
QON14/011 BENCHMARKING GROUP 4 EMPLOYEE COSTS

E14.8041

Responsible Officer: Dr Catherine Dale - General Manager

Attachments: 1. Benchmarking Group 4 Employee Costs

At the Council meeting held on 14 October Councillor Burnside moved the following motion as a matter of urgency:

THAT:

1. *Council carry out benchmarking of a minimum of 4 Councils within Group 4 to establish if our Council falls within reasonable parameters with respect to staffing, percentage of salary expenses of total budget etc.*
2. *When this is done Council report to the community the average of this Group and our standing within staff numbers, wages as a percent of total expenditure etc.*

The benchmarking group that was determined by Council for detailed comparison with Eurobodalla included Albury, Ballina, Bega Valley and Great Lakes.

Response

In response to the resolution of Council, the benchmarking of employee costs as a percentage of total expenditure was conducted. This included 152 NSW councils and 31 Group 4 councils at a broad level to provide context. The four Councils selected (Albury, Ballina, Bega Valley and Great Lakes) were then analysed at a more detailed level.

Group 4 councils are defined as having similar characteristics as classified by the Office of Local Government. This may include consideration of population, size, location (rural/urban), budget and services provided. There are currently 31 councils defined as Group 4 in New South Wales.

To ensure consistency, key documents and processes undertaken by all NSW Councils were utilised. They include the General Financial Statements for 2012/2013, Annual Reports and Financial Data Returns (as submitted to the Office of Local Government and the Australian Bureau of Statistics).

To determine employee costs as a percentage of total expenditure, the Income Statement in the General Purpose Financial Statements for 2012-13 were assessed for the 152 councils in New South Wales.

Eurobodalla employee costs as a percentage of total expenditure in 2012-13 was 31.7%.

State comparison

Graph 1 – State comparison. (attached)

(Please note: the graph includes all 152 councils, however not all council names are listed due to size limitations).

Based on the General Purpose Financial Statements (2012-13) for 152 NSW councils, the state average for employee costs, as a percentage of total expenditure, is 35.2% and the median is 35.3%. Eurobodalla is 3.5% below the average and 3.6% below the median. Therefore Eurobodalla employee costs are within the lowest 30% of councils in the state.

QON14/011 BENCHMARKING GROUP 4 EMPLOYEE COSTS

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Group 4 comparison

Graph 2 – Group 4 comparison (attached)

As indicated, there are 31 group 4 councils in New South Wales. Based on the General Purpose Financial Statements (2012-13), the Group 4 average for employee costs, as a percentage of total expenditure, is 33.2% and the median is 32.6%. Eurobodalla is 1.5% below the average and 0.9% below the median.

Group 4 – Detailed analysis of Albury, Ballina, Bega Valley and Great Lakes

Graph 3 – Eurobodalla, Albury, Ballina, Bega Valley, Great Lakes comparison (attached)

The four councils, Albury, Ballina, Bega Valley and Great Lakes are Group 4 councils. Detailed analysis included an assessment of Financial Data Returns, Annual reports, as well as well as discussions with each council to clarify the information provided.

Councillors have received a comprehensive briefing on the findings of the analysis, including the impact the three key expenditure factors: employee costs, materials and contracts and depreciation. General observations include the following.

Albury, Bega Valley and Great Lakes have a similar percentage of employee costs to Eurobodalla (respectively 32.4%,30.6% and 31.5%). Ballina has a lower percentage (21%). However, Ballina has higher material and contracts results (30%). Consultation with Ballina Council found that this is due to a higher proportion of partnerships and contracts, with some staff costs within the materials and contracts expenditure line. For example, library staff costs are paid via an agreement with the Richmond Tweed Regional Library Service.

Albury and Bega Valley have a similar percentage of depreciation costs to Eurobodalla (respectively 25.8%, 27.9% and 28%), however Great Lakes and Ballina have lower depreciation costs (respectively 22.2% and 23.3%). Great Lakes do not provide water and sewer services and Ballina are serviced by Rous County Council for water and sewer, impacting this result.

In terms of income Albury Council has a similar percentage of rates and charges to Eurobodalla, however Albury have a significantly higher percentage of user charges (33.5% compared to 22.9%). This indicates that Albury has a greater range of fee for service activities and facilities than Eurobodalla.

In addition to a review of General Purpose Financial Statements, an analysis of the Financial Data Return (FDR) for 2012-13 was conducted. The FDR is provided by each council to the Office of Local Government (OLG) and the Australian Bureau of Statistics (ABS). All employee costs are attributed into categories, as defined by OLG, providing the only consistent framework for comparing council employee costs in NSW.

Analysis indicates that Albury, Bega Valley and Great Lakes provide a similar level of community and education services, although Eurobodalla has a higher percentage of grant income to offset costs for this purpose.

Albury, Ballina, Great Lakes and Eurobodalla expend a similar amount on economic development/tourism activities, with Bega Valley expending less in this category, in part due to contracted service arrangements.

QON14/011 BENCHMARKING GROUP 4 EMPLOYEE COSTS

E14.8041

Albury, Bega and Eurobodalla expend similar amounts on water and sewer operations, however Ballina spend a lower amount and Great Lakes has zero expense in this category.

Preliminary information regarding total Full Time equivalent staff (FTE) was augmented by detailed discussions with each council to determine which category of staff were included.

As a result of this analysis the FTE for each council in 2012-13 was determined to be: Eurobodalla 460; Albury 486; Ballina 284; Bega Valley 347 and Great Lakes 297.

Based on this number in relation to total employee costs, Eurobodalla has the lowest average employee cost of the group.

Comparison Table of Selected Councils (attached)

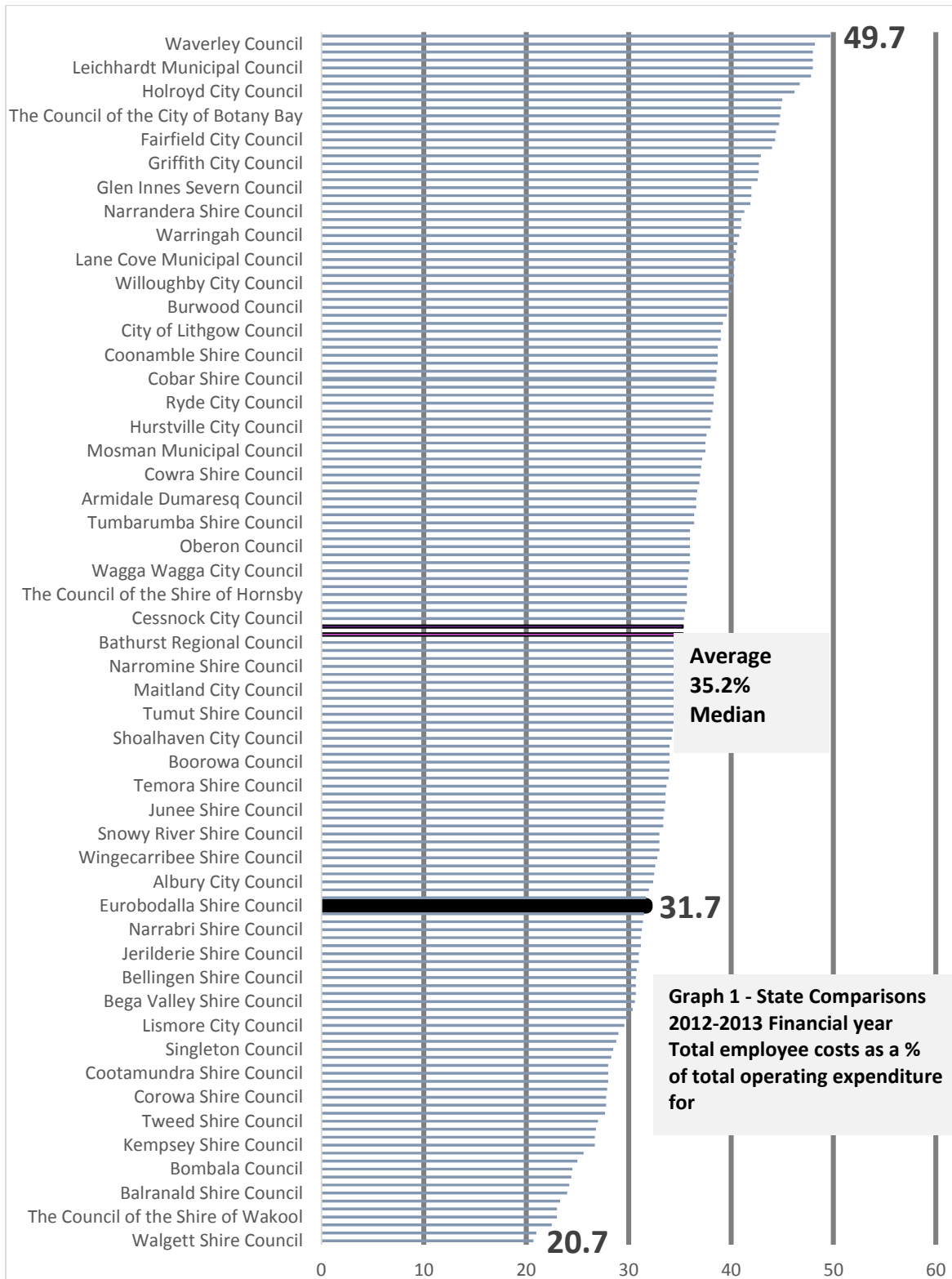
Summary of Key Findings

- Over 70% of councils in New South Wales have higher employee costs, as a percentage of total expenditure, than Eurobodalla.
- Eurobodalla is below the state and Group 4 average for employee costs as a percentage of total expenditure.
- Council is compliant with the Accounting Code for calculating and reporting full time equivalent (FTE) employees.
- Full time equivalent (FTE) calculations vary between the councils in relation to how permanent, part-time, temporary, casual and trainee/apprentices are defined and identified in reporting.
- A number of councils outsource staffing via contractor and partnership arrangements. As such, the cost is not entirely visible in the employee cost component of the financial statements.
- The selected councils do not provide an identical suite of services. For example, a number of councils do not provide services such as water and sewer, community services, galleries and museums and caravan parks.

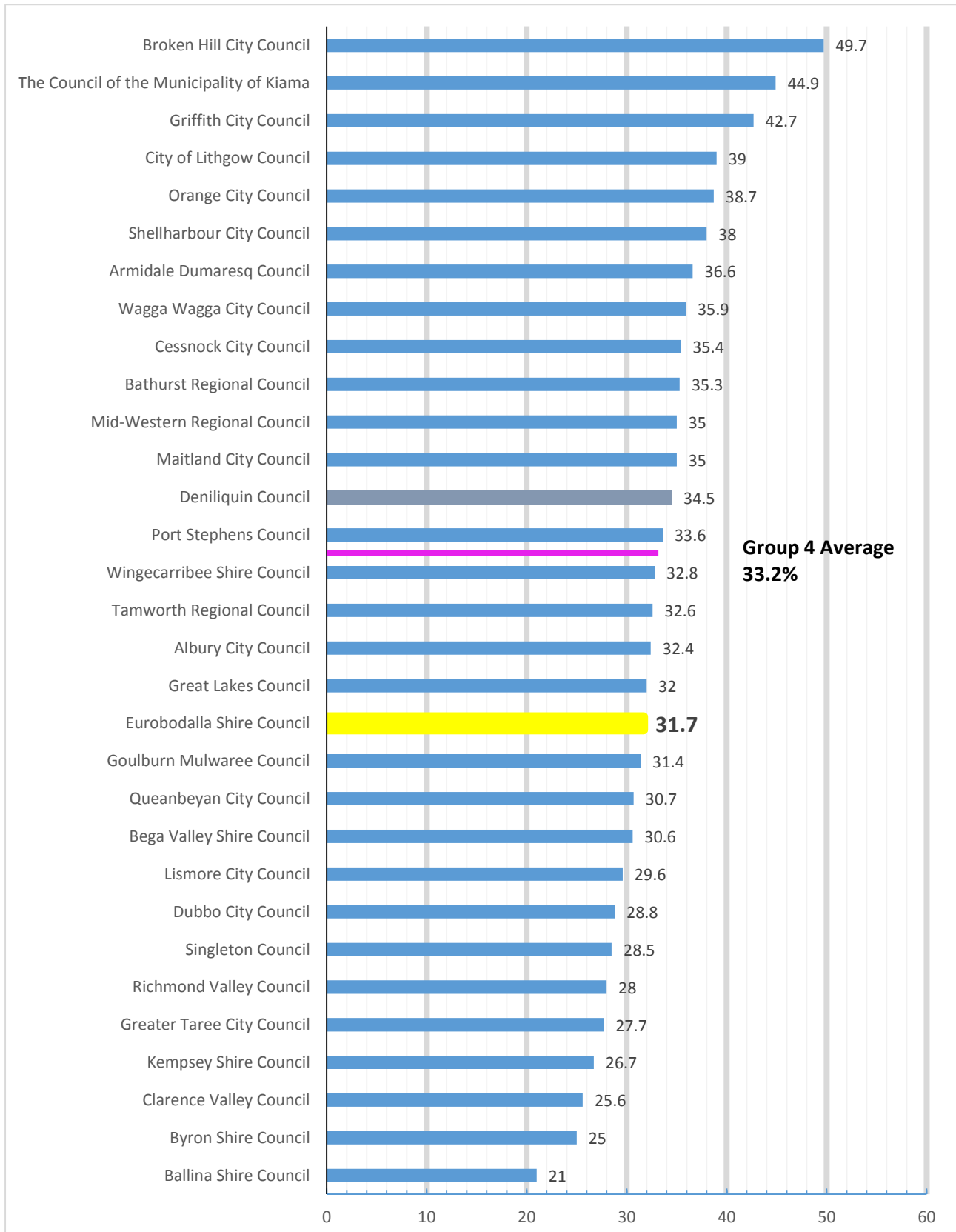
RECOMMENDATION

THAT the response to the motion regarding benchmarking Group 4 employee costs raised by Councillor Neil Burnside be received and noted.

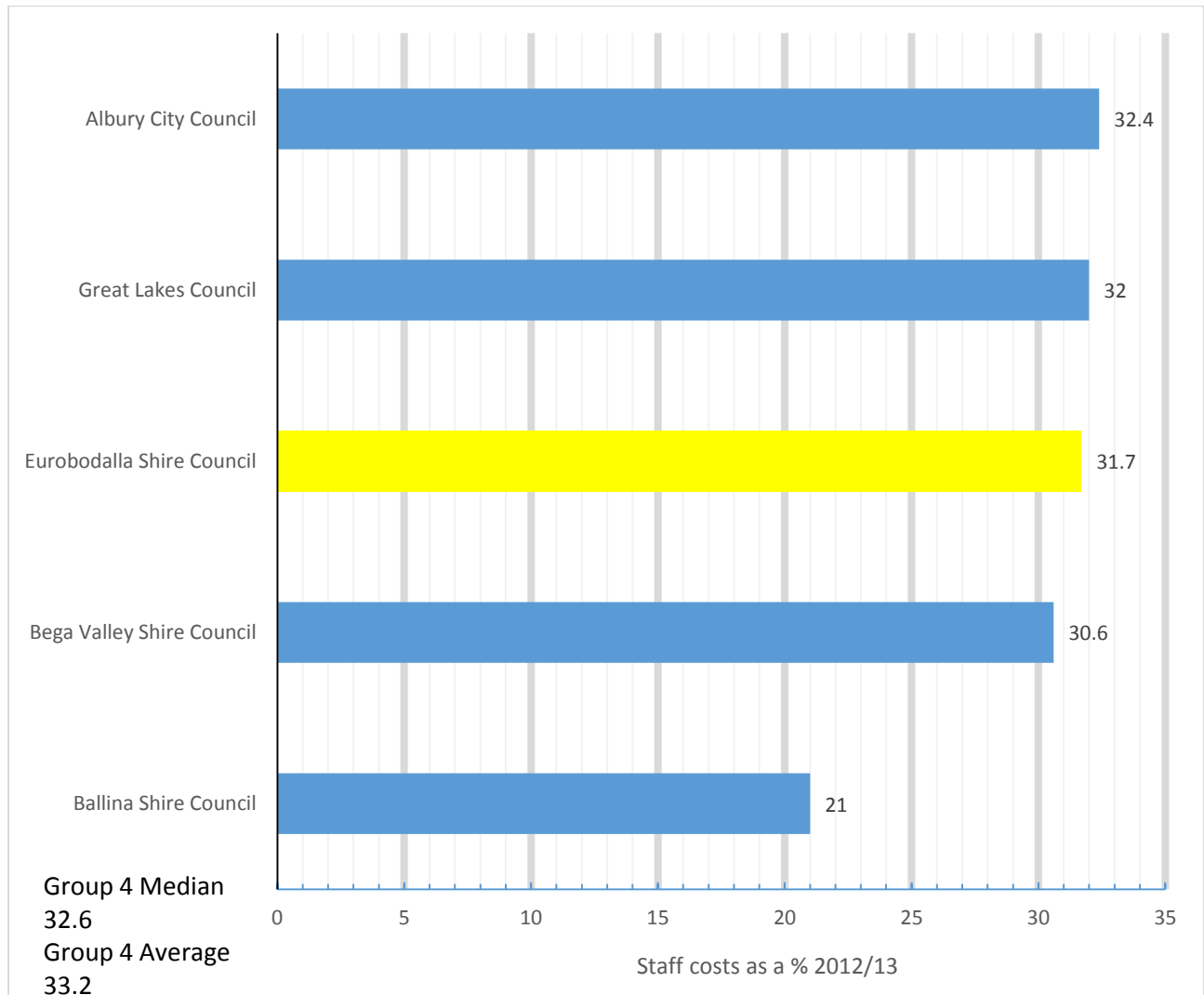
Graph 1 – State comparison



Graph 2 – Group 4 comparison



Graph 3 – Eurobodalla, Albury, Ballina, Bega Valley and Great Lakes comparison



Comparison Table of Selected Councils

2012-13 Income Statements	Albury		Ballina		Bega		Eurobodalla		Great Lakes	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
INCOME FROM CONTINUING OPERATIONS										
Revenue:										
Rates & Annual Charges	48,963	43%	33,837	31%	41,282	42%	87,821	30%	31,436	48%
User Charges & Fees	26,348	23%	33,360	31%	17,513	18%	23,900	8%	33,114	51%
Interest & Investment Revenue	2,412	2%	4,658	4%	2,665	3%	3,137	1%	2,945	4%
Other Revenues	3,836	3%	3,981	4%	644	1%	2,128	1%	2,667	4%
Grants & Contributions provided for Operating Purposes	9,207	8%	11,806	11%	23,289	24%	15,358	5%	36,796	57%
Grants & Contributions provided for Capital Purposes	9,850	9%	39,549	37%	3,427	4%	5,339	2%	5,423	8%
Other Income:										
Net gains from the disposal of assets	-	0%	-	0%	-	0%	-	0%	1,004	2%
Net Share of interests in Joint Ventures & Associated Entities using the equity method	23	0%	-	0%	-	0%	-	0%	10	0%
Total Income from Continuing Operations	108,711		124,891		88,817		95,479		74,999	
EXPENSES FROM CONTINUING OPERATIONS										
Employee Benefits & O&M Costs	32,179	32%	38,810	31%	25,426	29%	30,023	32%	21,214	28%
Borrowing Costs	3,968	4%	5,254	4%	2,034	2%	4,242	4%	3,006	4%
Materials & Contracts	22,664	21%	26,043	21%	26,842	30%	23,642	25%	20,603	28%
Depreciation & Amortisation	25,615	24%	20,428	16%	23,217	26%	26,710	28%	14,886	20%
Impairment	55	0%	-	0%	-	0%	-	0%	-	0%
Other Expenses	14,665	14%	12,231	10%	5,503	6%	8,719	9%	7,472	10%
Net Losses from the Disposal of Assets	191	0%	4,913	4%	64	0%	3,310	4%	-	0%
Total Expenses from Continuing Operations	99,811		87,688		80,106		94,896		67,181	
Operating Result from Continuing Operations	8,899		27,211		8,711		782		7,818	
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	- 470		- 11,898		- 3,118		- 4,817		- 1,791	

O13/147 ORGANISATION SERVICE REVIEW

E13.7262

SYNOPSIS

This report seeks endorsement by Council for the prioritisation of services for the commencement of the Organisation Service Review.

BACKGROUND

Local government's role in providing services has become broader and more complex over recent decades as community expectations have increased and other levels of government have delegated various functions.

The need to continuously review Council's services has been identified in a number of different forums over the past few years. Undertaking a review of services is considered good practice and should lead to the optimization of service delivery.

Carrying out service reviews will ensure we are efficient, effective, meet community needs, support the strategic direction of the organisation and that we avoid any duplication of services with other service providers.

To assist Council in developing an approach and methodology to its service review, a review of the Victorian Best Value Framework, a sample of South Australian and New South Wales Councils service reviews, and also Ontario and Toronto State service review guidelines was completed by staff.

A meeting with staff from Wollongong Council also happened to discuss with them the pros and cons of their service review process they have been undertaking since 2008.

CONSIDERATIONS

Approach and Methodology

The current Delivery Program and Operational Plan identify twenty-four (24) broad Council services. As resources do not allow for all services to be reviewed simultaneously, a prioritisation exercise has been undertaken to rank the services and these are grouped to assist the management of the reviews.

All services (both internal and external) have been prioritised according to the "Public Interest Test". This test questions if Council should continue to provide this service, and if so, what need does it fulfil?

Each service was ranked against the following principles:

1. Is the service important to meeting council's legal or policy mandate?
2. What is the service's net cost to the community?
3. Is the service important to meet the communities need?

O13/147 ORGANISATION SERVICE REVIEW

E13.7262

The resources used to answer the above question included:

1. Legislation including (but not limited to): Local Government Act, Environmental Planning and Assessment Act, Protection of the Environment Operations Act
2. The 2013-14 Operational Plan
3. The 2010 IRIS Community Engagement Survey and the 2012 Micromex Community Engagement Survey
4. Community Strategic Plan – One Community

A proposed order of service review is included in a confidential attachment to the report, and will become public once a service review order is agreed upon by council.

The priority table included identifies the 24 high order services as identified in the 2013-14 Operational Plan. It is broken into the different funds of Council (general, waste, water and sewer) with the general fund services ranking high. It also highlights the grouping of the services into rounds (1,2,3,etc) to assist with the rollout and management of the reviews.

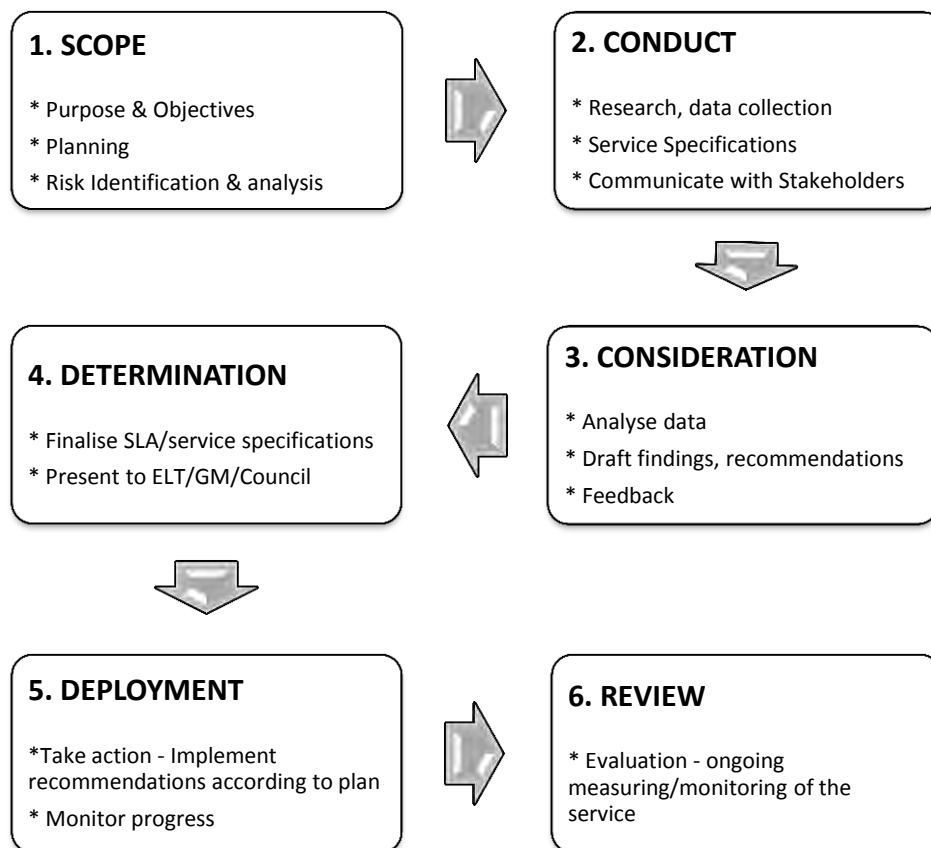
It is worthy to note however, there are a number of reviews that are currently underway for a number of council services, such as the libraries, tourism/visitor centres and the pools. To avoid re-work and maintain consistency it is proposed to align these existing reviews and complete them under this new methodology in the first round of reviews.

It is then proposed that the remaining service reviews follow, in accordance with the agreed prioritisation list.

Each review will follow the below methodology:

1. Scope – identify the purpose and objectives, planning, analysis and identification of risks;
2. Conduct – includes research, data collection and analysis, service specifications, communication with stakeholders;
3. Consideration – draft report of recommendations to stakeholders for feedback;
4. Determination – ELT and Council will be presented with the recommendations;
5. Deployment – a change management plan will be developed and implemented based on the recommendations;
6. Review – ongoing measuring and monitoring of the service.

It should be noted that the contents of each service review completed will include sensitive information that would, if disclosed inter alia “confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business” and as a result, all or part of each the contents of each review is to be deemed confidential in the first instance.



Policy

The Organisation Service Review is a Key Project in the 2013-14 Operational Plan.

Legal

Many of the services Council provides are in accordance to the *Local Government Act 1993* and/or any other Act or law (Section 22). These services will be reviewed later in the process to ensure we are efficient and effective in the delivery of the service(s).

Quadruple Bottom Line

Our current services are identified in the 2013-14 Operational Plan and address the quadruple bottom line as identified by the community in the Community Strategic Plan.

Community Consultation

The 2010 IRIS and 2012 Micromex community engagement surveys were referenced in terms of the relative 'importance' residents place on Council services and facilities in the prioritisation of the services.

Further, consultation and engagement deemed appropriate and or necessary by the project team will be incorporated into the communication plan developed for each review.

O13/147 ORGANISATION SERVICE REVIEW

E13.7262

Staff

An Organisation Service Review Project Officer has been appointed to ensure consistency in the process and the delivery of appropriate recommendations.

Each review will be conducted by a project team consisting of a minimum three (3) staff (a representative from service area, the Service Review Project Officer and an independent staff member/service user). The project team will be responsible for conducting the six steps of the review to evaluate the effectiveness and efficiency of the service and provide appropriate recommendations in regard to the service.

Integrated Planning and Reporting

This report addresses strategies and actions in Council's Integrated Planning and Reporting framework as follows:

Community Strategic Plan Link	Delivery Plan Link	Operational Plan Link
Objective 9: We work together to achieve our goals	Integrated Planning	Organisation Service Review

Financial

If during the Organisation Service Review process, funds become available for a particular service to be reviewed, it may influence the order of prioritisation and bring a particular service review forward.

CONCLUSION

The report provides the background to the Organisation Service Review project and the approach used to prioritise council's existing services. Also the methodology to carry out the service reviews was outlined.

RECOMMENDED

THAT:

1. Council endorse the completion of the following service reviews as Round 1:
 - a. Visitor Information Centres;
 - b. Libraries; and
 - c. Swimming Pools
2. Council undertake the remaining service reviews at the completion of the Round 1 service reviews, in order as identified in the prioritisation list of services as continued in the confidential attachment.

LINDSAY USHER
DIRECTOR
PLANNING AND SUSTAINABILITY SERVICES

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