

Manly Council



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Dear Sir/Madam,

Re: Submission - Measuring and Assessing Productivity Performance in Local Government

Thank you for the opportunity to make a submission to the IPART Discussion Paper on Measuring and Assessing Productivity Performance in Local Government.

Council is appreciative of the development of the local government cost index used to set the rate peg, which was generally seen as positive by the industry, however Council believes that then applying a productivity factor to that index, is a retrospective move that affects Council's ability to fund additional services to the community and at the same time maintain an aging infrastructure.

As IPART would appreciate, whilst all councils do provide similar basic services, no two councils are the same. For example, Manly has a permanent population of around 40,000 residents, yet it receives in excess of 5 million visitors each year, very few of whom contribute to the cost of services such as maintaining public toilets, beach cleaning, street cleaning and litter removal, lifeguards on the beach, parks and reserves maintenance, etc.

As a medium size metropolitan council whatever productivity/efficiency gains that have been made within the organisation over the years as a consequence of rate-pegging, where they have resulted in financial savings to the organisation they have been invested back into the community to maintain existing or improved service levels as opposed to reducing them.

Council has been asked to comment on the following issues:

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?*

Efficiency and productivity measurement in local government is in reality a difficult and complex issue, no one measure fits all councils. Council sees no

need for inclusion of a productivity measure in the determination of the Local Government Cost Index to determine an annual rate peg, as any efficiency gains in the sector are directly invested back into services to the community.

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

The cost of providing services varies between metropolitan, regional or rural councils, thus it would be difficult to find an appropriate index. The LGCI goes some way to provide a true reflection of costs that the industry experiences.

3. *Can Councils measure some of 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?*

Whilst most productivity gains may be readily measured, others are more difficult. While many outputs can be readily measured and monitored by establishment of meaningful KPI's, not all output KPI's can be effectively measured, eg the provision of community services will vary greatly between metropolitan and rural councils.

4. *Are productivity improvements able to be captured within council's Long Term Financial Plans? if so please illustrate?*

There would be no impediments to productivity improvements being able to be incorporated in Council's long term financial plan.

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

Performance and qualitative factors are key indicators of a performing council. Any indicators are likely to vary from council to council, and IPART may need to draw on readily available data such as council's financial reports and other performance measures and indicators available from other departments.

6. *How can productivity indicators be improved over time?*

These indicators are limited as a tool for assessing council performance. All works and services should be continually assessed to ensure they are delivered in the most effective and efficient means possible.

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

Net costs of services is useful, however it is important to note that cost is not the only driver. Customer satisfaction and quality of service are also important in measuring service delivery.

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?*

Whilst cost escalation assumptions in Council's LTFP are sourced from various relatively reliable sources, councils are no better placed than any other industry in predicting price increases over time.

Thank you again for the opportunity to provide input and comment to the discussion paper.

Should you have any enquiries, please contact me direct on (02) 9976 1530.

Yours faithfully



Ross Fleming
Deputy General Manager - People, Place & Infrastructure

10/11/2011