

Our ref MJ:pb

16 October 2017

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



To Whom It May Concern

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**re Submission to Measuring Productivity in the Local Government Sector  
Consultation Paper**

The Australian Services Union provides this submission in response to the abovementioned discussion paper issued by the ESC. We welcome the opportunity to participate in this process. However, we would have preferred the ESC provide more time for consideration and feedback on its discussion paper.

We would like to state from the outset that we do not support the inclusion of an efficiency factor in the rate cap. The ostensible purpose of the rate cap was to impose a fiscal discipline on Local Government, thereby forcing Councils to find efficiencies. What, then, is the purpose of adding an additional discipline to the cap? A proverbial 'discipline on a discipline' makes little sense. Additionally, the discussion paper is difficult to follow at times.

***Data Envelopment Analytics and the Choice of Input/Output Measures***

We believe the faith placed in the use of data envelopment analytics and the choice of input/output measures contained in the discussion paper are highly problematic, as they do not reflect the highly variable character of those inputs and outputs across Councils. Using measures connected to households, business and length of roads does not provide a proxy for a large range of highly important Council services.

A methodology based on the ESC's preference won't reflect how a Council delivers on those outputs. For example, length of road services doesn't seem to distinguish between a Council using a contractor or its own staff. Nor does it reflect the quality of the end product.

There also appears to be a tendency to attribute all of a Council's inputs in delivering only a few outputs. This is problematic, as a large percentage of any Council's overall inputs do not get spent on delivering the outputs chosen in the discussion paper. A Council's entire budget is not spent on households, businesses or length of roads – it is also spent on maintaining public places like parks and playgrounds, keeping the community safe via school crossing supervision, offering recreational facilities like leisure services, providing public libraries and so on. None of these services, all of which are commonly identified as

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services typically provided by Local Government, are reflected in the ESC's preferred methodology. Even if they were found in the ESC methodology, there is no means of measuring their quality and/or community satisfaction.

We believe that productivity measurements as they pertain to Local Government, if they are ever going to work, can only work where individual services are assessed in their own right. Factors beyond a crude 'cost \$x amount but delivers x kms of new road' are insufficient in tracing the quality of the work performed and the social dividends quality services yield to the community.

In our view, it is impossible for any meaningful single measure of productivity to be devised of any one Council, let alone one productivity measure for all of Victoria's disparate 79 Councils. A 'one size fits all' approach won't work because each Council offers its own service mix and adopts its own service delivery model. Some Councils will better fit the outputs measure in the ESC discussion paper; others simply will not.

### ***Efficiency Factor Will Exacerbate Rate Capping's Impact on Workforce***

It is an empirical fact that since rate capping has been introduced, staff wage outcomes have dropped considerably. While some may applaud themselves for delivering this outcome, its real world consequences are having damaging impacts on workers and their families. Many of Council's lowest paid workers are struggling to make ends meet because their employer has been placed under enormous financial pressure due to rate capping. This financial pressure will only increase with the inclusion of an efficiency factor in setting the rate cap. In turn, the living standards of Council workers will decrease. Meanwhile, executive remuneration remains untouched.

It is important, at this juncture, to remind the ESC that while complicated accounting models may hold great appeal in some circles, their introduction as public policy without any regard to the impact on workers and the communities those workers serve will have perverse consequences, namely a policy intended to benefit the community will see the community miss out on services and infrastructure that would otherwise be available. We all agree that this is an outcome best avoided.

If you wish to discuss any matters raised in this submission in more detail, please contact ASU Research & Policy Officer, Robert Bozinovski, by email: [rbozinovski@asuvictas.com.au](mailto:rbozinovski@asuvictas.com.au) or mobile: 0417 108 206.

Yours faithfully



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