

Melton City Council

## Measuring Productivity in the Local Government Sector

Melton City Council appreciates the opportunity to submit our comments on the Measuring Productivity in the Local Government Sector Consultation paper published by the Essential Services Commission.

We are committed to the objectives of increased efficiency, productivity, transparency and accountability for local government, we have concerns around the implementation of an 'efficiency factor' as part of the Fair Go Rates System.

Council is of the view that rate capping has been recently introduced and its effects on the sector are still being assessed and measured. The need to impose an efficiency factor is questionable at this stage. Each of the models presented in the consultation paper are subjective and have shortcomings that if adopted would impact the sector and our community adversely.

Penalizing Council's financially through an efficiency factor will restrict their ability to invest in improved technology and systems to improve efficiencies over the long term. It will also provide a disincentive for Councils to invest in technology and systems in the short to medium term which will benefit Council in the long term.

Melton City Council doesn't require an imposed subjective efficiency factor to drive efficiency. Melton is one of the fastest growing municipalities in Australia. Providing quality services and infrastructure for a rapidly growing community in a challenging changing environment drives the need for increased efficiency.

If you have any questions regarding the issues raised in this letter or the attached list of concerns please contact either myself or Sam Rumoro, Manager Finance on (03) 9747 7237.

Yours sincerely,

Kelvin Tori  
CEO  
Melton City Council

## Summary of Concerns

- Rate capping has been recently introduced and its effects on the sector are still being assessed and measured. Is there a need to impose an efficiency factor at this stage?
- Introducing a productivity factor could potentially lead to rate increases below CPI. This will further impact financial sustainability of councils. External expenditure input increases for councils are above CPI. Examples are utility and contractor costs which are increasing at levels well above CPI. Council have limited or no control over these cost increases.
- No matter which efficiency factor model is being proposed there will be difficulties in measuring and benchmarking that factor simply, accurately, fairly and in a cost effective manner. Comparing how efficient councils are via complicated matrix/models which are arbitrary and have deficiencies may lead to misinformation and counterproductive behaviour.
  - The consultation paper recognises the difficulty in measuring efficiency;
    - There are differences between councils that make comparisons difficult;
    - Councils provide numerous outputs (services) although councils provide the same set of basic services, at the margins councils provide different services, and to different standards;
    - The range of services and cost of providing them differ based on environment, economic and demographic differences that local government are endowed with. Even where services are the same, the cost of providing those services will differ based on environmental, economic and demographic factors.
    - Some of the data which is proposed to be used to measure efficiency is unaudited
    - The more accurate models proposed by ESC are the most complex to explain and understand and are the least cost effective measurement models to implement. Which is another cost and reporting impost on Local Government.
- Penalizing council's financially through an efficiency factor will restrict their ability to invest in improved technology and systems to improve efficiencies over the long term. It will also provide a disincentive for councils to invest in technology and systems in the short to medium term which will benefit council in the long term.
- Councils may need to reduce service levels to meet subjective misleading efficiency targets which will not be in the best interests of the community.