

13 October 2017

Mr Andrew Chow
Director Local Government
Essential Services Commission
Level 37, 2 Lonsdale Street
MELBOURNE VIC 2000
localgovernment@esc.vic.gov.au

Dear Andrew,

Submission to Essential Services Commission- Measuring productivity in local government

Thank you for the opportunity to provide feedback on the 'measuring productivity in local government sector' consultation paper.

The City of Stonnington does not agree with the notion that an 'efficiency factor' will work as an incentive to be more efficient, nor will it promote innovation and improvements in the sector.

Over the last decade Local Government has experienced cost shifting and reduced funding from State and Commonwealth Government whilst responding and meeting ever increased community expectations, new service demands and financial pressures. Further reduction in rates revenue by the application of an efficiency factor will impede Council's ability to achieve efficiencies through service, technical and technological changes and will detrimentally impact on all councils in the long term.

The City has carefully considered and conducted detailed analysis on all the 4 options proposed in this consultation paper and has reached a conclusion that irrespective of model adopted, further financial pressures and uncertainty will be added to Council's financial and operational environment. Our analysis also highlights significant gaps in each of method proposed to calculate the efficiency factor and suggest further work must be carried out before reaching a final conclusion.

Further, Stonnington delivers high quality services and has complex infrastructure requirements to meet the expectations of the community, which leads to higher service costs. No proposed method takes into account the role of the community, or Council specific factors (e.g. population, demographic, area, complexity of building infrastructure etc.). Further, this consultation paper does not give clear guidance on how to drive efficiencies.

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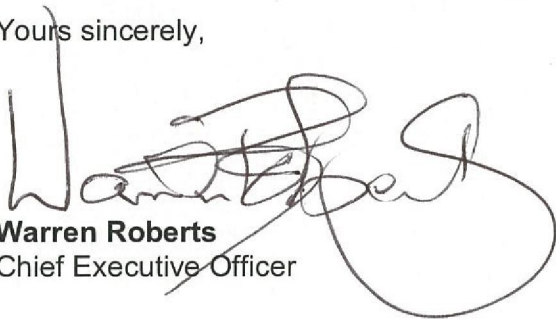
All councils are treated equally and there is no incentive to be more efficient, and application of an efficiency factor is more likely to create an environment of cost cutting and service restrictions.

Recommendation:

- Efficiency factor be abolished and allow councils to reinvest the equivalent of an efficiency factor into business efficiencies; and
- If the efficiency factor proceeds, Method 3 (Data Envelopment Analysis) is preferred on basis that further development of this model is critical to ensure it addresses the diversity and complexity of the sector. However, further work and guidance must be carried out before reaching final a conclusion.

If you would like to discuss Council's submission further, please contact Mr. Geoff Cockram, General Manager Corporate Services on 8290 1300 or gcockram@stonnington.vic.gov.au

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Warren Roberts', written over a printed name and title.

Warren Roberts
Chief Executive Officer