



Local Government Sustainability: Objectives and Indicators

CONSULTATION PAPER

AUGUST 2010

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I. Introduction

The *Local Government Sustainability: Objectives and Indicators* project is a joint State Government and local government project that is overseen by the Premier's Local Government Council (PLGC). The project concept is supported at the highest levels of both spheres of government, and is supported by the Local Government Association of Tasmania's (LGAT) General Management Committee, the Premier and the Minister for Local Government.

The PLGC acknowledges that the success of the project will be greatly enhanced with significant local government (and other stakeholder) input into its development. Local government is represented on the project steering committee. Local government input will also be proactively sought at all stages of the project. All submissions received will be considered by the project steering committee and the PLGC.

2. Objectives of the consultation paper

This consultation paper provides an overview of the project including its objectives, an overview of how the objectives will be achieved and the target audiences. For further background detail, refer to the discussion paper at www.dpac.tas.gov.au/divisions/lgd.

This paper seeks input on three key components of the project:

- the key strategic priorities to be measured (see section 4)
- the desired outcomes under each key strategic priority (see section 5)
- indicators and targets that can appropriately measure the key strategic priorities and outcomes (see section 6).

The paper will also provide information on some of the processes associated with the project such as the data collection method, council classifications (for context), and the ultimate presentation of data.

Finally, this paper provides an overview of the processes and timeframes for the project.

2.1 SUMMARY OF QUESTIONS

Below is a summary of the questions posed by the consultation paper.

1. Has the PLGC captured the key strategic priorities of local government?
 - Finance
 - Assets
 - Governance
 - Community engagement
 - Corporate management
 - Regulatory compliance
 - Place
2. If not, what should be removed or added to the list?
3. Has the PLGC captured the objective of each of the proposed key strategic priorities of local government? If not, how should they be amended?
4. If you proposed alternative key strategic priorities, please provide associated objectives.
5. For the PLGC's proposed key strategic priorities and objectives, what do you think would be appropriate performance indicators?
6. If you proposed alternative key strategic priorities and objectives, what would be associated performance

3. Project overview

The aim of the project is to promote excellence in council performance and to support the long-term sustainability of the local government sector.

The project will allow councils to assess their performance in key areas, it will enable better engagement between councils and communities, and it will assist the State Government and local government to set priorities for improved performance within the sector.

The project has three objectives:

1. to improve performance management at the local council level
2. to develop a culture of continuous improvement in the local government sector
3. to ensure a sustainable local government sector.

Councils' performance in key strategic areas will be measured against indicators and targets that are jointly developed through a comprehensive consultation process. Councils will be supported and encouraged to:

- improve performance where they are not meeting the targets
- identify and share best practice where they are meeting targets
- track their performance over time, and against other similar councils
- continuously improve performance
- communicate with their communities about their performance.



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The project has three target audiences: councils, communities, and commonwealth, state and local government policy makers.

Councils are the primary target audience. The project will focus on:

- outcomes that are in the direct sphere of influence of councils
- encouraging councils to use the project as the basis for performance management at the local level.

The community is the second target audience. The project will:

- build community engagement in local government performance
- improve local government transparency.

Commonwealth, state and local government policy makers make up the third target audience. The information may be useful to the Commonwealth and State Governments and local government in guiding policy decisions and determining priorities for the local government sector.

4. Key strategic priorities

4.1 WHAT ARE KEY STRATEGIC PRIORITIES?

Councils are diverse organisations whose specific mandate is to respond to the needs of unique communities across Australia. As a result, councils undertake a huge range of activities, in varying combinations and to varying degrees.

However, within the undefined set of roles and responsibilities that local government undertakes, there are a number of responsibilities that are carried out by all councils. Some of these responsibilities are legislated, some are unique to the local government landscape, and others are simply part of running an effective organisation. It is these responsibilities that are considered key strategic priorities.

In establishing what the key strategic priorities are, there are two matters that are important to consider:

1. It is crucial that the key strategic priorities are indeed common to all councils.
2. It is crucial that the key strategic priorities are in the direct sphere of influence of councils.

4.2 REVIEW OF TASMANIAN LOCAL GOVERNMENT STRATEGIC PLANS

As a part of this project, a review of all local government strategic plans was carried out to identify the most commonly identified strategic priorities among Tasmanian councils. Not surprisingly, there was significant variation among Tasmania’s 29 councils, with 32 separate key strategic priorities identified. There was some commonality, however, as the table below outlines.

Table 1: Highest ranking strategic priorities identified by council strategic plans

Strategic priority	No. of councils
Community	21
Environment	20
Governance	15
Assets	15
Economy	14
Corporate	11

4.3 EXAMPLES FROM OTHER JURISDICTIONS

The Local Government Association of South Australia measures the performance of South Australian councils in four key areas:

1. governance
2. community satisfaction
3. financial and asset management
4. quality of life.

For further information refer to

<http://perform.lga.sa.gov.au/loadlga/pages/MainPage>.

Local Government Victoria (Department of Planning and Community Development) measures local government performance in three areas:

1. finance
2. asset management
3. community satisfaction.

For further information refer to

[http://www.localgovernment.vic.gov.au/Web20/rwpgslib.nsf/GraphicFiles/Local+Government+in+Victoria+2009/\\$file/Local+Government+in+Victoria+2009.pdf](http://www.localgovernment.vic.gov.au/Web20/rwpgslib.nsf/GraphicFiles/Local+Government+in+Victoria+2009/$file/Local+Government+in+Victoria+2009.pdf).

The Department of Local Government in New South Wales releases an annual comparative performance report. The report measures council performance in the following 10 areas:

1. rating
2. financial
3. corporate
4. library services
5. domestic waste management and recycling services
6. water supply services
7. sewerage services
8. planning and development services
9. environmental management and health services
10. recreation and leisure services, community services.



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For further information refer to

http://www.dlg.nsw.gov.au/dlg/dlghome/documents/Comparatives/Comparatives_2007_08.pdf.

4.4 WHAT THE PLGC THINKS

The PLGC has given some initial consideration to what key strategic priorities might be measured through this project. The proposed list of key strategic priorities is a starting point for discussion, and you are invited to agree or disagree.

The PLGC's proposed list of seven key strategic priority areas is as follows:

1. FINANCE
2. ASSETS
3. GOVERNANCE
4. COMMUNITY ENGAGEMENT
5. REGULATORY COMPLIANCE
6. CORPORATE MANAGEMENT
7. PLACE.

The PLGC's view is that the first six are the strategic priorities of all councils regardless of the unique communities they serve. With these priorities accounted for, councils are in a sustainable position and best able to respond to the changing needs of their communities.

The seventh strategic priority, place, is included in recognition of the different policy decisions that councils make according to the needs of communities. These policy decisions vary between councils, partly driven by varying community expectations. For many councils this contribution is a significant proportion of their activity. 'Place' as a key strategic priority could incorporate economic, social and environmental outcomes. It might measure performance in, for example, youth services, land use or tourism.

While the primary focus of the project will be on performance in common local government priorities, the project may also measure performance in some more commonly selected strategic priorities that are not necessarily priorities for 100 per cent of councils.



4.5 WHAT DO YOU THINK?

1. Has the PLGC captured the key strategic priorities of local government?
 - finance
 - assets
 - governance
 - community engagement
 - regulatory compliance
 - corporate management
 - place
2. If not, what should be removed or added to the list?

5. Outcomes

5.1 WHAT DO WE MEAN BY OUTCOMES IN THIS CONTEXT?

For the purposes of this project, outcomes describe sustainability in terms of each key strategic priority in a high-level, aspirational statement. While the key strategic priorities describe in broad terms the areas being measured, the outcomes describe in broad terms what component(s) of the key strategic priorities will be measured. The outcomes will eventually be further defined by indicators and targets.

5.2 WHAT ARE SOME EXAMPLES FROM OTHER JURISDICTIONS?

Rather than describing outcomes for each key strategic priority, South Australia describes the key strategic priorities in general terms. Table 2 shows the general description that South Australia uses for each of its key strategic priorities.

Table 2: Key strategic priority descriptors in South Australia

Key strategic priority	Descriptor
Good governance	The ability of a council to ensure it reflects the aspirations of the community it serves. Governance of a council is directly affected by planning and policy development, relationships with other spheres of government, the decision-making role of elected members and the council's desire to be accountable to its community.
Community satisfaction	The level of community satisfaction with the performance of council in providing services and facilities and as an effective decision maker. A council's performance in this area can vary significantly from year to year, depending on the nature of the issues it is dealing with. Therefore, it is prudent to consider long-term trends rather than a single year's results in isolation.
Financial and asset management	This area seeks to reflect the council's management of its financial resources and assets.
Quality of life	The impact of council decisions and services it provides will have a vital impact and contribute to the quality of life of their community.

The performance measurement systems in Victoria and New South Wales do not include outcomes or descriptors of key strategic priorities. Rather, each key strategic priority is described specifically by performance indicators.

5.3 WHAT DOES THE PLGC THINK?

The PLGC has given some initial consideration to outcome descriptions that might sit underneath the key strategic priorities. The table below sets out the PLGC's proposed outcomes for its proposed list of key strategic priorities. Again, this list is a starting point for discussion, and you are invited to agree or disagree.

Table 3: The PLGC's proposed outcomes for its proposed set of key strategic priorities

Key strategic priority	Description of outcome
Finance	The council manages its financial resources to ensure that it can meet its obligations and deliver services and infrastructure now and into the future.
Assets	The council manages its asset procurement, maintenance and renewal to ensure well-maintained and appropriate asset stock now and into the future.
Governance	The council has in place and adheres to values, policies and procedures that deliver ethical, transparent and accountable local governance.
Community engagement	The council engages effectively with its community to encourage its participation in local democracy and to respond appropriately to the community's views and expectations.
Regulatory compliance	The council complies with its regulatory obligations to deliver effective and efficient outcomes.
Corporate management	The council has in place and adheres to a strategic plan that integrates best-practice financial, asset, human resource and service delivery planning, policy, processes and management.
Place	The council contributes to the economic, social and/or environmental wellbeing of its community



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	through the effective and efficient delivery of targeted programs that reflect community expectations and are linked to its strategic plan.
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5.4 WHAT DO YOU THINK?

3. Has the PLGC captured the objective of each of the proposed key strategic priorities of local government? If not, how should they be amended?
4. If you proposed alternative key strategic priorities under section 4.5, please provide associated objectives.

6. Indicators and targets

6.1 WHAT SORT OF INDICATORS AND TARGETS DO WE WANT?

Performance indicators should link directly with objectives providing a measure of performance against the objectives. Performance indicators need to measure efficiency (resource management) and effectiveness (accessibility and appropriateness). They might include both qualitative and quantitative information.

Indicators should:

- measure outcomes not activity
- be verifiable and free from bias and be based on credible information
- focus on the most important components of the objective.

Performance targets give performance data meaning. They provide a comparison point that shows whether the performance of an organisation is satisfactory or otherwise.

6.2 WHAT ARE SOME EXAMPLES FROM OTHER JURISDICTIONS?

The following table outlines the performance indicators used in **South Australia**. For brevity, only the South Australian performance indicators have been provided. You can access the performance indicators used by New South Wales and Victoria, however, at the links provided previously.

Table 4: Performance indicators in South Australia

Key strategic priority	Descriptor	Performance indicators
Good governance	<p>The ability of a council to ensure it reflects the aspirations of the community it serves.</p> <p>Governance of a council is directly affected by planning and policy development, relationships with other spheres of Government, the decision-making role of elected members and the council's desire to be accountable to its community.</p>	<p>Achievement of plan objectives (The percentage of objectives achieved from within the council's Annual/Business Plan for the period. Data source - the Council's annual information return to the SA Local Government Grants Commission).</p> <p>Complaints to Ombudsman (The number of formal complaints from the community to the State Ombudsman partly resolved in favour of the applicant as a percentage of total complaints received. Data source - State Ombudsman).</p> <p>FOI requests (The number of formal Freedom of Information (FOI) requests per 1000 population processed by council for the 12 month period. Data source - the council's annual information return to the SA Local Government Grants Commission).</p> <p>Awareness or strategic directions (Community knowledge of the strategic</p>

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		<p>directions of its council, expressed in council's strategic management plan and other documents. A score of 100 represents a 'satisfactory' rating of 7 out of 10. Data source - community survey (voluntary - not all councils participate)).</p> <p>Community consultation (Community satisfaction with a council's public consultation policy. A score of 100 represents a 'satisfactory' rating of 7 out of 10. Data source - community survey (voluntary - not all Councils participate)).</p> <p>Public access (Community satisfaction with accessibility to council information, documents and meetings. A score of 100 represents a 'satisfactory' rating of 7 out of 10. Data source - community survey (voluntary - not all councils participate)).</p> <p>Voter participation (The percentage of registered voter turnout at the most recent council elections. Data source - SA State Electoral Commission).</p>
Community satisfaction	The level of community satisfaction with the performance of the council in providing services and facilities and as an effective decision maker. A council's performance in this area can vary	<p>Review of council decisions (Number of complaints per 1000 population dealt with by council under the 'Internal Review of Council Decisions Policy' required by the Local Government Act. Data source – councils' annual information return to SA Local Government Grants Commission).</p> <p>General satisfaction (Community satisfaction with services and facilities provided by the council. A score of 100</p>

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	<p>significantly from year to year, depending on the nature of the issues it is dealing with. Therefore, it is prudent to consider long term trends rather than a single year's results in isolation.</p>	<p>represents a 'satisfactory' rating of 7 out of 10. Data source - community survey (voluntary - not all councils participate).</p>
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<p>Financial and asset management</p>	<p>This area seeks to reflect the council's management of its financial resources and assets.</p>	<p>Operating surplus (Operating surplus / deficit before capital amounts).</p> <p>Operating surplus ratio (Operating result expressed as a percentage of general and other rates).</p> <p>Net financial liabilities (Equals total liabilities less financial assets).</p> <p>Net financial liabilities ratio (Equals net financial liabilities divided by total operating revenues).</p> <p>Interest covers ratio (Equals finance costs expense (less investment income) divided by total operating revenues (less NRM levy raised and investment income)).</p> <p>Asset sustainability ratio (Capital expenditure on renewal or replacement of existing depreciable assets divided by depreciation expenses).</p> <p>Asset consumption ratio (Total written-down value of depreciable infrastructure, property, plant and equipment divided by total reported value of depreciable infrastructure, property, plant and equipment before accumulated depreciation).</p> <p>Community satisfaction with asset management (Community satisfaction with the council's provision and</p>
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		management of assets. A score of 100 represents a 'satisfactory' rating of 7 out of 10. Data source - community survey (voluntary- not all councils participate)).
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<p>Quality of life</p>	<p>The impact of the council's decisions and services it provides will have a vital impact and contribute to the quality of life of its community.</p>	<p>Capital valuations – total growth (Percentage growth in capital valuations within the council area across the nine land-use categories. Growth is defined as increases in number of properties (creation of new land divisions), and capital improvements to existing properties' valuation increases).</p> <p>Community perception of quality of life (Community perception of the influence the council has had on quality of life in its area in the last year. A score of 100 represents a 'satisfactory' rating of 7 out of 10. Data source - community survey (voluntary - not all councils participate)).</p> <p>Safety and security (Community perception of personal safety and security within the council area. Local government has a limited role in this area in comparison to other spheres of government, but councils do influence the design and use of public spaces and may support neighbourhood watch).</p>
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6.3 WHAT THE PLGC THINKS

The PLGC has not yet considered performance indicators and targets. However, the PLGC is of the opinion that there should be fewer indicators of high value rather than a large number of indicators that do not accurately reflect sustainable performance. The PLGC believes there should be an upper limit of five to six indicators and targets per key strategic priority. Any more would make the amount of information too overwhelming, and lose traction with the community.

Performance indicators for financial and asset management will be determined by national reporting requirements. In 2007, the Local Government and Planning Ministers' Council (LGPMC) endorsed national frameworks for assessing financial sustainability, asset planning and management and financial planning and reporting for local government. The frameworks and associated performance indicators are due to commence implementation during 2010.

For performance indicators and targets outside of financial and asset management, the PLGC intends to seek input from expert working groups. The working groups will be made up of representatives from the local government sector, as well as other individuals, who have appropriate experience in developing performance indicators and targets.

6.4 WHAT DO YOU THINK?

5. For the PLGC's proposed key strategic priorities and objectives, what do you think would be appropriate performance indicators?
6. If you proposed alternative key strategic priorities and objectives, what would be associated performance indicators?
7. For the performance indicators that you have recommended, how do you think targets would be best selected?

7. Data collection method

The PLGC proposes that data will be collected through the existing annual consolidated data collection, in the same way that data was collected for the *Measuring Council Performance in Tasmania* project and report. In addition to financial and asset management data currently collected, it is anticipated that new data will be required that appropriately measures the newly identified key strategic priorities. Quantitative data will continue to be collected once annually.

Qualitative data on community satisfaction will be collected through the biannual community satisfaction survey conducted by LGAT.

Effective performance management requires accurate and timely information. If councils are to maximise the benefits of this project, it will be important for them to ensure they provide accurate information in a timely manner.

8. Council classifications

The PLGC proposes that councils continue to be classified in the same way as they were in the *Measuring Council Performance in Tasmania* project and report. That is, as either small, medium or large councils. These classifications will provide some context for performance against indicators. Further context will be provided as trends over time. Any other relevant information that affects a council's performance will be included to ensure that performance results are not misconstrued.

9. Processes and timeframes

An initial consultation, based on this consultation paper, will run for a period of five weeks during August and September. During this time, workshops will be held in each region, submissions will be received as hard copies or online, and councils are encouraged to contact either LGAT or the Local Government Division to discuss the project in detail.

The initial consultation process will focus on the key strategic priorities that will be measured as well as the outcomes. Input that is provided on indicators and targets will be incorporated into the secondary consultation process. The secondary consultation process will involve working groups with specific expertise in setting performance indicators and targets. The secondary consultation process will focus on the indicators and targets for the project.

It is anticipated that data collection will occur during October. Due to this time constraint, it is anticipated that for 2009-10 only a limited set of data will be collected and analysed within the sustainability objectives and indicators project, including finance and asset data at a minimum. This staged approach will also allow for collection and reporting processes to be refined during the first year.

10. Submissions

The PLGC, on behalf of the State Government and LGAT, invites input from the local government sector and other stakeholders on the *Local Government Sustainability: Objectives and Indicators* project. Input is welcome on the issues raised in this paper, and on related matters.

Submissions will be considered by the project steering committee (see attachment A) and the PLGC.

Submissions can be provided as follows:

- detailed submissions can be mailed to:

Local Government Division
GPO Box 123
HOBART TAS 7001

- short submissions can be made electronically via the project website at http://www.dpac.tas.gov.au/divisions/lgd/measuring_sustainability
- submissions can also be e-mailed to lgd@dpac.tas.gov.au.

Further background information on the project is available in the discussion paper on the project website at http://www.dpac.tas.gov.au/divisions/lgd/measuring_sustainability.

ATTACHMENT A

Project Steering Committee

Jessie Byrne, Local Government Division (Chair)

Katrena Stephenson, Local Government Association of Tasmania

Liz Gillam, Local Government Managers Australia

David Sales, Southern Waste Strategy Authority

Frank Barta, Clarence City Council

Rod Malcomson, State Grants Commission

Peter Ball, Australian Bureau of Statistics

Jeff Tongs, Auditor-General's Office (observer only)