



Borough of Queenscliff

Queenscliff & Point Lonsdale, Victoria, Australia

Our Ref: QG 227-08-04

Lj:ac

13 October 2017

Attention: Local Government Division
Essential Services Commission
Level 37, 2 Lonsdale Street
MELBOURNE VIC 3000

Sent by email: localgovernment@esc.vic.gov.au

Dear Sir/Madam

Re: Submission to the Essential Services Commission's productivity study 'Measuring productivity in the local government sector'

I am pleased to provide the Borough of Queenscliff's submission to the Essential Services Commission's productivity study 'Measuring productivity in the local government sector'.

The matters Council particularly wishes to draw attention to are outlined below.

1. Each input considered in the various models included in this productivity survey has its flaws, with specific issues for our Council as follows:
 - a) Council staff (\$/FTE): with an FTE of only 43.4 yet the same legislative requirements as for all councils, Queenscliff operates with an already lean administration team which is necessary regardless of the range of services provided;
 - b) Capital (\$): this has the potential for large variations from one year to the next, with Queenscliff currently holding funds for a range of capital works projects carried forward, coupled with significant government grants Council has secured for the 'Destination Queenscliff' project to be progressed over the next 2-3 years;
 - c) Operating expenses (\$): a large portion of Council's operating expenditure includes additional costs associated with increased service provision for a significant tourist population during the year, and expenditure incurred by Council in maintaining and renewing its coastal Crown land assets, neither of which would be appropriately reflected in the proposed outputs as further detailed at point 2 below. Further to the legislative requirements mentioned above, the impact of election costs, audits and asset valuations etc. is more significant for Queenscliff in terms of its small operating budget compared with all those councils that have much larger budgets.

2. The assertion that the number of households, businesses and length of roads serviced act as proxies for the bundle of services delivered is not a view shared by Council, with our particular concerns on the proposed outputs and their limitations being:
 - a) Households: while general rates are levied by Council on 3,074 rateable properties, Queenscliffe provides services to some of the properties located in Point Lonsdale that are ratepayers to the City of Greater Geelong. Council also enjoys significant tourism, with the population increasing to 16,700 over the summer period, requiring a much greater level of service provision during part of the year;
 - b) Businesses: information on how the number of businesses will be measured is not evident in this survey and, depending on the data source (physical count, rates data or registered ABN numbers) the results could be vastly different, particularly as Queenscliffe has a very small number of commercial ratepayers;
 - c) Roads: based on length of roads (kms), this does not consider an assessment of the quality of Council's roads (asset condition) and its commitment to asset renewal.

3. It is not reasonable to compare the efficiency or productivity of a council with all other councils across the State in a one-size-fits-all model, given the significant differences in population, area, service provision and community preferences, resourcing (staff or contractors), ability to achieve economies of scale, the alternative sources of revenue available to Council, etc. It would be more appropriate to consider the five Council groupings used by the Victorian Auditor-General's Office (VAGO) and Local Government Victoria in assessing the performance of Victorian councils each year. As VAGO indicated in its 24 November 2016 report on 2015/16 Local Government Audits, *"Financial sustainability issues are emerging for the cohort of 19 small shire councils. Declining revenues are forecasted for this cohort over the next three years, while expenditure is expected to remain consistent."*

4. The models included in this report do not consider unique features of each municipality. The Borough of Queenscliffe plays a significant role in maintaining, developing and protecting coastal Crown land assets in the municipality. It has the highest proportion of Crown land management of any municipality in Victoria, with 8% of the municipal area consisting of foreshore reserves managed by Council. Council has made an important commitment to our community to restore, preserve and protect these valuable Crown land assets for future generations.

5. The conclusion drawn by Predictive Analytics Group that productivity in the Victorian local government sector has declined over the period 2010-11 to 2015-16 needs to be unpacked.
 - a) The Borough of Queenscliffe's programs and services reflect a lean organisation, which continues to achieve sustainable operational efficiencies to reduce costs and minimise waste and duplication (e.g. improving financial systems; Enterprise Bargaining Agreement outcomes contained within the 2.0% rate cap; reducing costs by reprioritising some projects and identifying operational savings; shared staffing model; partnering for collaborative shared services funding; negotiating a reduced unit price for replacing existing streetlights with energy efficient LED; and joint tender arrangements for the green waste service.

- b) Further, previous recommendations by the Essential Services Commission to the Minister regarding the level of rate cap to be applied (2.80% in 2016/17 and 2.15% in 2017/18) have not been successful, with the Minister applying a lower rate cap each year which in effect is an efficiency factor.
 - c) In addition, local government continues to have an efficiency factor built into its operations through a continued cost-shift of both services provided and reduced incomes from state and federal government. The cost of this is included in councils budgets (refer the Model Budget for a range of examples) and the Essential Services Commission should consider this before recommending a further efficiency factor.
6. While Council appreciates the opportunity to provide feedback to this productivity survey, it is disappointing that a limited consultation period of only 30 calendar days was available in which to consider the productivity survey and make a submission, particularly as part of this timeframe was in the same period during which councils have key statutory requirements to meet with respect to the annual financial statements and annual report.
 7. A fundamental element of consultation is transparency. Council officers requested that we be advised which of the Small Rural Councils shown on the 'data envelopment analysis (VRS) technical efficiencies for Model 1' chart at page 13 of the productivity survey represents the Borough of Queenscliffe, however this request was denied, with the advice that a working group would be convened in a couple of weeks to discuss this particular item. This undermines the consultation and does not provide the transparency we seek in being able to provide a complete response by submission to the productivity survey.
 8. Clarification is required with respect to the timing of this productivity study and the outcomes in terms of determining an efficiency factor and including this in the rate cap. The survey indicates that the Essential Services Commission will release a draft report with the recommended approach to setting the efficiency factor for comment by December 2017, with the final report on the recommended approach to setting the efficiency factor for comment by February 2018. This timeframe extends beyond the period by which the Minister will decide on the rate cap, and is also at a time when councils would be typically well progressed with their budget preparation process. It is within this context that Council seeks an earlier announcement of the rate cap, for the following financial year.
 9. The Borough of Queenscliffe recognises that the efficient and effective use of public monies is important and is more than willing to participate in further discussion on this matter. Council does not support the use of an efficiency factor based on the assumptions included in this productivity survey. Council urges the Essential Services Commission to consider undertaking further consultation with the sector, over a more reasonable timeframe, which involves the consideration of a broad cross-section of councils with differing geographic, economic and demographic features.

Should you require clarification on matters raised in this submission, or wish to discuss Council's submission further, please contact Allison Chaloner, Manager – Financial Services, on 03 5258 1377 or by email at allison.chaloner@queenscliffe.vic.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Lenny Jenner". The signature is written in a cursive style and is positioned above a circular stamp or mark.

Lenny Jenner
CHIEF EXECUTIVE OFFICER