



MANY CULTURES ONE COMMUNITY

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The Local Government Team
Independent Pricing and Regulatory Tribunal
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SYDNEY NSW 2000

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TRIM No: T088464/2011

November 10, 2011

Dear Sir

SUBJECT: MEASURING AND ASSESSING PRODUCTIVITY PERFORMANCE IN LOCAL GOVERNMENT IN NSW

It is understood that the timetable for submissions regarding the above has been extended until 11th November, 2011. Accordingly, a submission that provides comments in response to each of the key questions posed by IPART is attached.

The Council trusts that these comments are of some assistance to the Tribunal's considerations, and extends its appreciation for the opportunity to comment on the matter.

Please contact Council as above if you require further information.

Yours faithfully

BARRY COCKAYNE
A/DIRECTOR - BUSINESS & FINANCE

**SUBMISSION BY AUBURN CITY COUNCIL TO IPART ON ASSESSING PRODUCTIVITY
PERFORMANCE IN LOCAL GOVERNMENT**

- 1. Is the current method of using an economy-wide measure of productivity and then discounting it for application to the NSW local government sector the most appropriate for future years? If so, which ABS series would be most appropriate?**

An economy wide measure of productivity would not be a reasonable factor to use in a local government application as the operating costs, outputs and objectives in local government do not reflect those of the private sector. The general economy is comprised principally of commercially oriented activities with the sole objective of profit. The measure of the private sector labour productivity will not reflect that of the public sector and its focus on community service.

The Council does not accept that a labour productivity factor in the formula is equitable, as the application of Rate Pegging itself imposes on councils a need to proactively become more efficient just to maintain the same standards of service.

If a productivity factor is to be utilised, it should be derived from local government factors that will accurately reflect its unique composition.

- 2. If not, what alternative measure would be more appropriate for determining a productivity factor?**

An alternative productivity cannot be identified nor justified.

- 3. Can councils measure some (or all) of their productivity gains in terms of changes in physical units (that is, in volumes or quantities) of inputs and changes in prices paid for inputs? If so, in what ways would these changes be expressed?**

Councils' activities encompass a myriad of outputs, thereby contrasting markedly from the private sector which almost invariably has just one core activity. Many of local government's outputs from its activities are not able to be identified in finite quantities, e.g. the quality of the determination of a Development Application, or the value of a unit of community assistance. Determining the priorities for the allocation of limited resources similarly, cannot be supported by empiric data, rather by subjective measures only.

By contrast, other outputs can be quantified, e.g. the number of working days taken to process a Development Application – but the complexity of the approval process for developments of varying sized cannot be factored in.

Overall therefore, quantifying outputs and as a consequence the productivity of councils becomes a very subjective exercise.

4. Are productivity improvements able to be captured within councils' Long Term Financial Plans? If so, please illustrate.

Council's Long Term Financial Plan can incorporate any selected factor, but the relevance of such a factor would be challenged.

5. What indicators should IPART use in assessing the productivity of councils?

Year to year comparisons of selected factors for an individual council should give an indication of that council's productivity/efficiency changes. Because each council varies so much from any other council, an industry wide comparison of councils is not a valid exercise, and none of the identified indicators would adequately reflect overall productivity changes for local government.

6. How can productivity indicators be improved over time?

Because of the variation due, for example, to financial resourcing, changing community expectations or infrastructure needs, every council's outputs and level of servicing inevitably changes over time, and from council to council. Industry indicators are not therefore going to reflect productivity changes of councils.

7. Are net costs of individual services useful in measuring and comparing council performance?

Net service costs will directly relate to the level of service provided, and the community's expectations or demands. Unless the service levels and community satisfaction levels are recorded or known, little benefit will be derived from measuring or comparing service costs between councils, or from year to year for individual councils.

8. Can councils demonstrate how the cost escalation assumptions in their Long Term Financial Plans are derived and why they are reasonable in the light of current inflationary trends?

Council's Long Term Financial Planning process involves a combination of known factors for current costs, e.g. CPI for wages/salaries, materials, etc., or notified statutory changes for the short term. The longer term projections are however somewhat subjective, but incorporate historic trends and current known factors.