

# The South Australian Government's Response to the South Australian Productivity Commission Inquiry into Local Government

February 2020



Government  
of South Australia

# Foreword

*Every day, South Australians rely on the services that are provided by local government.*

Roads, footpaths, waste management, parks and gardens, sports grounds, libraries, planning and development, litter control, immunisations — many of the services that are just outside our front door are provided by the council that is just down the road. And we all understand the connection between the services we use and the rates that we pay.

That's why it is so critical that councils make every effort to reduce their costs and provide services efficiently and effectively.

I tasked the South Australian Productivity Commission to identify specific actions on how councils can better understand their costs and reduce them to drive lower costs for ratepayers. The Commission's extensive report includes nine recommendations for Government action, and ten pieces of advice to councils.

Many of the improvements that the Commission has identified will take concerted and co-operative work between State and local Government. My Government will provide the support that is needed for councils to better understand and reduce their costs.

This may involve changing legislation to give councils better tools to manage their services and costs; or simplifying how councils report on their activities.

Importantly, my Government will invest in a new initiative to release critical information and data about all councils, their services, functions and operations, in a single, accessible and user-friendly website. Ratepayers will be able to see how their council performs in key areas, across time, and in comparison to other councils. Councils will be able to easily see where they may best concentrate their own service reviews and efficiency drives.

I thank the Commission, Dr Matthew Butlin, Mr Jeff Tate, and Professor Christopher Findlay for the thorough and thoughtful report that they have provided. It reflects the extensive work and discussion the Commission undertook with the local government sector and the community more widely.

I look forward to working closely with local government to achieve the many opportunities that the Commission has identified for stronger and more efficient South Australian councils.



**Hon Steven Marshall MP**  
Premier of South Australia

# Introduction

The South Australian Productivity Commission (the Commission) was asked to provide advice on possible options to guide and assist councils to improve efficiency and create capacity to pass on cost reductions to ratepayers, and to provide recommendations on actions by the South Australian Government (the Government) to lower local government costs and enhance local government financial accountability.

The Government notes the key findings of the Commission, that:

- Total operating expenditure for the local government sector grew faster than inflation over the ten years preceding 2017-18.
- Wages and a changing skill mix appear to have been a significant driver of these increases.
- Other key drivers of council expenditure have been growth in the volume, scope and quality of council services - both mandated and discretionary.
- Other less significant cost drivers are compliance costs and costs required by other spheres of government.
- Compared to each other, councils are relatively efficient, but further significant improvements are possible.
- Enhancing the capacity of councils for sound decision making is key to containing growth and increasing efficiency.

To address the issues and opportunities for improvement that it has identified, the Commission has presented nine recommendations to the Government and ten pieces of advice to councils and the local government sector.

These recommendations and pieces of advice are structured around four key themes:

1. Information for improved decision making
2. Managing cost pressures
3. Efficiency and continuous improvement
4. Governance, accountability and transparency

The Government's response to the recommendations from the Commission is provided in the next section, including high level action plans.

The recommendations to Government and the advice to councils are closely interlinked. The Government recognises that a response to many of the Commission's recommendations will need to closely consider the advice to councils, as this must be acted on to deliver the identified improvements.

This response therefore includes and references both the recommendations to Government and the advice to councils, where action on both is essential to ensure the successful delivery of changes to improve council costs and efficiencies.

# 1. Information for improved decision making

The Commission’s Recommendations to Government and Advice to councils below are re-printed verbatim from the Commission’s Final Report.

**Recommendations 1- 4 all deal with the Commission’s recommended “Information Framework”. Therefore, the Government Response and Implementation Plan is outlined under Recommendation 4, to provide an integrated response and avoid repetition.**

<p><b>Recommendation 1:</b> To support council efficiency improvement, financial accountability and engagement with communities and the state government, the Commission recommends that the South Australian Government establish a broad information framework, with a range of indicators published online, to enable high level comparisons of councils, including with themselves over time, for the purposes of providing:</p> <ul style="list-style-type: none"> <li>a) councils with information to support decision making and continuous improvement;</li> <li>b) communities and ratepayers with consistent information about their council performance and productivity, including comparisons with appropriate councils; and</li> <li>c) state and Australian governments with information to allow better informed engagement with local government and decisions which affect local government.</li> </ul>	<p><b>Supported</b></p>
<p><b>Recommendation 2:</b> To optimise the value to councils, ratepayers and the government of the information framework, the Commission recommends that the South Australian Government co-design the framework with the Local Government Association of South Australia (LGASA) for endorsement by the Minister for Local Government, taking account of the principles of:</p> <ul style="list-style-type: none"> <li>a) drawing from existing datasets and reports in the first instance;</li> <li>b) minimising additional reporting burden on councils and possibly replacing some existing reporting requirements;</li> <li>c) achieving high data integrity through common definitions and concepts; and</li> <li>d) enabling comparisons across councils.</li> </ul>	<p><b>Supported</b></p>
<p><b>Recommendation 3:</b> To optimise the value of the framework to councils, ratepayers and government, the Commission recommends the South Australian Government co-design with the LGASA a suite of indicators for all councils that provides comparative information on costs, output levels for key services and measures of efficiency, effectiveness and financial performance as well as characteristics of councils which affect and explain council differences on these measures.</p>	<p><b>Supported</b></p>
<p><b>Recommendation 4:</b> To optimise confidence in the ongoing quality, integrity and management of the information framework the Commission recommends that the South Australian Government locates the ongoing management of the information framework and website in an appropriately independent body.</p>	<p><b>Supported</b></p>

**Advice to Councils 1<sup>1</sup>:** To guide and assist improvements in efficiency and create capacity to pass on cost reductions to rate payers, the Commission proposes that the LGASA, on behalf of and in conjunction with the local government sector,

- a) work with the South Australian Government to establish a sector wide comparative performance indicator framework that enables comparisons between councils and over time to assist decision making by council leaders and to inform communities; and
- b) compile and provide to the Minister for Local Government an annual ‘State of the Sector’ report on sector-wide performance.

**Supported**  
(for councils and the LGA to consider)

## Government Response

The Government supports the establishment of an information framework for the local government sector with a suite of key financial and other performance indicators to provide accurate comparative performance information to councils and their communities. It is envisaged that the information framework will be in two parts:

### Part one

The establishment of a publicly available website that will collate and present easily accessible and readily understood **core performance information** about **all councils** to their communities. This will enable community members to access information about their council, compare it to other councils, and, importantly, to engage with the decisions and activities of their council.

By definition, the core performance information should be focussed on a small number of fundamental financial and other indicators relating to key functions and services of all councils. It is expected that in the first instance, much of the data would be provided through the South Australian Local Government Grants Commission (SALGGC), and information already collected by councils. The website and the information that it collates will be developed and refined over time.

The Government agrees with the Commission that responsibility for the construction of the website — both the site itself and the information that underpins it — should reside with the State Government. This will ensure that it will be seen as independent and credible. However, as also recommended by the Commission, the Government believes that councils, through the Local Government Association, should fully participate in its design and its ongoing refinement and improvement. It will also be critical to engage with the community more widely to determine what information the community wants to know about their council and its services and access in a single, central location.

The Government also agrees that the responsibility for the ongoing management of the core information framework and website should be vested in an appropriate independent body to ensure quality and integrity standards and credibility with the public. Possibilities include the SALGGC, the Essential Services Commission of South Australia (ESCOSA), or another independent entity to be discussed with the Local Government Association (LGA).

### Part two

Along with the core performance information, the broader information framework should also include the collection of **detailed performance indicators** to support councils’ own activities to improve their operations and deliver cost savings, such as benchmarking and service reviews.

Unlike the ‘core performance information’ which will be consistent across all 68 South Australian councils, the Government is of the view that a ‘one size fits all’ approach to the collection of detailed performance indicators is not appropriate, given the significant differences in size, location and service delivery across councils. A small regional council may need very different information to underpin effective benchmarking than a large, metropolitan council. The Government’s view is that a requirement for all councils to provide the same detailed information on many functions and activities runs the risk of this reporting being for its own sake, rather than as a meaningful tool for driving efficiencies.

The Government therefore proposes that the ‘core framework’ described in part one above will be the **basis** of the detailed performance indicators that could drive greater analysis on a council by council basis, both in content, and, potentially, as a method of data collection. It may also assist individual councils to determine where they may wish to focus a greater effort.

<sup>1</sup>(and/or the LGA and the local government sector, depending on the context)

However, collection and collation of the detailed performance indicators will be the responsibility of the local government sector, as it is intrinsically linked to councils' benchmarking activities.

As noted above, the establishment of an information framework will present a challenge to ensure the information provided by all 68 councils is consistent, both in content and quality. The Government will consider (in consultation with councils and the LGA) formal regulation in this area, if necessary.

Actions	Key dates
The Government will work with the LGA and the sector to design a publicly available website that captures core performance information about all South Australian councils.	March - Dec 2020
The Government will undertake engagement to determine what community members more widely want to know about their councils.	Mid 2020
The Government will request the LGA to develop a work plan for the development of the detailed performance indicators, and to advise the Government on how the 'core performance information' may be utilised to support this.	March - Dec 2020
The Government will request the LGA to report annually on the sector's delivery of more comprehensive benchmarking programs between councils	Ongoing



# 2. Managing cost pressures

## Mandatory Services

**Recommendation 5:** To lower local government costs and enhance local government financial accountability, the Commission recommends that the South Australian Government clarify and improve aspects of the relationship between the South Australian Government and local government by:

In the short term

- a) identifying and addressing inefficiency and red tape from the South Australian Government mandated services on councils;
- b) adopting a strong review process which provides an assessment of the impacts on local government to inform state government decisions that could have an adverse effect on local government;
- c) clarifying relevant aspects of s6, s7 and s8 of the *Local Government Act 1999* to make clearer the range of options available to councils in the performance of legislated functions.

In the medium term

- d) clarifying local government responsibilities, including establishing measurable minimum service standards, for mandated services provided by councils;

In the long term

- e) clarifying the respective responsibilities of the South Australian and local governments to remove unnecessary overlaps or duplication and reduce uncertainty between governments.

**Supported**  
(in principle)

## Government Response

The Government agrees that it is important that the relationship and responsibilities between the State Government and the local government sector is subject to regular review, to ensure that public infrastructure and services are available to all citizens on the basis of demonstrated need and cost effectiveness to the community.

The Government notes that the Commission has adopted a very broad classification of 'mandated services', with the implication that councils only provide these critical services to their communities because they are 'required' to do so by the State Government.

While this may be the case with certain statutory responsibilities assigned to councils (for example: local area planning and development assessment; public health; some aspects of environmental nuisance; dog and cat management), these functions account for a relatively small proportion of total council expenditures.

The Government accepts that it is appropriate to classify these specific statutory responsibilities assigned to councils as 'mandated services' as councils have no discretion to withhold these services or functions, even though they often

have significant control over the standard at which these services are delivered. As the Commission observed:

*"The Commission notes that while councils have no choice but to deliver mandated services, they generally have discretion to determine how these services are delivered, thereby affecting their costs"*<sup>2</sup>

However, the Government believes that a significant number of what the Commission has classified as 'mandated services' are those services that are universally expected of councils in South Australia (and in most cases, the whole of Australia).

The community generally expects councils to deliver the following functions and services:

- local roads and associated infrastructure, including footpaths and stormwater management;
- parks, gardens and local recreation facilities, including libraries;
- waste collection services (noting that the metropolitan area has additional service standards established by regulation);

<sup>2</sup> SAPC Final Report p91

- waste disposal services (noting that the State Government determines both standards for council landfills and waste diversion strategies, including the Solid Waste Levy).

The Government believes that these functions are more accurately described as core services of councils. The Government suggests that it is not appropriate to classify these **core services** as specifically 'mandated' by the State Government with resultant 'red tape' compliance requirements and costs.

The most obvious example of a 'core service' that has very significant cost implications for councils is the construction and maintenance of local roads and associated infrastructure. The Commission reported that, across the sector, 20% of councils' expenditure was attributed to 'transport' according to SALGGC data. For regional councils, this was significantly greater.

The service standards for the design and construction of local roads are principally determined by national engineering and safety standards, and to a lesser extent, State Government statutory requirements. These engineering and safety standards apply to all road authorities whether they be local, State or privately owned.

The most significant costs for councils regarding local roads are determined by local community demands for service standards such as convenience, comfort and access. Councils make decisions on how to meet these community standards on the basis of the needs of the community, and the community's willingness and capacity to pay for the desired service level. Cost savings for councils can principally be found in their own service provision decisions.

However, the Government accepts that some legislation and associated regulations approved by the Parliament does result in costs for councils, particularly in regard to 'regulatory services', such as planning and development and environmental protection. The Government therefore encourages councils and the local government sector to forward proposals to the relevant Minister on how compliance costs ('red tape') could be reduced while also retaining appropriate service standards to the community.

The Government may also consider an additional mechanism to identify and progress regulatory improvements, with a recognition that:

- Regulatory improvements must be primarily focused on benefits to the community more widely, residents and businesses. They may therefore include improvements to the regulation and compliance costs that councils can impose on individuals and businesses through their discretionary powers under the *Local Government Act 1999* and other legislation. Examples include the issuing of permits and penalties, by-laws, enforcement of parking rules and utilisation of powers given to them in regard to regulatory services, such as planning and local nuisance.
- A 'red-tape reduction exercise' is not a platform to 're-litigate' policy decisions that have been made by the Government that may have an impact on council services. The Government makes these decisions in the interests of the State, and is accountable to Parliament for them.
- Any mechanism put in place must be effective and targeted at clearly identified regulatory improvements, rather than creating new institutional or formal bureaucratic mechanisms that can result in high resource commitments with limited effectiveness.

The Government does not accept the proposal for it to establish new 'minimum service standards' for core council functions. It is a fundamental principle of local government that councils determine what service standards are best for their own community.

Rather than the State making this decision for them, the Government will support councils to make better decisions by:

- Working with councils to establish the information infrastructure that is necessary to support benchmarking (Recommendations 1-4)
- Supporting councils through the provision of practice guidelines and advice on the implementation of regulatory activities determined by the State (as currently already happens in areas such as planning, local nuisance, public health, dog and cat management)

The Government will undertake a review of sections 6, 7 and 8 of the *Local Government Act 1999* (the role, functions and principles of councils) as recommended by the Commission, to ensure that these critical provisions properly reflect the decisions that councils must make to perform a broad range of functions and deliver community infrastructure, in the knowledge of what their community wants and what their community may be willing to pay for.



Actions	Key dates
The Government will review the provisions of sections 6,7 and 8 of the <i>Local Government Act 1999</i> as recommended by the Commission, in conjunction with the LGA, as part of the current review of this Act. In particular, the Government will consider amending the provisions relating to the roles and functions of councils to more directly address councils' discretion regarding the scope of services and infrastructure provided to their communities based on expressed needs in the context of the capacity and willingness of the community to fund service levels relative to competing priorities.	June 2020
The Government, in conjunction with the LGA, will consider reviewing the compliance and reporting requirements on councils required by State legislation to provide the appropriate balance between cost-effectiveness and accountability to communities.	Ongoing

## Employee Costs

<b>Recommendation 6:</b> To reduce transactions costs to local government, the Commission recommends that the South Australian Government facilitate more flexible and efficient enterprise bargaining arrangements by making appropriate legislative amendments to allow a group or association of councils to negotiate enterprise bargaining agreements under the <i>Fair Work Act 1994</i> .	<b>Supported</b> (in principle)
<p><b>Advice to Councils 2:</b> To help contain local government costs the Commission proposes that councils lift industrial relations management capacity by:</p> <ul style="list-style-type: none"> <li>a) advising government of their willingness to make use of the recommended legislative changes to enable councils to form groups, for the purposes of enterprise bargaining arrangements and other industrial relations matters;</li> <li>b) as a sector, through the LGASA, establishing a community of practice to share methods, tools and approaches to enhance councils' capacity to engage in enterprise bargaining more effectively.</li> </ul>	<b>Supported</b> (for councils and the LGA to consider)

## Government Response

The Government acknowledges the Commission's finding that employee costs are one of the most significant cost drivers for councils (comprising approximately 35% of the sector's operating costs)<sup>3</sup>. The Government is willing to consider any legislative changes that may be necessary to support councils to better control these costs, including any that may be necessary to facilitate more flexible and efficient negotiation of enterprise bargaining, as proposed by the Commission.

However, the Government notes that managing council salaries is in the hands of councils. The Government will therefore request the local government sector to provide advice on the most effective method of addressing salary increases, and what legislative changes may be required to enable utilisation by councils (as the Commission's advice to councils suggests).

Actions	Key dates
The Government will request advice from the LGA and the sector more broadly on how councils can best address increasing employee costs, including an indication of councils' willingness to form groups for the negotiation of enterprise bargaining agreements and other industrial relations matters.	April 2020

<sup>3</sup> SAPC Final Report p73

## Procurement

<p><b>Recommendation 7:</b> To assist in improving the value to councils from procurement through lower costs, higher capability and efficient procurement process, the Commission recommends the South Australian Government make provision, in implementing its response to the Commission’s Government Procurement Inquiry Stage 1, for councils to access:</p> <ul style="list-style-type: none"> <li>a) state government training opportunities for procurement; and</li> <li>b) state government contracts and pricing.</li> </ul>	<p><b>Supported</b></p>
<p><b>Advice to Councils 3:</b> To further lower council costs through improved procurement policies, practices and capabilities the Commission proposes that the LGASA promote the adoption of contemporary procurement policies and practices by developing a model procurement policy, while continuing to update procurement document templates and guidance as well as facilitate additional training opportunities.</p>	<p><b>Supported</b> (for councils and the LGA to consider)</p>
<p><b>Advice to Councils 4:</b> To help reduce the costs of materials the Commission proposes that councils place a greater focus on collaboration in procurement, including through:</p> <ul style="list-style-type: none"> <li>a) aggregated procurement through the LGASA, regional groupings, bilateral agreements or other appropriate vehicles;</li> <li>b) greater use of pre-qualification processes, including council acceptance of pre-qualifications of other councils; and</li> <li>c) greater shared use by councils of panel contracts.</li> </ul>	<p><b>Supported</b> (for councils and the LGA to consider)</p>

## Government Response

Currently, the Government provides a range of face to face and online procurement training for procurement and contract management personnel. This training is, and will continue to be, made accessible to local government at State Government contract pricing. Information regarding procurement training opportunities is provided to the LGA and will continue to be shared with local government in the future. To date there has been low take up of the training by local government.

Councils currently have access to pricing, and in some cases the contract terms and pricing, for a number of across government ICT and Goods and Services related contracts. Access is provided subject to approval by the State and the relevant supplier, and the extent to which councils are currently granted access is considered on a case by case basis. Typically such consideration would include the nature of the contract scope and deliverables, any additional risk transferred to the State, and the supplier’s willingness to include local government as a customer.

Based on reporting provided by suppliers, the ‘spend’ by councils over the 2017-18 and 2018-19 financial years under across-government contracts was approximately \$8 million per annum.

Wherever possible, future across-government contract strategies delivered by DTF will consider the requirements of councils and how they may access the State’s contracts and pricing. Some contracts, e.g. non-commodity contracts including Mainframe, Internet and Network Management Services, do not practically allow for non-State agencies to access. While operational impacts and costs, as well as contract management expectations, will need to be considered, there is potential for greater pricing discounts resulting from higher volumes which could offset these challenges.

There is a strong correlation between Recommendation (7) and Advices to councils (3) and (4). A significant element of the Government response to Recommendation (7) will be dependent on the response from councils, the LGA and LGA Procurement to this cluster of the Recommendation and Advices.

Actions	Key dates
<p>The Government will request advice from councils, the LGA and LGA Procurement on their response to proposals contained in Recommendation (7), noting that LGA Procurement is currently has a predominate role in procurement activities, including at least some collaborative initiatives with the State Government.</p>	<p>April 2020</p>

## Resource sharing

**Advice to Councils 5:** To capitalise on the potential from the use of resource sharing to deliver efficiency gains the Commission proposes that councils:

- a) seek advice from the LGASA on the range of options for resource sharing (e.g. sharing of service specifications, joint tendering, shared plant, shared staff) and the most appropriate governance arrangements for them (e.g. informal agreements, written agreements or contracts, memoranda of understanding, regional subsidiary under section 43 of the *Local Government Act 1999* or a Joint Planning Board under section 35 of the *Planning, Development and Infrastructure Act 2016*);
- b) develop skills in specific systems that support and facilitate resource sharing (including IT, costing, reporting and problem solving); and
- c) explore opportunities for further resource sharing including a hub and spoke model on a regional basis.

**Supported**  
(for councils and the LGA to consider)

## Government Response

Advice to councils (5) is supported by the Government, noting that the LGA and the local government sector will need to respond to this advice and take appropriate action. The Government recognises that there has been a significant focus on resource sharing projects in SA councils over many years, with many successful, enduring joint projects.

The *Local Government Act 1999*, has provisions that enable the establishment of legal entities to support formal resource sharing arrangements between councils, where that level of legal certainty (and protection) is required.



# 3. Efficiency and continuous improvement

**Recommendation 8:** To foster an environment of continuous improvement in councils, the Commission recommends the South Australian Government establishes a ‘Premier’s Award’ for excellence in continuous improvement and innovation in council administration.

**Supported**  
(in principle)

## Government Response

The Government supports the concept of an award for “...excellence in continuous improvement and innovation...” in councils. Given the long history of local government self-management in South Australia, the Government will ask the sector how such an award process could provide an incentive to councils, with the expectation that it will be managed by the sector itself, through the LGA or the sector’s professional organisations.

A new award could be incorporated into existing sector recognition processes, with councils’ work recognised in sector events such as Local Government Professionals Australia (SA) events, or LGA general meetings.

Actions	Key dates
The Government will request advice from councils and the LGA on their response to the proposal for an award for “...excellence in continuous improvement and innovation...” in councils.	April 2020

**Advice to Councils 6:** To lift the capacity of councils to identify and address opportunities to reduce their costs and improve their operations, the Commission proposes that the LGASA facilitate in depth benchmarking between councils through:

- a) establishing a community of practice to share among other elements:
  - i. methods, tools and approaches;
  - ii. a panel of competent providers; and
  - iii. lessons learned and examples of success.
- b) assisting in ‘matchmaking’ South Australian councils that seek deeper benchmarking opportunities with other councils, including interstate comparisons;
- c) collectively with councils, undertaking a regular sector-wide analysis of efficiency indicators;
- d) encouraging, in any systems upgrades, a focus on improving collection and retrieval of information for planning, monitoring and managing performance.

**Supported**  
(for councils and the LGA to consider)

## Government Response

As noted in the Commission’s final report, the Advice (6) to councils and the recommended establishment of the ‘information framework’ by the Government (Recommendations 1-4) are closely connected.

Therefore, the Government response to Advice (6) is contained its response to these recommendations. Notwithstanding this, the Government will invite councils and the LGA to comment on the specific measures identified by the Commission in this Advice.

# 4. Governance, accountability and transparency

<p><b>Recommendation 8:</b> To improve the capacity of local government to lower costs and increase financial accountability, the Commission recommends that the South Australian Government increase the quality and transparency of council planning and reporting by:</p> <ul style="list-style-type: none"> <li>a) amending the <i>Local Government Act 1999</i> to provide that councils' annual reports include the results of performance comparisons and reporting against service standards;</li> <li>b) varying the applicable regulations in the <i>Local Government (Financial Management) Regulations 2011</i> to specify a standardised set of model long-term financial plans and infrastructure and asset management plans and council annual reports to support councils to fulfil their statutory reporting obligations under Chapter 8 of the <i>Local Government Act 1999</i>.</li> </ul>	<p><b>Supported</b> (in principle)</p>
<p><b>Advice to Councils 7:</b> To support the application of the recommended sector wide information infrastructure, in decision making by councils the LGASA develop 'model' document templates for annual reports, long-term financial plans and infrastructure and asset management plans to guide councils that incorporates the new indicators.</p>	<p><b>Supported</b></p>
<p><b>Advice to Councils 8:</b> To enhance the transparency and accountability of their operations the Commission proposes that councils incorporate service standards in decision making and performance comparisons by:</p> <ul style="list-style-type: none"> <li>a) developing, documenting and reporting publicly against service standards for all services they provide;</li> <li>b) incorporating in their published long-term asset and financial plans and draft annual budgets whether changes to the scope or level of services are planned and their implications for council expenditure; c) collectively with councils, undertaking a regular sector-wide analysis of efficiency indicators;</li> <li>c) the LGASA supporting council documentation of service standards by:             <ul style="list-style-type: none"> <li>i. developing a model service standard template, incorporating elements of best-practice, to assist councils with documenting service standards; and</li> <li>ii. establishing a library of council service standards and community of practice.</li> </ul> </li> </ul>	<p><b>Supported</b> (for councils and the LGA to consider)</p>
<p><b>Advice to Councils 9:</b> To improve decision making the Commission proposes that councils develop and implement a scheduled program of reviews of existing services and undertake a service analysis when considering new, or material changes to, council services. Both service reviews and service analyses would include consideration of:</p> <ul style="list-style-type: none"> <li>a) whether the same or a similar service is provided by other bodies, including business;</li> <li>b) whether the council should be the service provider or facilitate the provision of the service by another body;</li> <li>c) evidence of the demand for the service and means of reducing that demand; and</li> <li>d) whether the service should be provided in-house, by partnering with another body, or be outsourced.</li> </ul>	<p><b>Supported</b> (for councils and the LGA to consider)</p>
<p><b>Advice to Councils 10:</b> To support the development of high quality data and sound decision making, the Commission proposes that councils expand the functions of council audit committees to include an examination of:</p> <ul style="list-style-type: none"> <li>a) the processes to provide for data integrity; and</li> <li>b) the method of application of service reviews and analysis.</li> </ul>	<p><b>Supported</b> (for councils and the LGA to consider)</p>

## Government Response

The Government notes the recommendation that it amend the Local Government (Financial Management) Regulations 2011 to essentially mandate the form in which councils should prepare long-term financial plans, asset management plans and annual reports.

As the LGA has also advocated for a prescribed format for asset management plans and long-term financial plans in its submission on the *Reforming Local Government in South Australia* Discussion Paper, the Government will consider a proposal to require councils to utilise 'model forms' prepared and released by the LGA. This approach would reflect the advice to councils that the LGA develop 'model templates' (Advice 7). It also reflects existing requirements for councils to utilise LGA 'model documents' where consistency across councils is seen as desirable, while keeping 'control' of the model in the sector's hands.

The Government notes the Advice to councils (8) – (10) and is generally supportive. The LGA and the local government sector will need to respond to this advice and take appropriate action.

A cautious approach should be taken to supporting additional compliance and reporting requirements for councils to ensure that the benefits to the community justify the additional costs to councils. In particular, the recommended action to document and report standards on all services provided by councils may be too onerous. The Government will seek the sector's views on how it will best deliver the actions to identify service standards and improve service delivery.

The role of council audit committees is currently under review as part of the Local Government Reform Program. The Government will seek specific advice from the sector as to whether audit committees should be formally required to undertake this function.

Actions	Key dates
<p>The Government will consider the recommendations of the Commission as part of its current review of the <i>Local Government Act 1999</i> and relevant Regulations. The Government will consult with councils and the LGA on the specific proposals of the Commission.</p>	<p>March 2020</p>





Government  
of South Australia