



Lockhart Shire Council

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11 November 2011

Local Government Team
Independent Pricing and Regulatory Tribunal
local_government@ipart.nsw.gov.au

Dear Sir/Madam,

Re: Measuring and Assessing Productivity Performance in Local Government - Discussion Paper September 2011

Thank you for the opportunity to provide feedback on IPART's Productivity discussion paper issued in September.

Included below is Lockhart Shire Council's feedback on the 8 issues IPart seeks comment on.

- 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?**

If the Local Government Cost Index (LGCI) is to be reduced by a productivity factor, that factor needs to be relevant and applicable to local government. In the discussion paper, Table 2.1, the Public Administration and Safety is considered the closest public sector to NSW Local Government however the paper also then notes it is not ideal. This in itself highlights the uniqueness and complexities of local government.

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

There are merits for an economy wide measure of productivity. However maybe consideration could be given to a measure of productivity that takes into consideration the size (area, budget, employees etc) of a Council. As the size of a Council greatly impacts its ability to achieve productivity gains. Smaller regional Councils are limited in their scope to achieve productivity gains.

- 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?**

When a number of Councils' functions are service oriented, they are difficult to quantify. The benefits derived from services are usually "satisfaction" based not physical units.

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

Cost savings can be captured, however are these cost savings a result of reducing the level of service? Where productivity improvement achieves a higher level of service for the same cost this is not necessarily going to be reflected in any LTFP. So the answer is not really.

- 5. What indicators should IPART use in assessing the productivity of Councils?**

The problem with any indicator is that until all Councils use the same rationale to achieve an indicator they are somewhat meaningless to compare. The industry would require best practice on each indicator and have a set of standard indicators.

- 6. How can productivity improvements be improved over time?**

Councils are continually being expected to do more. This creates an environment to look for improvement however for smaller regional Councils the scope to achieve productivity improvements and to continue to do so over time is limited and unrealistic. The result of a productivity factor only results in these Councils being able to achieve less in an environment or rate payers wanting more.

- 7. Are net costs of individual services useful in measuring and comparing Council performance?**

Similar to as noted in point 5, comparing net costs is only as meaningful as the consistency of methodology to achieve the net cost.

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?

Limited comment as Council still in the process of developing its LTFP.

Yours faithfully



A B Clark

Acting **GENERAL MANAGER**