



# Armidale Dumaresq Council

Phone: (02) 6770 3600  
Local Call: 1300 136 833  
Fax: (02) 6772 9275  
ABN 63 781 014 253

*Address correspondence to the General Manager*  
135 Rusden Street  
PO Box 75A  
ARMIDALE NSW 2350

A02/0261-10 O/2011/08842

10 October 2011



Local Government Team  
Independent Pricing and Regulatory Tribunal  
P O Box Q290  
QVB Post Office NSW 1230

Dear Sir/Madam

## **Re: Submission Measuring and Assessing Productivity Performance in Local Government**

I would like to congratulate IPART for undertaking a review of the measurement of productivity in Local Government and more particularly in its application to the discount to the rate pegging. Councils have historically struggled with that measurement of productivity so it is no surprise that IPART is also struggling.

The use of an economy wide measure for productivity is considered inappropriate in the Local Government context as they supply over 60 different services to the community. Most public organizations would only supply a few services, some only one, making it simple to analyse and compare operations. It is a result of the complexity of Local government service delivery which leads Councils and organisations such as IPART, into having difficulty in identifying and justifying any claims for and measurement of productivity and then for parties to interpret the claims. Councils have only recently acquired fully integrated systems that can provide quality reporting and only a limited number of Council can afford to purchase these systems.

Councils are often idiosyncratic in the way they deliver services, have differing service levels and different toolsets (in turn efficiency enablers) to support the operations of their organization. Therefore it is difficult to compare one Council with another and there are many variable relating to unit pricing. For example, no one Council would provide the same distribution of overheads to functional services. There are factors such as transport costs, lack of competition and lack of locally available materials which create different cost structures within Local Government and in turn different service and unit costs. Accordingly, the discussion paper suggestion regarding a common and consistent set of productivity indicators is thought impracticable.

It is difficult within Local Government to compare organizations on a yearly basis, as each Council will be involved in different productivity initiatives or be at differing stages in their productivity projects.

[www.armidale.nsw.gov.au](http://www.armidale.nsw.gov.au)  
[council@armidale.nsw.gov.au](mailto:council@armidale.nsw.gov.au)

**thrive**  
in Armidale

It is recognized in the discussion paper that Councils that have undertaken reported productivity initiatives, have often found it difficult to place a value on the projects or have experienced a service improvement/enhancement but not a change to the financial bottom line. For some Councils it has simply meant staff members having to work less unpaid overtime, which is unrecognized when evaluating within the industry and against other industries. Many within the list of reported Council productivities appear to be simply cost cutting and worth still the same but these are not really productivity initiatives.

It is for the above reasons that a one size fits all Local Government productivity offset simply does not work and why it is the subject of consistent criticism within the industry.

### **Alternative measurement towards a longer term solution**

Our Council has addressed this challenge by investing resources in a business system analysis function as part of our organizational structure. This function uses end to end process mapping to firstly establish the unit and service cost of “current” services and then undertakes the reengineering (includes training, technology, risk and management aspects) of these processes, to give productivity gains and at the same time, being able to measure the benefits of the change. It is this process that provides the business case for the change or sometimes the case against change.

Our Council is currently around one third through analysing our business processes and has identified \$1.8m in productivity gains and has harvested a substantial part of this target in last financial year resulting in the ability of Council to reduce staff numbers by 14 without affecting external service delivery. There is a \$600k annual target for the next 5 years which is planned to meet the estimated gap between the real costs of running our organization and likely revenues including the inadequate rate pegging revenue amount. These productivity gains have been factored into Council’s long term financial planning as addressing the annual cost/revenue gap.

The process mapping provides the opportunity to compare Councils against each other and provide the opportunity for benchmarking and best practice sharing in Local Government and in turn provide a platform for a more consistent approach in comparing Local government to other industries and against each other for productivity. The action within the Destination 2036 for Councils to have one core computer system should be realized. This would provide a vehicle for better assessment of Councils as core processes would be consistent and idiosyncratic process be isolated when making comparisons.

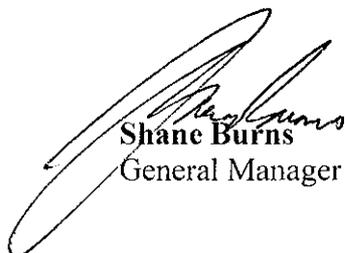
Productivity can be improved over time using a system of continuous improvement and another round of organizational process analysis.

### **The Challenge for Local Government**

It is recommended that the Local Government cost index not be discounted in the current circumstances, but the focus by IPART be placed on Councils through the integrated planning and reporting framework. Any resulting special rate variations for Councils who are able to credibly demonstrate the value of their efforts in productivity gains and service costing inputs/outputs will achieve the cultural change and accountability that is desired in Local Government and result in an ability to measure productivity. If Councils want a rate increase they simply have to put the effort and resources into providing credible evidence of productivity.

Finally, I would like to thank you for the opportunity to contribute to the discussion paper and would be happy to elaborate further or share our experiences with IPART, should this be desired.

Yours faithfully



**Shane Burns**  
General Manager