

Slide 1



This presentation provides an overview of the Victorian Auditor-General's report *Delivering Local Government Services*.

Overview



Victoria's 79 councils deliver wide-ranging services to their communities.

Services vary depending on demographics, size, location and community priorities

Rate capping constrains councils' rates revenue and adds to their obligation to deliver efficient services

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Victoria's 79 local councils deliver a wide range of services, such as health, waste, recreation, infrastructure and planning. Councils also have corporate services that support these frontline operations. Services vary across councils, depending on the demographics, size, location and priorities of each community.

The introduction of rate capping in 2015 has constrained councils' revenue growth and increased the need for councils to ensure they deliver their services as efficiently as possible.

What we looked at

 **Objective:** To determine whether councils effectively plan for and deliver cost efficient services that meet community needs.

 **Councils**

- Bayside City Council
- City of Wodonga
- Indigo Shire Council
- Moira Shire Council
- Wyndham City Council

 **Local Government Victoria (LGV)**

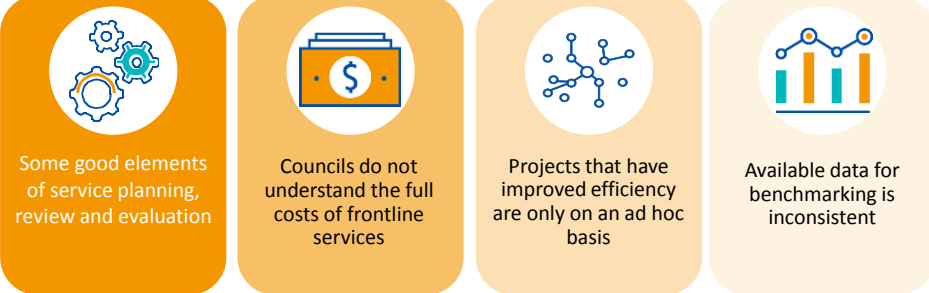
Part of the Department of Environment, Land, Water and Planning (DELWP)

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In this audit, we assessed whether Victorian councils effectively plan for and deliver cost-efficient services that meet community needs. We also benchmarked corporate services expenditure and examined how councils look for and achieve efficiencies in corporate services.

We audited five councils, as well as Local Government Victoria (LGV)—which is part of the Department of Environment, Land, Water and Planning (DELWP)—and is responsible for providing support and guidance to councils.

What we found



The slide features four icons in a row, each within a circular frame. From left to right: 1. Three interlocking gears in shades of blue and green. 2. A blue wallet with a white dollar sign (\$) on the front. 3. A blue network diagram with nodes and connecting lines. 4. A bar chart with three bars of increasing height, topped with a line graph showing an upward trend.

Some good elements of service planning, review and evaluation

Councils do not understand the full costs of frontline services

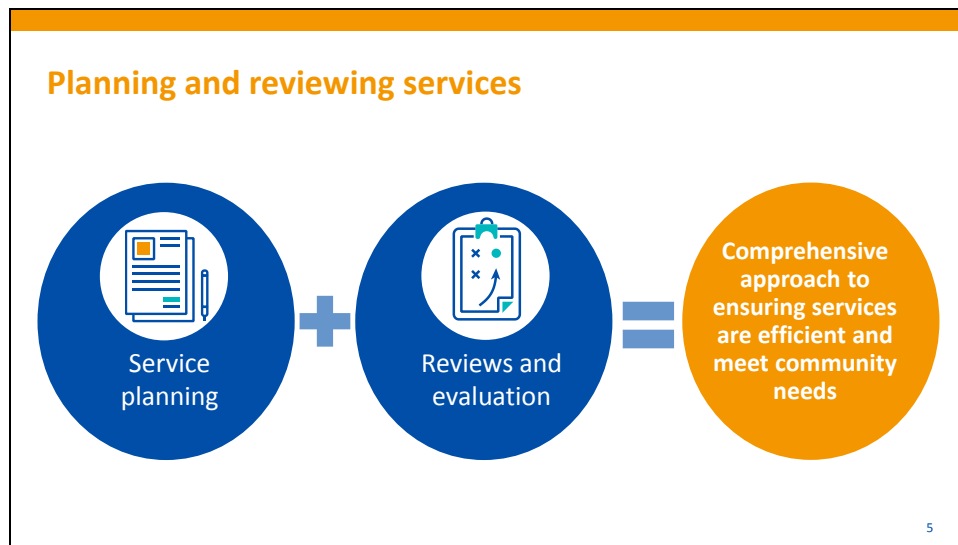
Projects that have improved efficiency are only on an ad hoc basis

Available data for benchmarking is inconsistent

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We found that:

- Each audited council has some good elements of service planning, review and evaluation—but none have a comprehensive approach.
- Councils do not understand the full costs of frontline services—in particular, indirect costs or overheads.
- Although all the audited councils can provide examples of projects that have improved the efficiency of corporate services, this is only on an ad hoc basis.
- While councils do benchmark service costs informally, they find it difficult because the available data is inconsistent.




To ensure that their services meet community needs, councils need a comprehensive approach to planning and reviewing services. We found that most audited councils did not have a strategic approach for this.

Without a comprehensive approach, there is a risk that councils may miss opportunities to find efficiencies across all their services.

Bayside is closest to achieving this—it has a structured program of service reviews and is currently implementing a four-year costed service planning process.

Overhead costs



- Overheads are the indirect costs of providing a service, e.g. IT infrastructure costs
- Councils need to consider overheads to understand the full cost of services
- Helps councils make informed decisions, particularly about outsourcing or shared services

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Overheads refer to the indirect costs of providing a service, such as the salary costs of human resources or finance staff, or IT infrastructure costs.

We found that the audited councils only consider the full cost of services, including overheads, when conducting service reviews, rather than in a regular and systematic manner. Only Wodonga and Wyndham currently allocate overheads as part of their budget process.

Without including overheads, councils can't understand the full costs of services and risk not making fully informed decisions, particularly about whether to outsource or use shared services.

FAST program for improving financial management



- LGV does not provide guidance on service planning and reviews
- LGV's Finance and Accounting Support Team (FAST) program:
 - Includes grants and support to regional and rural councils.
 - All audited councils that are eligible participate in FAST (too early to determine effectiveness)


We found that LGV does not provide guidance on service planning and reviews. However, it does support councils to improve their financial management through programs like the Finance and Accounting Support Team, known as FAST.

The FAST program provides support for rural councils and grants to small groups of councils looking to pursue joint projects.

The FAST program provides support for rural and regional councils and grants to small groups of councils looking to pursue joint projects.

All the audited councils that are eligible, participate in FAST. Although it is too early to determine the effectiveness of the program, it aims to address long-term weaknesses in councils' financial capabilities.

Efficiency of corporate services



Expenditure varies significantly across councils

None of the audited councils have systematically examined all its corporate services

Only three of the audited councils participated in some shared corporate services

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We conducted a survey of councils' corporate services expenditure and found that, overall, councils spend on average 15 per cent of their total expenditure on corporate services. However, expenditure varied significantly across councils, ranging from 9 to 26 per cent, and did not relate to a council's population size. This suggests that there is potential for efficiency gains for those councils well over the average, regardless of size.

We also examined how the audited councils are working to improve the efficiency of their corporate services. While all provided examples where a specific project has improved the efficiency of corporate services, none has systematically examined all its corporate services.

We also found that only Indigo, Moira and Wodonga are participating in some shared corporate services to drive efficiencies.

Data about corporate services



- Benchmarking is essential to identify efficiencies
- DELWP holds a detailed dataset about councils from the Victorian Grants Commission
- DELWP have not improved the reliability of this data

Benchmarking is an essential part of reviewing corporate services to identify efficiencies. We found that while DELWP holds a detailed dataset about councils from the Victorian Grants Commission, it has missed an opportunity to assist councils to benchmark by not improving the reliability of this data.

Recommendations

4 recommendations for councils	5 recommendations for DELWP
<ul style="list-style-type: none">• implement an integrated service planning and review framework• achieve a better understanding of service costs to inform service planning and budgets.• improve reporting of data to the Victorian Grants Commission• systematically identify and implement opportunities to improve the cost efficiency of corporate services functions	<ul style="list-style-type: none">• work with the Victoria Grants Commission to improve the quality of data collected from councils• continue to support councils through the Finance and Accounting Support Team program• collate and publish available better practice resources on how councils can use the Best Value Principles• advise the Minister for Local Government whether councils are using the Best Value Principles• develop a measure for corporate services as part of the Local Government Performance Reporting Framework

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We made nine recommendations in total—four for all Victorian councils and five for DELWP. All recommendations were accepted.

For further information, please view the full report on our website:
www.audit.vic.gov.au

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