	\$0
Entura	\$8,100	\$0
REMO Contractors	\$14,540	\$0
Tonkin Consulting	\$0	\$12,800
HARC	\$38,360	\$0
Tanom Legal	\$0	\$800
Business Risk A S Solutions	\$2,600	\$2,600
Steed Surveyors	\$4,050	\$0
Enviro Group Pty Ltd	\$0	\$1,765
Newman Engineering	\$0	\$6,667
Australian Water Environments	\$0	\$3,770
HLB Mann Judd	\$6,103	\$6,572
TOTALS	\$129,856	\$85,445

5 Comparison of Budget and Actual Results (excluding depreciation)

	2019		2018	
	Budget	Actual	Budget	Actual
Revenue				
Administration	\$148,536	\$148,842	\$63,600	\$63,028
Other Environment: Flood Mitigation	\$0	\$0	\$28,574	\$20,000
State Grant	\$0	\$0	\$0	\$0
Maintenance	\$89,476	\$89,477	\$19,000	\$19,000
Other Environment: Flood Mitigation Capital	\$0	\$0	\$0	\$0
Total Revenue	\$238,012	\$238,319	\$111,174	\$102,028
Expenditure				
Administration	\$78,622	\$75,351	\$96,254	\$92,000
Other Environment: Flood Mitigation	\$0	\$0	\$0	\$0
Maintenance	\$157,400	\$71,251	\$8,650	\$8,551
Other Environment: Flood Mitigation Capital				
Total Expenditure	\$236,022	\$146,602	\$104,904	\$100,551
Surplus (deficit)	\$1,990	\$91,717	\$6,270	\$1,477

6 Expenditure Commitment

- i. An agreement has been entered into with David Hitchcock to provide Executive Officer and Supervision of Consultants services to 31 December 2019.

7 Reconciliation Statement of Cash Flows**Cash Flows from Operating Activities**

Net deficit from operations	(\$141,365)
Adjust for non-cash items	
Depreciation	\$233,082
Decrease in Debtors	(\$ 146)

Cash Flows from Investing Activities

Works on Access Road	(\$ 84,081)
Net Cash Increase from operating activities	\$ 7,491

8.2 Cash and cash equivalents

Balance at bank	\$ 3,034
Balance at LGFA	\$ 63,868
Total cash and cash equivalents	\$ 66,902

8 Economic Dependence

The Gawler River Floodplain Management Authority (GRFMA) was formed as a Regional Subsidiary under Section 43 and Schedule 2 of the Local Government Act 1999 in August 2002, by a Charter that was amended and published in The South Australian Government Gazette on 4th June 2015 at pages 2501 to 2506.

The Gawler River Floodplain Management Authority (GRFMA) is dependent upon subscriptions levied on the Constituent Councils in accordance with Clause 10.2 of the Charter for its continued existence and ability to co-ordinate the construction, operation and maintenance of flood mitigation infrastructure for the Gawler River.

9 Non-Current Assets Summary

		2019				2018			
	Fair Value Level	At Fair Value	At Cost	Accum Dep'n	Carrying Amount	At Fair Value	At Cost	Accum Dep'n	Carrying Amount
Land and easements	-	\$477,000			\$477,000	\$326,364	139,323		\$465,687
North Para Dam	3	\$84,000		\$3,000	\$81,000				
Access Roads									
North Para Dam	3	\$25,245,000		(\$3,471,000)	\$21,774,000	\$18,497,000		(\$2,311,850)	\$16,185,150
Total Infrastructure and Land		\$25,806,000	\$0	(\$3,474,000)	\$22,332,000	\$18,823,364	139,323	(\$2,311,850)	\$16,650,837
Comparatives		\$18,823,364	\$139,323	(\$2,311,850)	\$16,650,837	\$18,823,364		(\$2,080,638)	\$16,742,726

	2018	Carrying Amount Movements During the Year							2019
	Carrying Amount	Additions		Disposals	Depreciation	Impairment	Transfers	Net Valuation	Carrying Amount
		New Upgrade	Renewals						
Land and easements	\$465,687		\$0	\$0	\$0	\$0	\$0	\$11,313	\$477,000
Access Roads	\$0	\$84,081	\$0	\$0	(\$1,868)		\$0	(\$1,213)	\$81,000
Infrastructure - North Para Dam	\$16,185,150	\$0	\$0	\$0	(\$231,213)		\$0	\$5,820,063	\$21,774,000
Total Infrastructure, Property, Plant & Equipment	\$16,650,837	\$84,081	\$0	\$0	(\$233,081)		\$0	\$5,830,163	\$22,332,000
Comparatives	\$16,742,726	\$139,323	\$0	\$0	(\$231,213)		\$0	\$0	\$16,650,837

**Gawler River Floodplain Management Authority
Related Parties Disclosures as at 30 June 2019**

The Key Management Personnel of the Gawler River Floodplain Management Authority include the Chairman, Board members, Deputy Board Members and Executive Officer.

The Authority does not have any employees.

Services of the Executive Officer are provided by contractual agreement. Payment was made to I Baldwin in lieu of Executive Officer on leave. See Note 4.

See note 5 of the Financial Statements for itemized contractual services payments.

The Chairman received an Honorarium of \$7,850 as established by the Board.

Amounts paid as direct reimbursement of expenses incurred on behalf of the GRFMA have not been included above.

No other payments have been made to Key Management Personnel of the Gawler River Floodplain Management Authority.



The Board
C/- David Hitchcock
Executive Officer
Gawler River Floodplain Management Authority

via email: davidehitchcock@bigpond.com

**TO THE BOARD MEMBERS OF GAWLER RIVER FLOODPLAIN MANAGEMENT
AUTHORITY**

**STATEMENT OF AUDITORS INDEPENDENCE
ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 June 2019**

I confirm that, for the audit of the financial statements of Gawler River Floodplain Management Authority for the year ended 30 June 2019, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(5) Local Government (Financial Management) Regulations 2011.

**HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants**

**Corey McGowan
Director**

**Adelaide, South Australia
9 August 2019**

hlb.com.au

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HLB Mann Judd Audit (SA) Pty. Ltd. is a member of HLB International, the global advisory and accounting network.

GAWLER RIVER FLOODPLAIN MANAGEMENT AUTHORITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019


CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Gawler River Floodplain Management Authority for the year ended 30 June 2019, the Authority's Auditor HLB Mann Judd has maintained its independence in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) Local Government (Financial Management) Regulations 2011.



David Hitchcock
EXECUTIVE OFFICER



Peter Brass
PRESIDING MEMBER AUDIT COMMITTEE



Ian Baldwin
CHAIRMAN GRFMA

Gawler River Floodplain Management Authority
266 Seacombe Road, Seacliff Park, SA 5049
Telephone: 0407717368 Email: davidehitchcock@bigpond.com
Website: www.gawler.sa.gov.au/grfma

Mr Corey McGowan
HLB Mann Judd
169 Fullarton Road
DULWICH SA 5065

Dear Corey,

This representation letter is provided in connection with your audit of the financial report of Gawler River Floodplain Management Authority, for the year ended 30 June 2019, for the purpose of you expressing an opinion as to whether the financial report is, in all material respects, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 31 August 2016, for the preparation of the financial report in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and confirm that the financial report is fairly presented in accordance therewith, and is free from, material misstatement, including omissions.
2. The financial records of the entity have been kept so as to be sufficient to enable a financial report to be prepared and audited, and other records and registers required by the entity's constitution have been properly kept and are up-to-date.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error. We have designed, implemented and maintained adequate internal control to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained.
4. All transactions have been recorded in the accounting records and are reflected in the financial report.
5. The following have been properly recorded and/or disclosed in the financial report, or there are no such items requiring recording or disclosure:
 - (a) Related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);
 - (b) Arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements;
 - (c) Agreements to repurchase assets previously sold;
 - (d) Material liabilities, contingent liabilities and assets including those arising under derivative financial instruments;
 - (e) Losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
6. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
7. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.
8. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. In particular:

- (a) We consider that the measurement processes, including related assumptions and models, used by management in determining accounting estimates in the context of the applicable financial reporting framework are appropriate, and the measurement processes have been applied consistently.
 - (b) The assumptions appropriately reflect managements intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - (c) Disclosures related to accounting estimates are complete and appropriate under the applicable financial reporting framework.
 - (d) No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial report.
9. We have assessed at the end of the reporting period whether there is any indication that an asset may be impaired, having considered, as a minimum, the impairment indicators noted in AASB 136. If any such indication exists, we have estimated the recoverable amount of the asset.
 10. We have considered the requirements of AASB 136 'Impairment of Assets' when assessing the impairment of assets and in ensuring that no assets are stated in excess of its recoverable amount.
 11. We have assessed the recoverability of all receivables, and confirm that adequate allowance has been made for any receivables which may not be collected.
 12. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.
 13. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.
 14. There are no known actual or possible litigation and claims whose effects should be considered when preparing the financial reporting framework.
 15. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards.
 16. You have not advised us of any financial report misstatements requiring correction, or uncorrected misstatements, that you detected during the audit
 17. All events occurring subsequent to the date of the financial report and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
 18. If any matter which may materially affect the financial report arises during the period from the date of the auditor's report to the date the financial report is issued, we will inform you.

Information Provided

19. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters;
 - (b) All financial records and related data and other information, explanations and assistance necessary for the conduct of the audit;
 - (c) Minutes of all meetings of members, Board, and committees of Board.
 - (d) Additional information, explanations and assistance that you have requested from us for the purposes of the audit; and
 - (e) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
20. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
21. There has been no fraud, or suspected fraud that affects the entity and involves:
 - (a) Management;
 - (b) Employees who have significant roles in internal control; or

(c) Others where the fraud could have a material effect on the financial report.

22. There have been no allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, regulators or others.
23. There have been no instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
24. There have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that whose effects should be considered when preparing the financial report.
25. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Other Matters

26. We have assessed the ability of the entity to continue as a going concern and are satisfied that it will so continue. We have no knowledge of events or conditions and related business risks beyond the period of this assessment that may cast significant doubt on the entity's ability to continue as a going concern.
27. There have been no non-audit services performed by HLB Mann Judd.

We understand that your examination was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial report taken as a whole, and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours faithfully



David E Hitchcock Executive Officer

Date 15/8/19



Meeting Notes Reconciliation Action Plan Working Group

Wednesday 14 August, 2019
Commenced 12.00 noon – Youth Space, Gawler Civic Centre

Item No	Items for Discussion	Discussion	Comments / Action
1.	Welcome: Cr Cody Davies welcomed everyone to the meeting. Present: Vincent Buckskin, Sue Coldbeck, Ryan Viney, Bryce Norton, Cr David Hughes, Cr Cody Davies, Linda Weiss.		
2.	Apologies: Rebecca Kimlin, Dale Giles, Cr Paul Little.		
3.	Statement of Acknowledgement discussion	<p>There are no set protocols or phrasing for an Acknowledgement of Country. People are welcome to word a statement however they choose. Vince highlighted that a statement of acknowledgement is about acknowledging whose land you are on.</p> <p>The Statement of Acknowledgement that is currently widely used, including at Council meetings, was prepared by the State Government and can be read out at the commencement of gatherings held within the Adelaide region. This statement is a guide, particularly for those people who aren't familiar with regularly providing an acknowledgment.</p> <p>Some organisations have their own specific statement. For example, Bec and her staff developed a statement that is utilised at the Reconciliation Action Group meetings that reads:</p> <p><i>We would like to acknowledge this land we meet on today is the traditional lands for the Kaurna people and that our spiritual relationship with our country is respected. We also acknowledge the Kaurna people as the custodians of the Adelaide region and that our cultural and heritage beliefs are still as important to the living Kaurna people today. We also pay respect to Aboriginal people</i></p>	<p>Inform the Chairpersons of Council Committees and Working Groups that they are welcome to use their own wording when providing a statement of acknowledgement.</p>

		<p><i>visiting / attending from other areas of Australia present here. We also acknowledge people present who do not know where home is due to the assimilation policies of the past. And in true reconciliation we welcome our non-Aboriginal sisters and brothers present here today.</i></p> <p>In moving forward with the review of the RAP next year, the Group would like to look at preparing a specific acknowledgement statement for the new edition of the RAP.</p> <p>It's also about educating and working with people/groups who hold events within the community to have either a Welcome to Country or Acknowledgement of Country at these events. People are starting to incorporate a lot more.</p> <p>Information about Welcome to Country and Acknowledgement of Country is on the Town of Gawler website: https://www.gawler.sa.gov.au/community/aboriginal-torres-strait-islanders and also at www.reconciliation.org.au</p>	
4.	Recap: National Reconciliation Week and NAIDOC Week	<p>National Reconciliation Week took place from 27 May to 3 June, with the theme of '<i>Grounded in Truth: Walk Together with Courage</i>'. Events included:</p> <p><u>Gawler Reconciliation Community Fun Day</u></p> <ul style="list-style-type: none"> • Hosted by the Gawler Reconciliation Action Group on Wednesday 29 May. • The event was moved to the Gawler Sport and Community Centre Stadium due to poor weather. • Crowd numbers would have exceeded 1200. Approximately 700 local school students attended (compared to around 400 last year). • Great feedback from community. Services seemed to be able to better engage. Good event coverage by the Bunyip. • The Group is considering running future events at the Sport Centre but still incorporate a link to the River. • The next Reconciliation Event meeting is Wednesday 28 August, 2pm in the Youth Shak at the Sport Centre. <p><u>Black Screen</u> Country Arts SA showed Black Screen at the Niina Marni Cafe in the Gawler Civic Centre during Reconciliation Week. This is a series of short films of by Aboriginal people.</p> <p>NAIDOC Week took place from 7 to 14 July, with the theme of '<i>Voice. Treaty. Truth</i>'. We received \$1,000 of NAIDOC funding from the Indigenous Advancement Strategy (Federal funding). The grant monies supported some of the below events:</p> <p><u>NAIDOC Week Luncheon</u></p> <ul style="list-style-type: none"> • Hosted by the Aboriginal Health Team on Tuesday 9 July. 	

		<ul style="list-style-type: none"> The lunch took place in the Civic Centre Hall and Niina Marni provided a three course meal. There was a range of children's activities, entertainment and door prizes. Feedback from community has been extremely positive. <p><u>Basket Weaving and Feathered Flowers</u> These activities took place on Wednesday 10 July in the Civic Centre Library, with local ladies Aunty Kay and Aunty Elaine. The workshop had around 15 participants.</p> <p><u>NAIDOC Cultural Connection Day</u></p> <ul style="list-style-type: none"> This event took place on Friday 19 July in the Youth Shack at the Gawler Sport and Community Centre. Approximately 60 people (children and parents) attended. The day included music and storytelling by Scott Rathman Jnr and Neisha Rathman, Animals Anonymous, many arts activities, Gawler Public Library and morning tea. It was a very successful day with lots of positive feedback from community. 	
5.	Membership – EOI Form and Process	<p>The current membership of the RAP Working Group consists of:</p> <ul style="list-style-type: none"> Rebecca Kimlin (co-chairperson) Vincent Buckskin Dale Giles Sue Coldbeck Cr David Hughes Cr Cody Davies (co-chairperson) Cr Paul Little Bryce Norton (Team Leader Recreation and Community) Linda Weiss (Community Development Officer) Members of Council's Executive Management Group on a rotating basis <p>As discussed at the last RAP WG meeting, new membership for the RAP Working Group will be sought by November 2019 in preparation for the review of the RAP early next year. Current members are more than welcome to reapply.</p> <p>The Group looked over the Expression of Interest form that was last used (in 2015). Once the introductory paragraph is updated the Group is happy to use the same format/questions. The 'old' form will be sent out with the meeting notes and if any changes/additions required (besides the introductory paragraph) please let Linda know.</p>	Linda to prepare a report to Council's September Corporate and Community Services Committee meeting outlining the updated expression of interest form and process to seek new membership.
6.	Council staff Reconciliation survey	<p>One of the RAP deliverables is to 'Conduct an annual staff survey to capture staff levels of understanding'. At the last RAP WG meeting questions for the staff survey were discussed and decided upon. The survey was sent out to staff by the CEO on 30 July. So far 40 responses have been received.</p>	Linda will email staff a reminder to complete survey.

7.	Upcoming staff Cultural Learning Sessions	<p>Council staff Cultural Learning Session have been booked with Jack Buckskin:</p> <ul style="list-style-type: none"> • A session for the Executive Management Group (CEO and five Managers) will take place on Wednesday 16 October. • A session with the Leadership Team (18 people) will take place on Wednesday 17 October. • Other staff sessions will occur in November – dates still to be booked with Jack. • The cultural learning sessions are 3 hours in length. 	
8.	Reconciliation Australia RAP reporting	<p>Reporting to Reconciliation Australia on our current RAP document will be due by 30 September.</p> <ul style="list-style-type: none"> • Reconciliation Australia will send the reporting link through to Linda at the end of August. • In the meantime they have sent through RAP Reporting FAQs and the Reporting Questions so organisations can prepare and collect data. • This document will be sent with the meeting notes and any input/feedback can be sent to Linda prior to 30 September. 	
9.	Other Business	<p><u>Dates of Significance document</u> The 'Dates of Significance' document, as discussed at the last RAP WG meeting, is now on the Town of Gawler website: https://www.gawler.sa.gov.au/community/aboriginal-torres-strait-islanders</p> <p>The document outlines key national, state and local dates. It also highlights some information about the Aboriginal and Torres Strait Islander flags. This is a working document and can be added to at any time should changes/additions need to be made.</p> <p><u>Signage along river</u> At the last meeting Vince raised that the signage along the river (in particular the sign that is located across from the Post Office) is outdated in regard to the language used on the sign. The condition of the sign itself is also poor.</p> <p>Vince asked for an update on where this is at. Linda has not yet had to opportunity to walk the trail and look at all signage. This will be done as soon as possible. Vince offered to assist in any way.</p> <p>Dale has also mentioned that signage at Dean Man's Pass is also outdated.</p> <p><u>Football – the recent Aboriginal Round</u> At the last meeting Cr Little mentioned that the Barossa Light and Gawler Football Association have introduced an Indigenous Round. This is to be an annual event. Vince attended the 27 July match between Willaston and Gawler Central at Willaston Oval. Vince said he was very impressed with the day. Rodney O'Brien did the Welcome. The jumper, designed by some of the Aboriginal players at Willaston FC, was also great.</p>	<p>Walk river trail soon to inspect/photograph signage that needs to be addressed.</p>

		<p><u>2020 Aboriginal Football & Netball Cup</u> Vince raised that there might be an opportunity for the 2020 Aboriginal Football and Netball Cup to come to Gawler. It takes place on the Saturday and Sunday of the October long weekend and draws a crowd of about 5,000 – 7,000 people. A night game is usually included. We will keep this item on the agenda and have further discussions about it in due course.</p> <p><u>Dual naming of parks/reserves – Apex Park</u></p> <ul style="list-style-type: none"> • Sue shared some history/story of Kadlitpina. • Kadlitpina was a Kurna elder at the time of colonisation. He was known to the Europeans as Captain Jack. • Sue asked the group if they would be interested in investigating the dual naming of Apex Park with the name of Kadlitpina – the RAP WG are interested in the dual naming of parks and reserves within Gawler. It is also an action of the RAP. • This will need to be investigated further internally at Council and also with the Kurna Warra Karrpanthi (KWK) Language Team in the first instance. • This item to be kept on the agenda for further discussion and progression. 	Processes of dual naming to be investigated further.
10.	Next Meeting	TBC	

GAWLER ROAD SAFETY GROUPMEETING HELD 28 / 08 / 2019.PRESENT.

JANET DONE, HOWARD LOCKING, SIMON CARPENTER (SAPOL), RHYS DAVIES, BETTY LOCKING,
BRENDON EVANS, BEN DeGILLIO (TOWN OF GAWLER)

APOLOGIES.

DEB WYATT, TONY PICCOLO.

Welcome.

Simon welcomed everyone to the meeting, especially Brendon Evans, a new face to our group.

Minutes.

Minutes were read and confirmed. Moved Simon 2nd Howard.

Business Arising.

Betty to check with Deb about the Shopping Bags.

Raffle has started, thank you to Janet for taking the photo and typing, printing and organizing the tickets. \$100 worth of tickets were sold at the Show. Well done everyone.

Thank you to all the Businesses that donated prizes to fill the Wheel Barrow.

Bunnings will let us know when they do their 2020 BBQ roster.

Treasurers Report.

\$114 was banked from the Gawler Show, Balance \$9,064.73. moved Simon 2nd Janet.

COrrrespondence.

A Thank you letter has been sent to Tony Harnett for his donation of a carton of Beer.

2 letters from Nick Champion re Grants.

Ebony Steadman sent an email inviting members to the YAC meeting on Monday night 2nd of September. Rhys and Brendon will attend on behalf of the GRSG.

Email from Ethan White producer of his own TV program " Off The Couch with Ethan".

Email from Stephanie Commons Congratulating the GRSG on reaching the Semi Finals which forms part of the South Australian Community Achievement Awards. Fingers Crossed.

Email from Stephan Knoll explaining why the Driver Testing in Gawler will be closed.

DPTI sent 5 boxes of pamphlets to us for the Gawler Show.

Deb trying to get Xavier College to present a petition to the House of Assembly over the stoppage of Driver Testing in Gawler.

New Business.

An Application for a stall at the Village Fair has been sent.

Rupert Thorn has sent a letter to all councillors and Tony Piccolo with concerns about Gawler, especially between the Gawler Bridge and Lyndoch Road.

Janet will draft a letter of support ,for us to check and then send it to council. Ben excused himself due to a Conflict of interest.

Once the Link Road is finished that may help with the traffic problem.

Speed Trailer.

Great response from residents that the message seems to help slow the traffic. Had requests from different areas.

Christmas Breakup.

Rhys has graciously invited the group to hold a Christmas break up at his home. This will be held on Wednesday evening November 20th. Time and Food to be organized at another meeting.

Council Report.

Council is currently considering vehicle speeds along Hallam Drive.

There was a social media release related to the roadside barriers along Murray Street for the group
To note.

The group was reminded that there is the latest Gawler East Link Road project information on the
DPTI website to note.

Council has completed some consultation on Queen Street recently relating to proposed changes to
parking controls.

Identify opportunities to work with the group on road safety related initiatives to discuss at next
meeting.

Meeting Closed at 7.05 pm.

Next meeting will be on Wednesday September 25th. At 5.30pm.