



The Australasian Local Government Performance Excellence Program FY19 City of Vincent

16 December 2019

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The Australasian Local Government Performance Excellence Program FY19



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Workforce profile

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Across our participating WA councils, we observe a median of 5.2 FTE per 1,000 residents, lower than 5.5 in SA and 9.0 in NSW. The median employee costs per 1,000 residents across WA councils is at \$489k, falling from \$495k in FY18, and represents a high 39% of total operating expenses. There is minimal outsourcing spend across service areas, comprising just 17% of total operating costs, remaining unchanged from the prior year.



Talent strategy focus

pg 18

We are observing a shift in the talent acquisition & retention strategy of WA councils, with an increased focus on employee skills & adaptability (81%, up from 57% in FY18) and diversity & inclusion (52% FY19, up from 32% in FY18). WA councils are becoming more future focused. There are now 52% focused on managing the pipeline of future leaders (up from 39% in FY18), which is encouraging given the much higher proportion of CEOs (38%) who will have the option to retire at age 65, in 5 years, compared to other jurisdictions.



Diversity & inclusion workforce strategy

pg 20

We observe 47% of WA councils with a formal D&I strategy in place, compared to 57% of NSW and 22% of SA councils. A further 10% of WA councils have a D&I strategy in development. It is important that the D&I strategy leverages foundational policies and we see WA councils are relatively consistent with other jurisdictions, although a much lower percentage of WA councils offer 'flexible working' (82%), compared to 100% in NZ and SA and 93% of NSW councils.



Staff turnover in the first year of employment

pg 26

In WA councils, we observe a rise in the median year one staff turnover rate of 19.4%, compared to 18.2% in FY18. The gap between the median year one staff turnover rate of 19.4%, and the equivalent overall turnover of 13.5% in WA has closed slightly in the past year. However, the difference between the two metrics remains the largest gap across jurisdictions and suggests a broader challenge in selecting and retaining new employees.



Transition to retirement policy

pg 35

With 38% of CEOs and 14% of Directors reaching a traditional retirement age of 65, in the next 5 years, we see just 47% of WA councils preparing employees for the transition to retirement by having a formal policy in place. For those WA councils with a formal policy, the main support options offered include reduction in working hours (91%), flexible working options during transition (73%) and long service leave strategy (45%).



Finance effort and budget process

pg 48

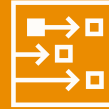
We have seen an increase in the focus on compliance and control within WA finance functions, now at 29% of total finance effort, up from 24% in FY18, with a slight fall in value add business insight activities (18%, down from 19%), with the remaining 53% spent on transactional activities. WA continues to maintain the shortest budget cycle timeframe across the participating jurisdictions, with a median of 120 days.



Finance function maturity

pg 51

There are many new technologies that can improve productivity within the finance function, and this is an opportunity for WA councils to reduce the reliance on spreadsheets, with 76% frequently performing manual data wrangling. Just 24% of WA councils are frequently using data transformation and blending tools, and an even smaller 5% frequently use data visualisation as a way to engage and assist with decision making.



IT priorities over the next three years

pg 65

We observe a focus by WA councils on cyber security implementation, with 52% ranking it in their top 3 IT priorities. This is followed by 48% of WA councils focusing on automating operational processes for service delivery, and 43% focused on online customer self service.



Cyber security

pg 67

WA is the jurisdiction with the largest proportion of councils that have already implemented a formal cyber security strategy (24%), with another 42% currently working on a draft plan. A smaller proportion of WA councils have a cyber security incident response plan (19%), compared to a cyber security strategy, and given that 100% of WA councils now offer online payments to residents, they may not be able to respond swiftly in the event of a cyber attack.



Service delivery

pg 79

Looking at services that most WA councils have in common, and are outside the essential high cost delivery of waste and roads, we observe \$119 per resident in parks and gardens, \$54 in town planning, \$43 in cultural and community services (CSC), and \$38 in libraries. We have noticed a further shift towards the outsourcing of solid waste management, with 51% of operating expense pertaining to outsourced contracts, up from 43% in the prior year.



Development applications

pg 100

We observe a far higher focus, in WA, on the determination of building permits (69% of all determined WA applications), compared to development approvals (31%). On average, we observe 170 building permits and 75 development approvals per 10,000 residents, being determined across WA councils in FY19. The average value of a WA determined building permit is \$167k, compared to \$539 for a development approval.



Council meetings

pg 106

The median meeting duration for WA councils increased slightly to 119 minutes (up from 113 minutes), passing a median of 18 resolutions per council meeting. WA councils passed a resolution, on average, every 6.6 minutes, compared to NSW councils that scored the most efficient result at a jurisdictional level in FY19, passing a resolution every 4.9 minutes on average.

Methodology

PwC and Local Government Professionals, NSW are pleased to release the sixth report as part of the Australasian Local Government Performance Excellence Program. We extend a warm welcome to our new councils across all jurisdictions.

The purpose of the program is to assist councils to better communicate, control and manage their internal business performance with their stakeholders through the use of comparative data analytics. During the program, PwC collects data from participating councils and then transforms this data into key metrics, identifying trends and observations that focus on operational and management excellence.

The benefits to councils include the ability to monitor and manage their internal business performance over time, as well as improve the prioritisation of change based on data-driven decision making. Each year councils obtain a report with customised charts and contextual commentary, as well as access to the interactive data explorer platform.

In providing the current comparative insights, PwC is drawing on its extensive experience with local government and in developing, delivering and analysing a variety of business process data collections across multiple industries. The process we undertook to produce this customised insights report for each participating council is outlined below.

How the report was produced:



Respondents

- 56 NSW councils, 15 NZ councils, 23 SA councils, and 21 WA councils participated in the FY19 program. For the purpose of maintaining anonymity, we have included QLD council data as part of the NSW jurisdiction.
- The data collection comprised of quantitative and qualitative data elements.
- Throughout the process, each council's identity and information was kept confidential via PwC's secure online platform, Datapoint.



Data collection and submission feedback

- The data collection for the 2018-19 financial year was launched in July 2019, and data was collected and amended over a four-month period using Datapoint.
- After the initial data submission, councils received a data submission feedback pack highlighting their key metrics in chart format so they could check and verify the data.
- Councils had an opportunity to amend their data before the council-nominated 'Superuser' approved the final submission.
- Individual council results were known only to the members of the PwC analytics team working on this engagement.



Analysis and insights

- Once the data collection and feedback period finished, the PwC analytics team began its extensive analysis of the data set.
- To enable relevant comparisons, we have adjusted financial data for NZ councils to reflect A\$ using the average NZ\$ exchange rate across FY19.
- Subject matter experts from PwC and Local Government Professionals, NSW guided the interpretive analysis and provided commentary on the results, as well as insights drawn from the global PwC network.



Reporting and data explorer website

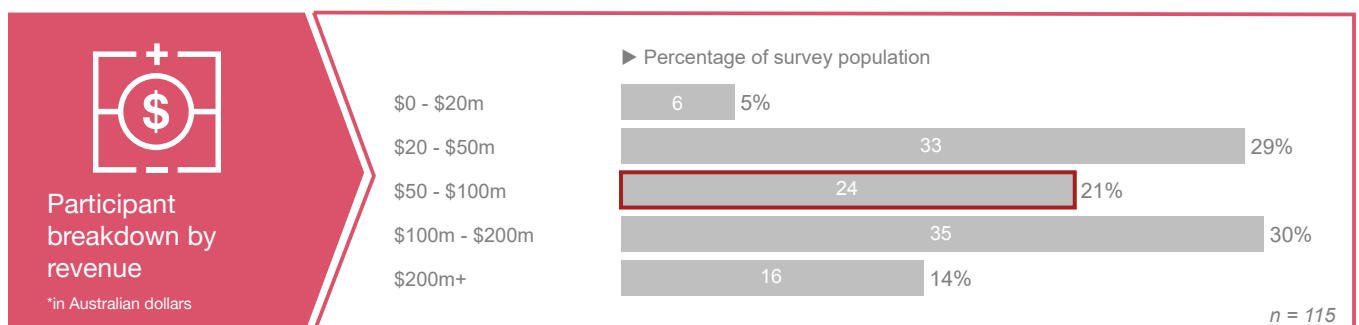
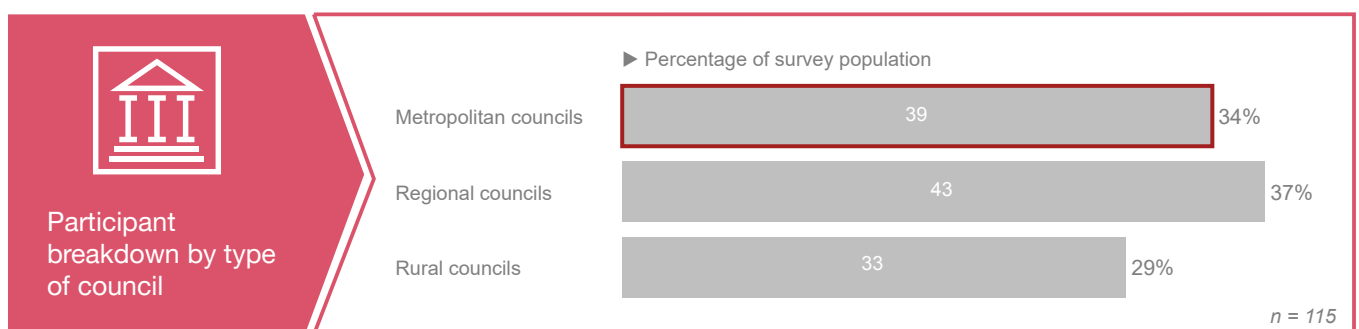
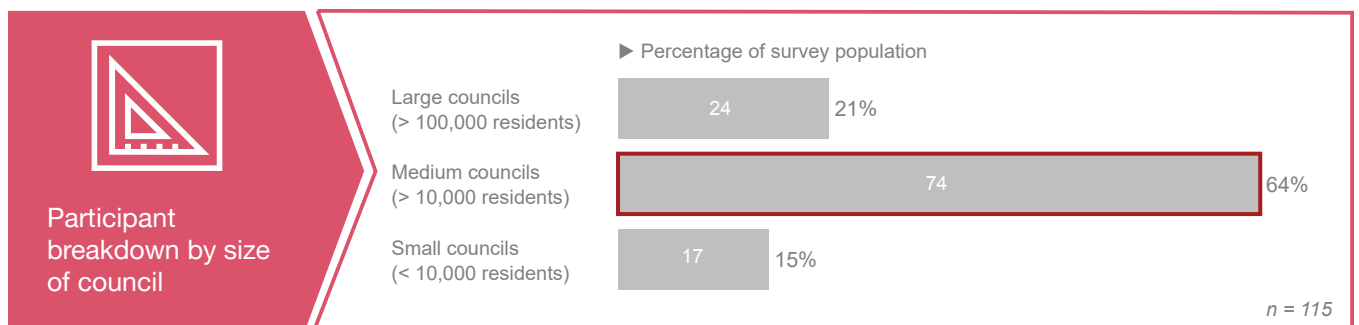
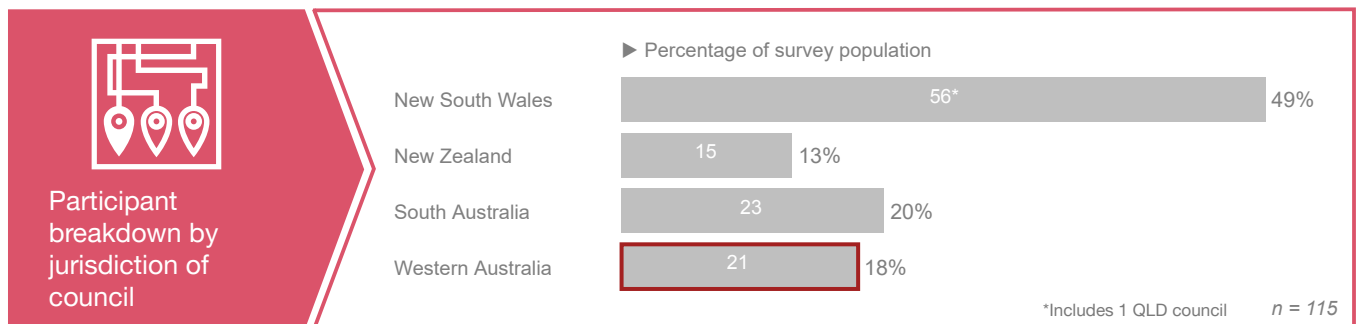
- The results reflect the 2018-19 financial year, based on data collected from all 115 councils.
- Each participating council receives a customised insights report that compares its business performance to that of the survey population across a range of areas.
- The reports are presented in a non-identifiable way; councils only see their results in relation to the survey population.
- These insight reports represent a starting point for further discussions, rather than a conclusive assessment in any particular area.
- Along with this report, councils will be able to further explore, filter, compare and extract key metrics using the Council Comparative Analysis Tool (CCAT), accessed via Datapoint Explore.
- Councils that subscribe to the Council Comparison Window (CCW) and give their consent for other councils in their nominated region/cluster to view their results, will also have access to this view within the CCAT.

Survey population

This insights report is based on data collected from 115 councils across Australia and New Zealand. Throughout this report, participating councils have been identified by their jurisdiction, size of the resident population (small, medium or large), and the type of council (metro, regional or rural).

To group councils by size, we used the estimated 2018 resident population provided by the Australian Bureau of Statistics (for Australian councils) and the 2018 resident population provided by Statistics New Zealand (for NZ councils). Councils have been classified as 'large' if they have more than 100,000 residents, 'medium' for residents between 10,000 to 99,999, and 'small' for fewer than 10,000 residents.

To classify councils as either metropolitan, regional or rural, we used the Office of Local Government allocation for NSW councils, and for WA, SA and NZ councils we consulted Local Government Professionals, WA/SA and the New Zealand Society of Local Government Managers (SOLGM) and allocated councils as follows: 'metro' councils are typically city councils; 'regional' councils are the next tier, located outside the main cities, with a reasonable sized population; and 'rural' councils are generally small and not considered a regional centre.



Understanding this report

The Australasian Local Government Performance Excellence Program FY19 is customised for individual survey participants. All charts within the report represent the individual council's results relative to the survey population that responded to that particular question.

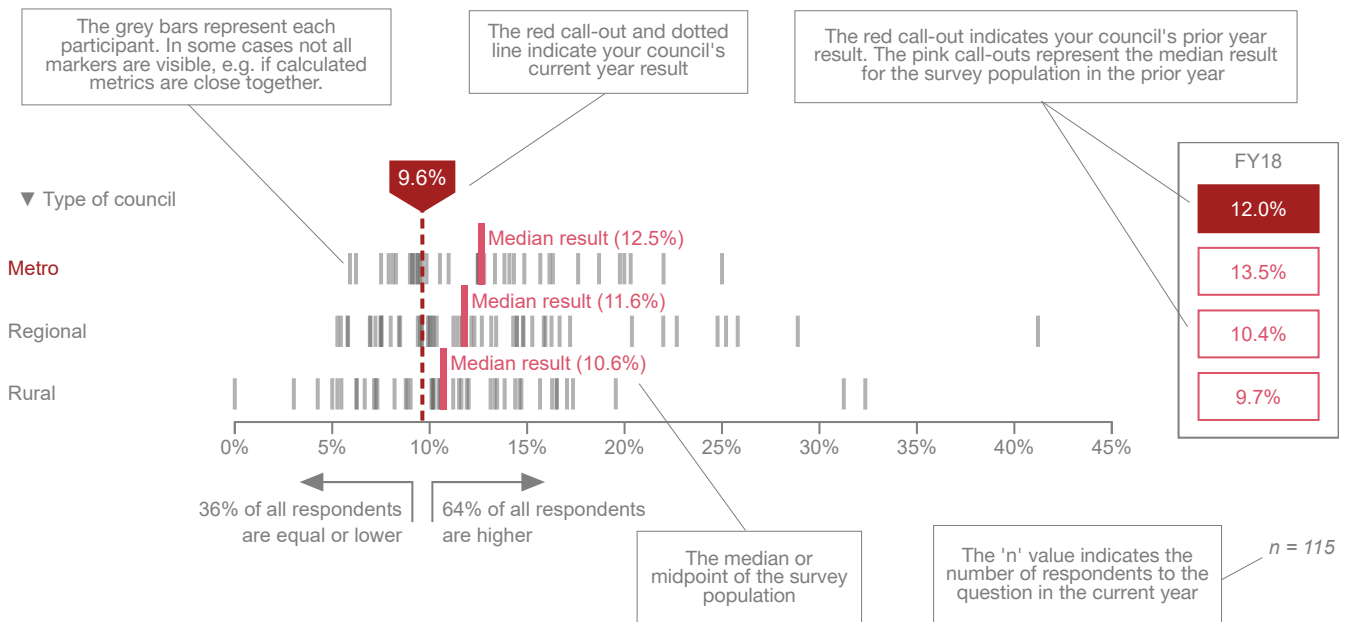
The commentary provided in the report has been prepared for the overall program and while it does not change for each council, it should provide relevant information to help each council understand the context of its own results.

For each response to a question, your council's input is displayed in red (indicated by the chart legend). To help you understand changes from the previous report, the majority of charts within this report also show the results from the prior financial year, for your council and the survey population.

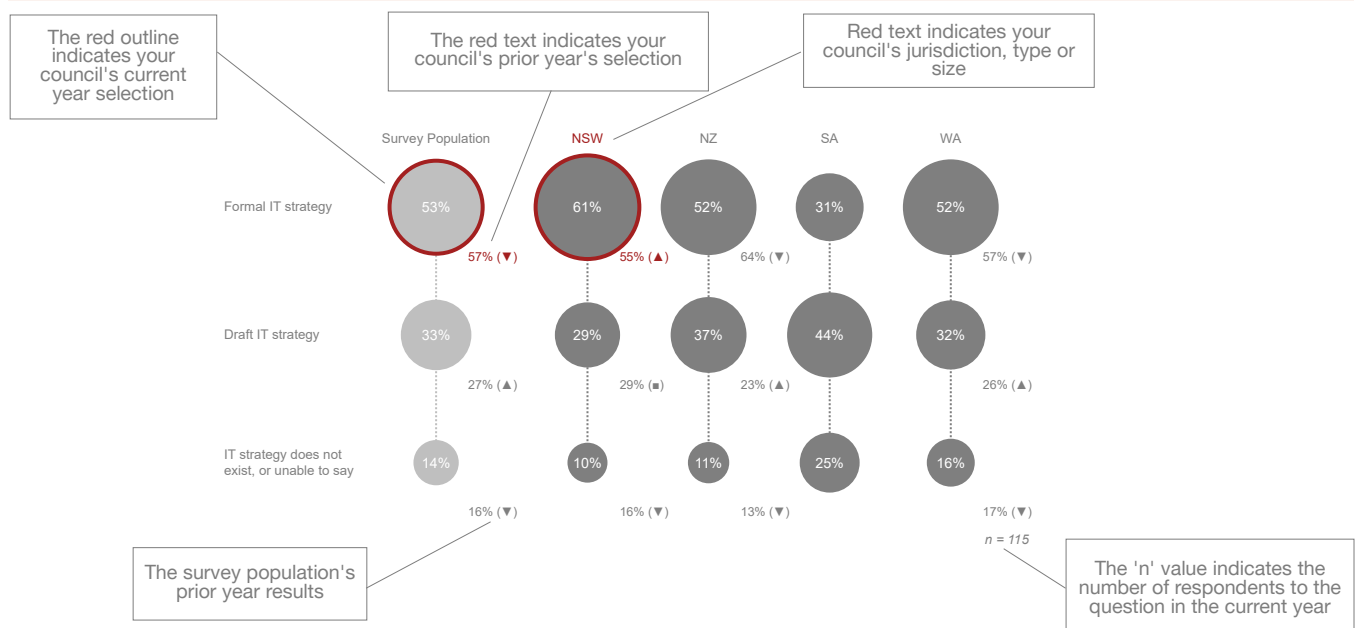
If no input was recorded by your council for this year and/or last, the red indicator will be missing from the charts and the result for the overall population will be displayed.

We have developed some customised charts for this report, to allow us to convey rich and detailed information. We have provided further explanation below on how to interpret the distribution and bubble charts throughout the report.

Example Chart 1.1

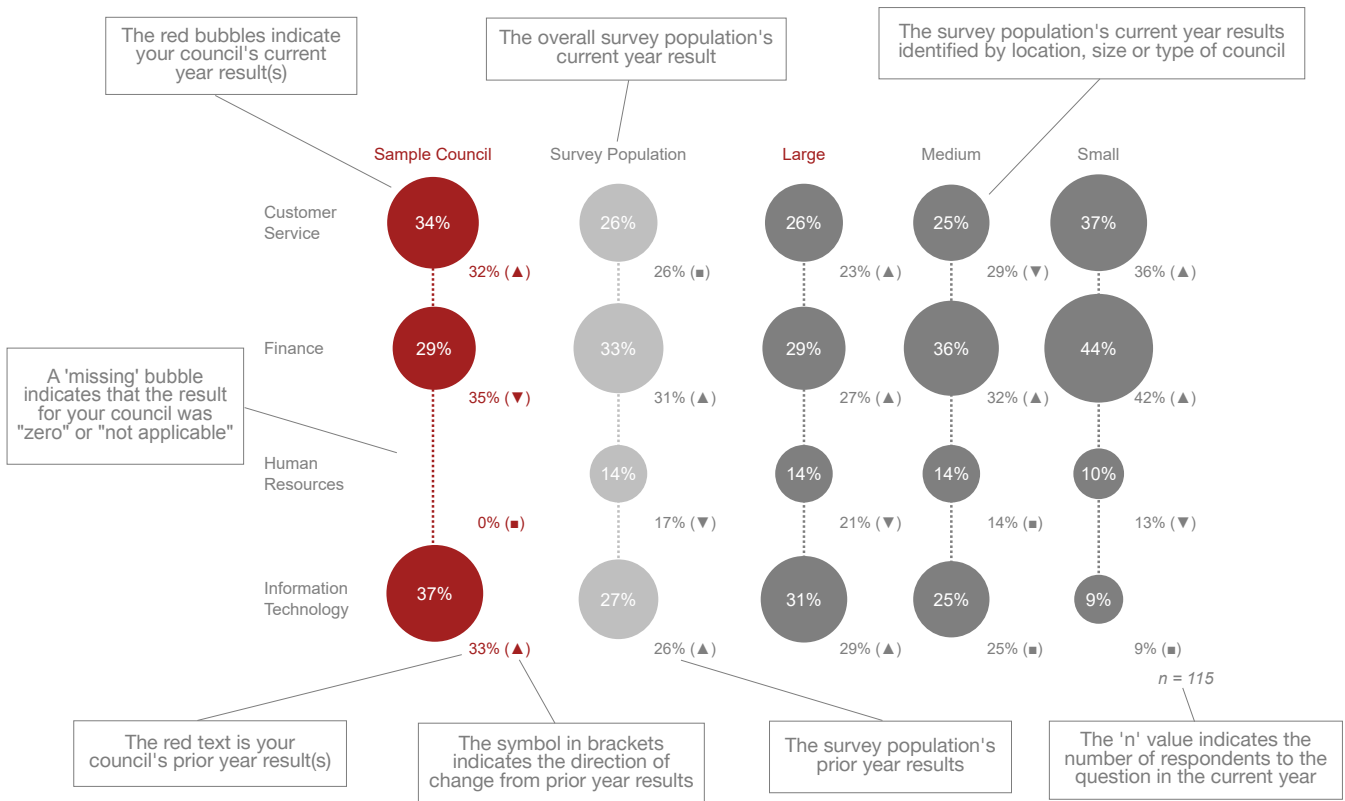


Example Chart 1.2



Understanding this report

Example Chart 1.3



Before reading this report, it is important to note that it is not an in-depth customised analysis or review of each council's business operations. Instead, it reflects your council's results in relation to the total survey population. Participating in the Australasian Local Government Performance Excellence Program should allow councils to:

- Evaluate their own practices to better understand current operational and management performance
- Identify areas of focus when striving to optimise operational excellence
- Understand how businesses – and in some cases international businesses – perform in terms of workforce, operations and finance using results from similar surveys conducted by PwC globally.

Sharing results with third parties:

This report has been provided to each participating council so that a participating council can understand how it compares to the aggregated findings and for no other purpose. As agreed in the survey agreement with the participating councils, in the event any Participating Council needs to share its Report (in whole or part) or the findings from the CCAT (but excluding any information in the CCW) with third parties as part of a council meeting, or on a council website, or with other Participating Councils, or in a submission to government, then, unless a copy of the full Report (including the disclaimers in the report) is being disclosed, the following words are to be included to qualify any statements, results and/or comparisons extracted or referenced from the CCAT or the Report:

“The information and/or metrics referred to are extracted from the Australasian Local Government Performance Excellence Program survey (survey) conducted by PricewaterhouseCoopers and commissioned by Local Government Professionals, NSW. The survey was not conducted for the specific purposes of the council and was limited to only the councils who participated in it and based on the data they provided. The reliability, accuracy or completeness of this information has not been verified by PwC, Local Government Professionals, NSW or any other person.

Accordingly, no one should act on the basis of this information and neither Local Government Professionals, NSW nor PwC accept any responsibility for the consequences of any person's use of or reliance on this information or any reference to it.”

Workforce



Workforce



Finance



Operations



Service Delivery



Corporate
Leadership



Asset
Management



35%

of the workforce is now dominated by Gen X employees



45%

of councils have a formal Diversity and Inclusion workforce strategy



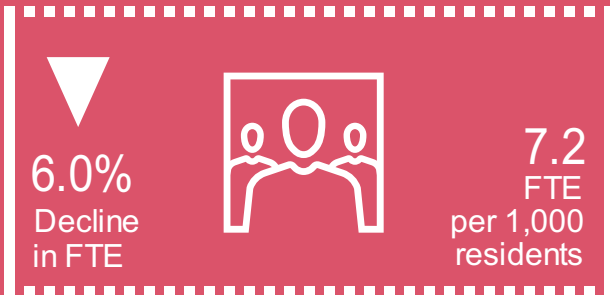
30%

of CEOs will have the option to retire in the next five years

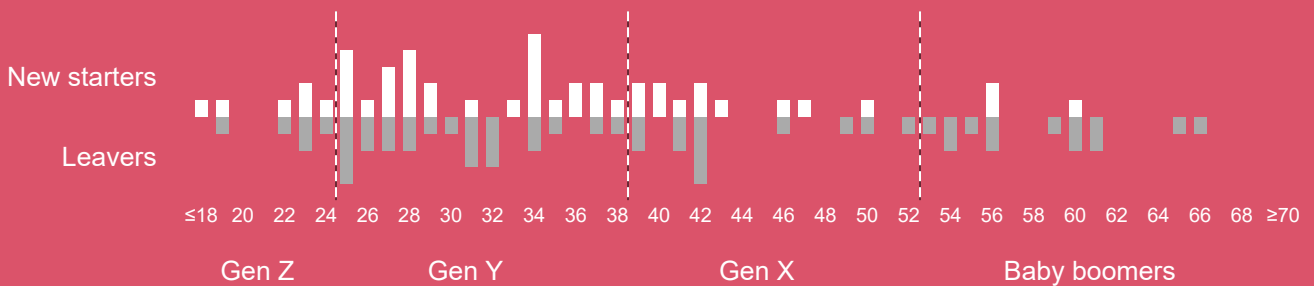
City of Vincent's workforce profile at a glance

FY19 | Metro council | Medium council

Your FTE and employee costs



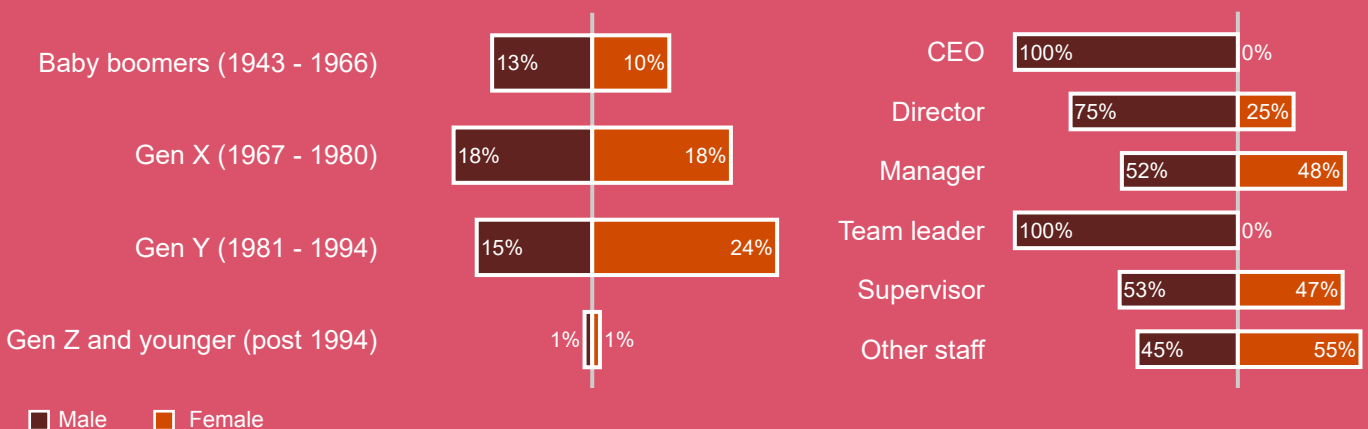
Who joined and who left your council during FY19?



Does your council have a gender-diverse workforce?

52% of your employees are women

42% of your employees at manager level and above are women



Workforce Trend Summary

City of Vincent



Workforce Trend Summary

City of Vincent



Workforce structure and cost impact

Employee costs

Employees are vital to every organisation's success, and this is particularly true for service-based organisations such as councils. For an organisation to achieve its objectives, it is critical to create a workforce of highly engaged and motivated people who anticipate customer needs and look for creative and innovative ways to engage and service the community. Moreover, people represent the largest expenditure area and the most important and productive asset of every council.

Our findings show that the median council total employee costs as a proportion of operating expenses (i.e. the employed workforce measure) has stayed relatively stable at 37%, compared to 35% in FY18. At a jurisdictional level, only NSW and SA councils saw any movement from FY18, with a median of 37% (up from 35%) and 35% (up from 34%) respectively.

Compared to the Australian jurisdictions, NZ councils continue to operate with a much lower median employee cost as a percentage of operating expenses, at 25%. This is a complex metric with a number of factors impacting the result, including wage growth levels, a change in the level of outsourcing versus insourcing of services, the service mix, and a change in the workforce size or staff level/skills mix, all of which can be at a different rate of change to overall cost growth.

Differences between Australian and NZ councils in the extent of outsourcing services was again observed, although the gap is shrinking; NZ councils spend 28% of operating expenses on outsourcing services. In comparison, this figure ranged from 16% in NSW, to 17% in WA, and 19% in SA councils.

Interestingly, the overall FTE per 1,000 residents metric has shifted slightly downwards, with a current median of 6.4, compared to 6.6 in the prior year. This is the lowest result we have observed in the past 5 years, compared to a peak of 6.9 in FY15.

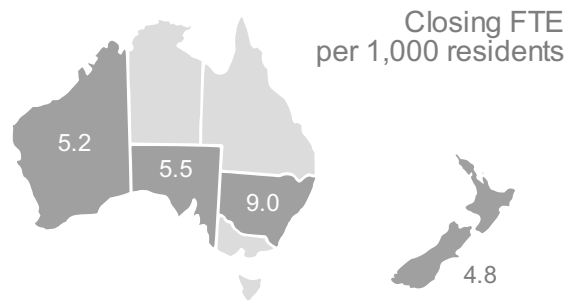


Figure 1.1: Employee costs as a percentage of total operating expenses (type of council)

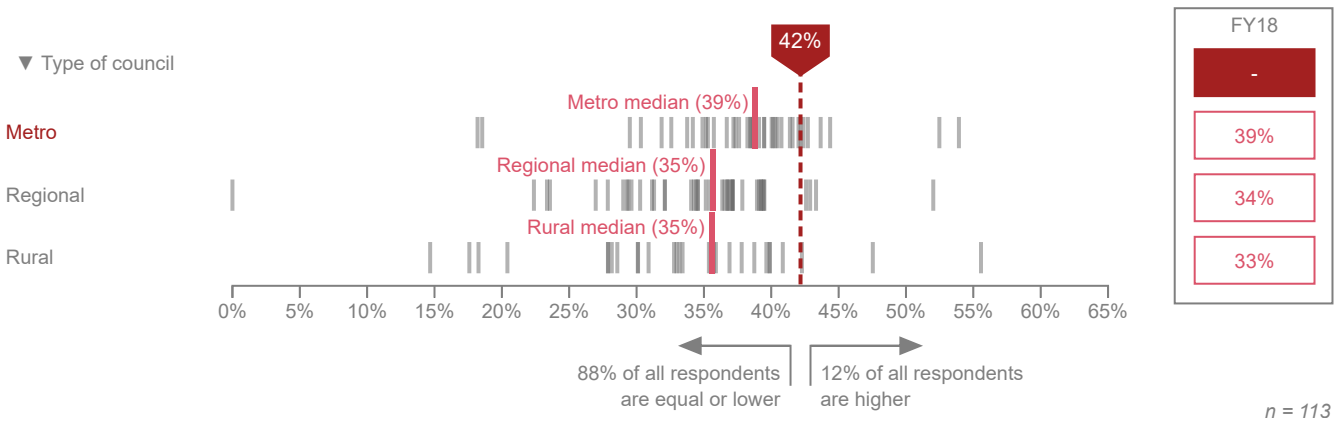
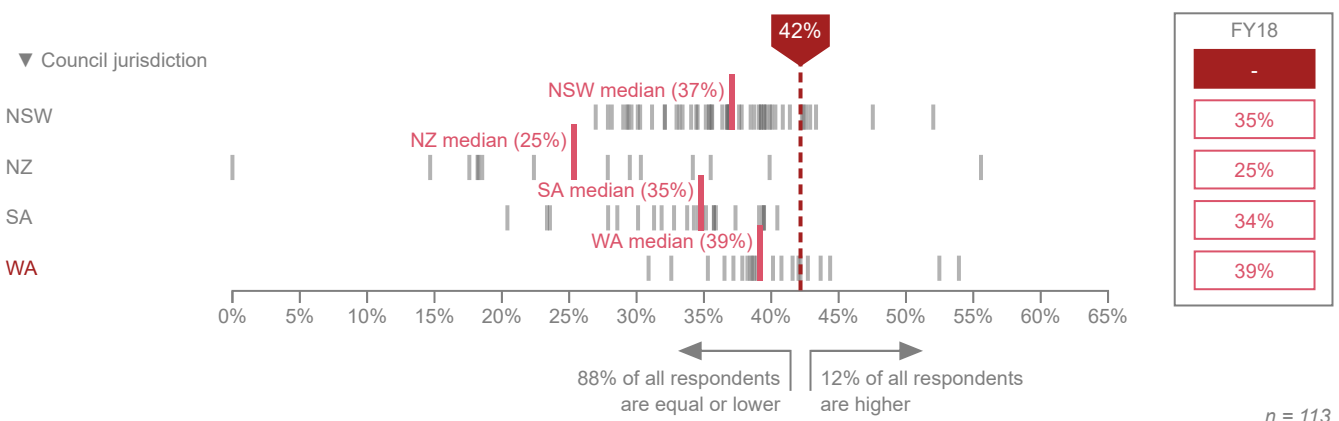


Figure 1.2: Employee costs as a percentage of total operating expenses (council jurisdiction)



Survey population | Median | City of Vincent

Workforce structure and cost impact

Overtime

Overtime can be an effective response to seasonal and unexpected workload fluctuations. As it can affect the bottom line as well as impact employee well-being, it should be managed proactively and used sporadically so that it remains an efficient and sustainable approach to managing operational challenges.

While the overall median council spend on overtime for permanent and fixed-term contract employees as a percentage of total salaries and wages has not reached its peak of 3.0% in FY15, it has decreased year on year to 2.5% in FY19, compared to 2.0% in FY18.

We continue to observe a far greater reliance on the use of overtime in NSW councils with a median result of 3.9%, making it more than twice that of any other jurisdiction. In addition to this, as

discussed over the page, is the higher reliance NSW councils place on the deployment of more expensive agency staff, compared to their counterparts.

NSW councils need to identify whether there are pockets of high overtime in some departments or if there are endemic practices across the council, and then determine if the use of overtime is an appropriate resourcing strategy.

As expected, when looking at the median overtime spend per FTE, NSW councils continue to stand out. However, the median for WA councils is 1.3 times higher than the prior year, which may be explained by the elevated median staff turnover rate (excluding fixed term contractors).

NZ councils continue to operate with the lowest median overtime per FTE spend. This is likely due to the difference in industrial salary awards in NZ and the much higher rate of outsourcing amongst NZ councils of some services or corporate functions that traditionally utilise overtime as part of the resourcing strategy.

The Council Comparative Analysis Tool (CCAT) provides councils with the ability to create their own comparative groups to assess their use of overtime.

Your FY19 overtime spend per FTE was

\$1,457

WA councils' FY19 median overtime spend per FTE

\$1,149

Figure 1.3: Paid overtime as a percentage of total salaries and wages (council jurisdiction)

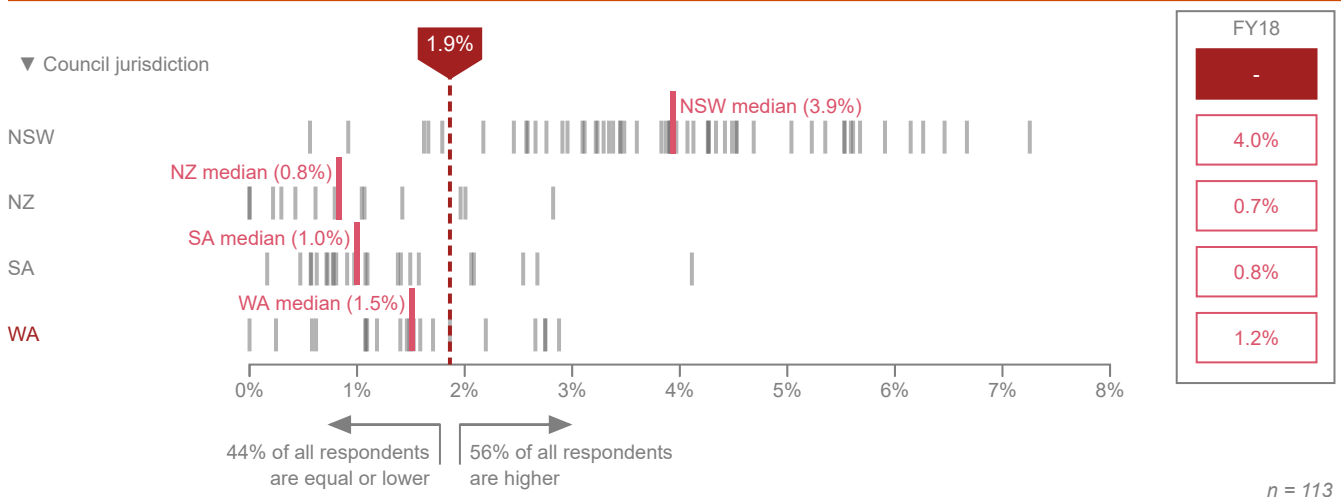


Figure 1.4: Overtime spend per FTE (A\$)



Survey population | Median | City of Vincent

Workforce structure and cost impact

Agency staff

Agency staff can be a useful way to access additional resources, skills and expertise and can serve as part of an alternative resourcing strategy, as opposed to utilising overtime or base-level resourcing to assist with seasonal fluctuations.

Our median result shows an increased use of agency staff this year, with agency staff costs representing 1.8% of total employee costs, up from 1.4% in FY18. Metro councils continue to rely more heavily on agency staff, compared to their regional counterparts.

It is important for each council to assess their current year position and what this means for their resourcing strategy. In order to avoid unanticipated cost blowouts, it is important that clear policies and procedures on the use of agency staff are established and agreed before these staff are utilised. Furthermore, consideration must be given to the correct balance between the investment and development in a council's own workforce and the use of agency staff.

Key considerations

- When did you last review your agreements with your preferred agency staff supplier(s) to ascertain if you have negotiated the best possible rate?
- Is there a collaborative approach between staff and management to determine the appropriate balance between possible overtime of council workforce and use of agency staff?
- Are you actively monitoring variations in overtime by department and certain periods during the year?
- Are you providing staff with the right training and access to technology to reduce unnecessary overtime?

Figure 1.5: Agency staff spend as a percentage of total expenditure on employees and agency staff (type of council)

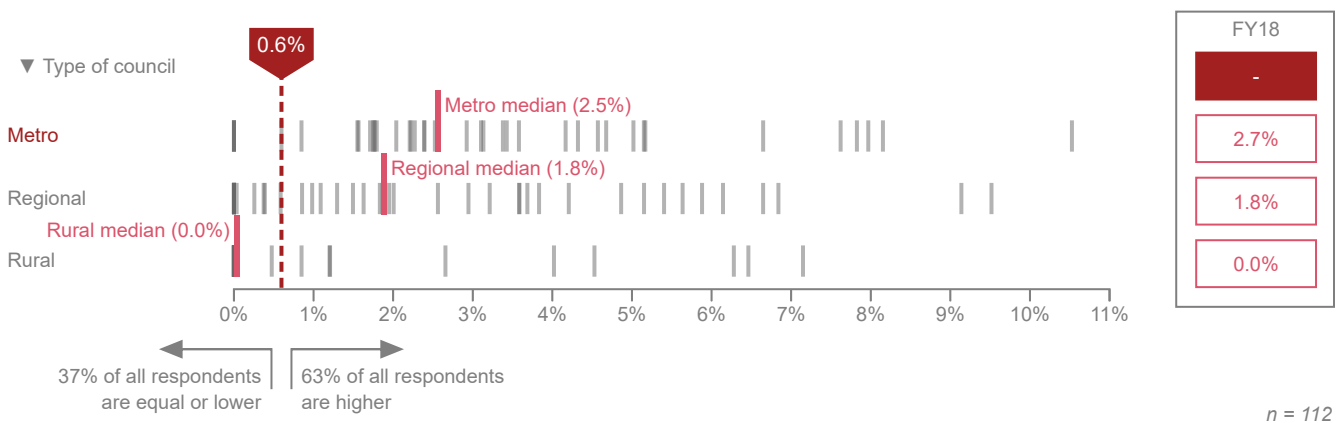
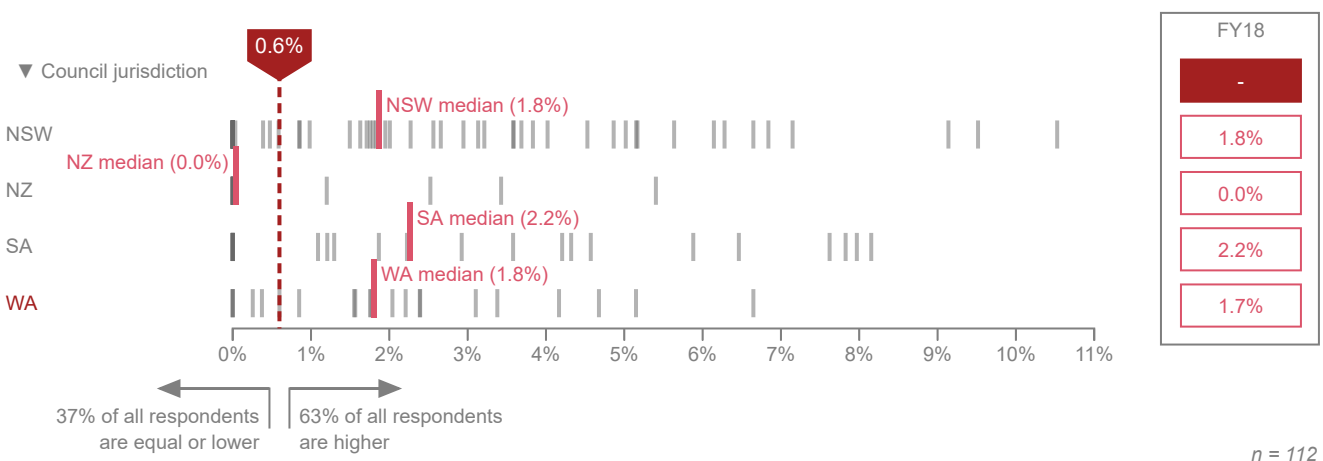


Figure 1.6: Agency staff spend as a percentage of total expenditure on employees and agency staff (council jurisdiction)



Survey population | Median | City of Vincent

Organisational design

Span of control

The shape and size of a workforce is often influenced by the complexity and volume of work, and the associated risk levels involved when performing certain tasks. Councils should be assessing the optimal team structure within the different service areas, taking account of risk and complexity to better equip teams and management with a blend of skills that encompass delivery and management experience.

Our 'span of control' metric can be used to monitor management overhead as it measures the number of non-managerial employees ('other staff' in our survey) as a ratio of employees with management responsibility ('supervisors and above' in our survey). A wider or higher span of control indicates reduced layers of management, which can present staff with more autonomy and on-the-job career development opportunities.

We have not observed a change in the median span of control metric since FY16, and this year it shifted slightly to 3.5 (up from 3.4 in FY18), where we see a slightly lower proportion of supervisors.

While both NSW and WA councils remained stable, with medians of 3.3 and 3.7 respectively, it is the change in the NZ median staff to supervisor and above councils (4.3, up from 4.0 in FY18) that has impacted the overall median. Meanwhile, the median span of control for SA councils has fallen, from 3.9 to 3.5, where we see a higher proportion of supervisors and team leaders and less 'other staff'.

We continue to observe large councils with a higher median span of control, most likely taking advantage of their scale of operations and geographic location, with a result of 3.8 compared to 3.1 for small councils. However, this result for large councils has been gradually narrowing for some years now, with a high of 4.8 in FY15. This may be explained by 'grade inflation' occurring within the stable workforces of these councils, an issue to be monitored as it can work to increase costs without a commensurate increase in output.

While inferences can be made at an overall level based on either a narrow or wide span of control, we encourage councils to consider the optimal span of control for their own circumstances. Councils should consider the potential benefits of a broader span of control which can include increased productivity, enhanced career paths and faster decision making, against the possible challenges such as lower oversight and review. Where a balance is achieved, an increase in the speed of decision making can enhance a council's responsiveness to changes in community needs and requirements, without increasing the risk profile of the council.

Definition

Span of control: Total number of 'other staff' per manager (defined as supervisors and above).

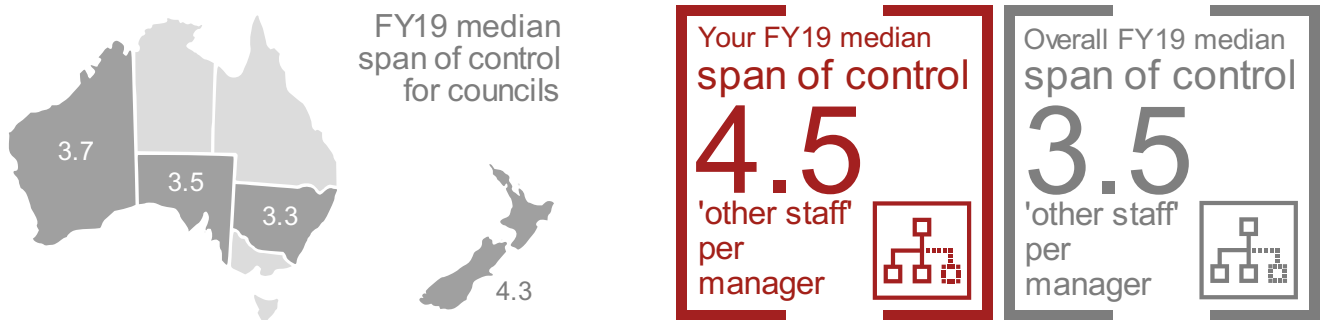
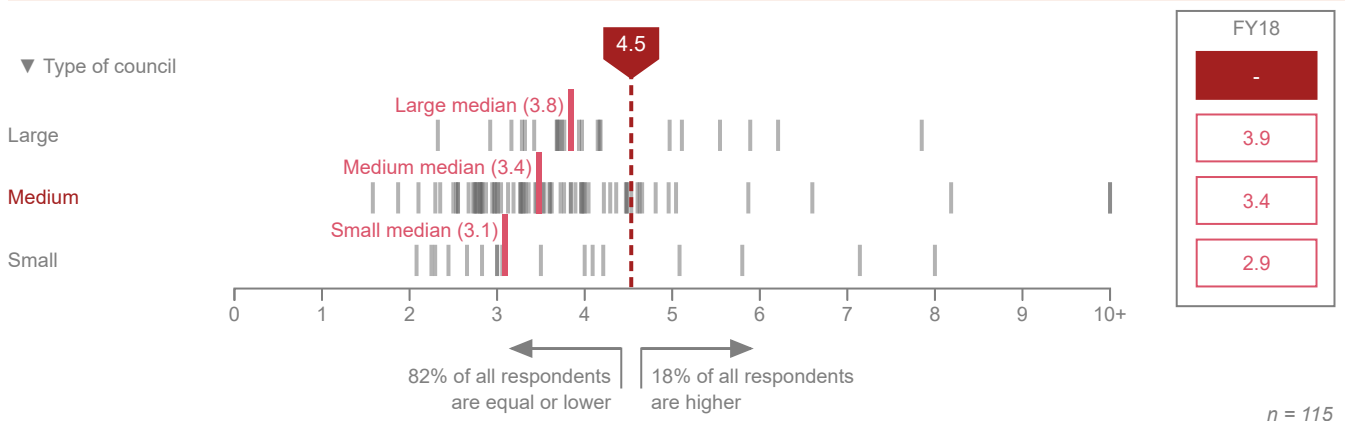


Figure 1.7: Span of control (number of 'other staff' per manager)



Survey population | Median | City of Vincent

Organisational design

Staff level mix

Further dissecting the proportion of staff at different grade levels helps to explain the span of control concept and enables councils to better understand how their staff level mix compares to the survey population, as well as council size.

Consistent with our analysis of span of control, we see a higher proportion of supervisors and above in small-sized councils, representing 24% of the total workforce, compared to 19% in large councils and 22% in medium councils.

While a higher proportion of supervisors and above may mean increased expertise and experience, an increase in 'other staff' may provide greater development opportunities for less experienced staff, enabling them to exercise innovation, creativity and other skills. As such, it is important for councils to consider the optimal staff level mix for their circumstances.

Key considerations

- Are there opportunities to broaden the roles of managers so they can operate at a high capacity across a range of areas, while strengthening career paths and skills?
- Are ambitious and talented staff able to navigate a clear career path towards senior management roles?
- Have you identified your key management personnel risk? Are you building an adequate pool of talent and sharing knowledge across teams?

Figure 1.8: Staff level split

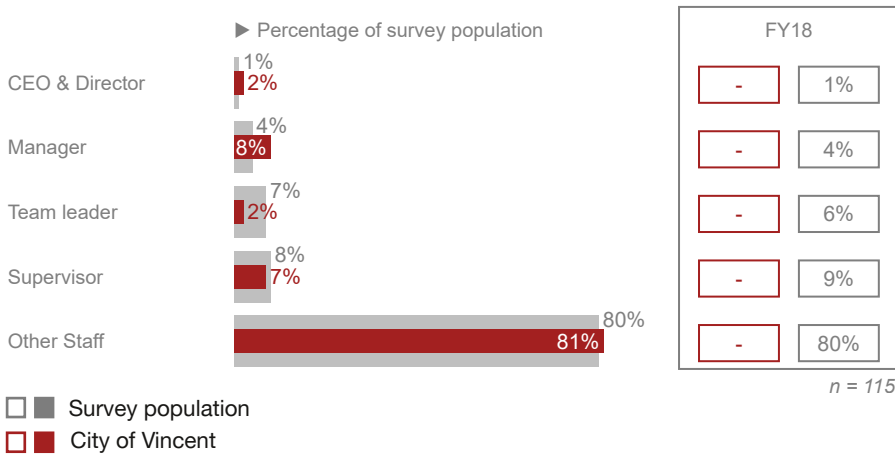
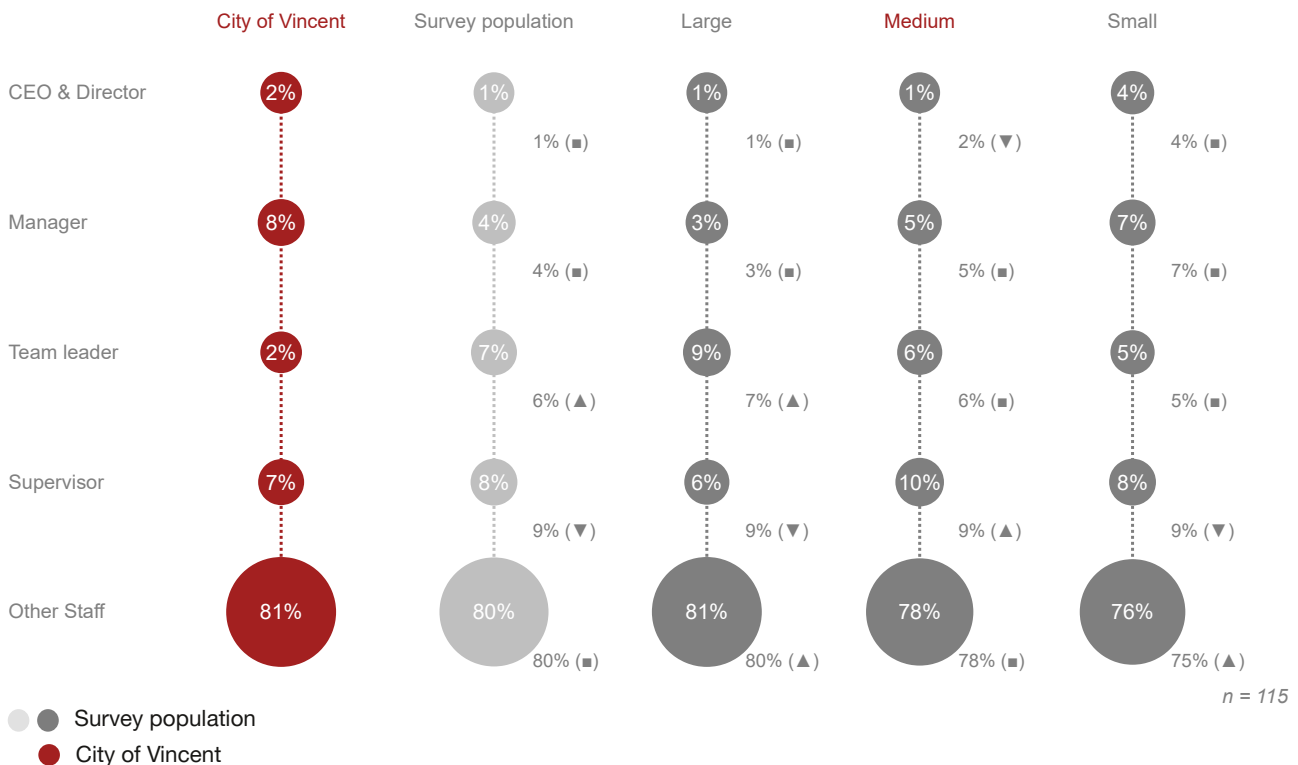


Figure 1.9: Staff level split (size of council)



Don't fall short on new talent

Rookie rate

The overall median rookie rate – the proportion of employees who joined a participating council in the past two years – increased marginally to 24%, following a 23% result in each of the three prior financial years.

As observed last year, the median management rookie rate again increased slightly, resulting in 17% of supervisors and above having less than two years' experience. This may be linked to the generational shift taking place as retirements occur and roles become available, and it indicates a trend towards a newer management workforce leading to an injection of new and varied management capabilities.

At a jurisdictional level, we see a higher influx of new supervisors and above in NSW, compared to other jurisdictions where this has dropped, with a median result of 16%, up from 13% in FY18. This integration of new management into the workforce is the highest we have seen across NSW councils in five years.

PwC's 22nd Annual Global CEO Survey surveyed 1,378 global CEOs in 90 territories, and showed that 'the availability of key skills' remains at the front of CEO's minds, with it jumping two places to third overall on a list of threats to growth prospects (behind 'over-regulation' and 'policy uncertainty'). Of the CEOs surveyed, 34% said they were 'extremely concerned' about the availability of key skills, placing it ahead of trade conflicts (31%) and cyber threats (30%).¹

While it is important to maintain a reasonable level of management stability in order to retain organisational knowledge and relevant experience, this needs to be complemented with the potential benefits that come from introducing new talent, especially when this alters team dynamics and leads to new and innovative ideas.

Definition

Rookie rate: Proportion of staff who commenced in the past two years.

Key considerations

- Are you considering how you can recruit people with new and diverse experience to add to the existing skill sets within your workforce?
- Are you clear on what 'future-fit' looks like and how your talent management strategy addresses market changes, emerging customer needs and digital transformation agendas?

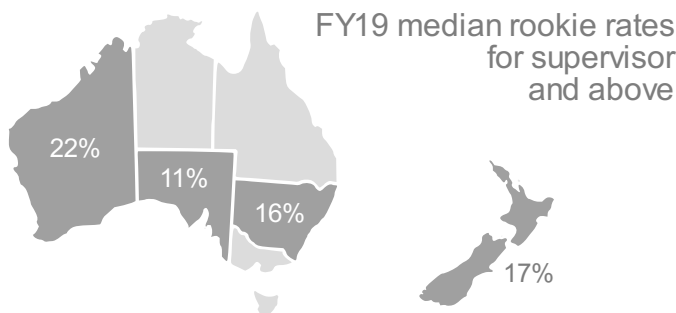
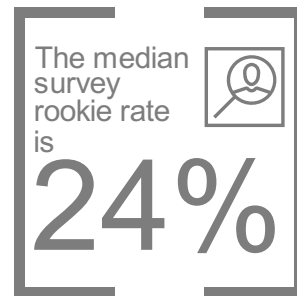
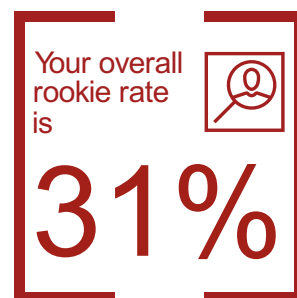
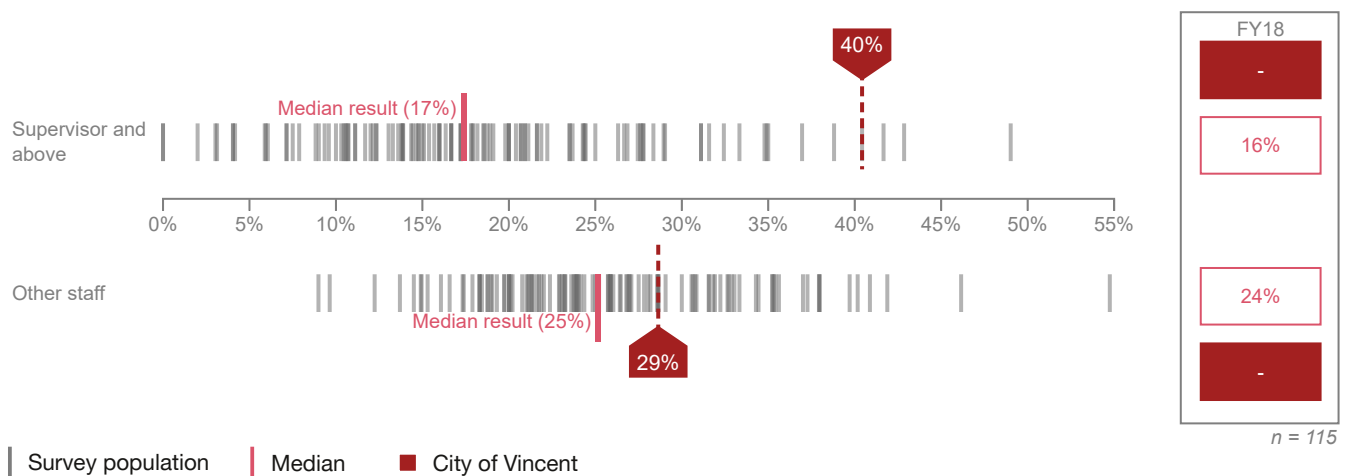


Figure 1.10: Rookie rate by staff level (proportion of staff who commenced in the past two years)



¹ PwC, 2019, 22nd Annual Global CEO Survey, 'CEOs' curbed confidence spells caution'.

Attracting, retaining and engaging talent

Talent strategy

It is critical for the local government sector to present a well-defined and strong employer brand to attract a variety of talent from diverse backgrounds who possess the required skill sets and a broad range of experience. Attracting council employees who are qualified, motivated and a good organisational fit can provide many benefits, from higher community satisfaction and increased productivity, to better employee engagement.

Our findings show that the overall top three areas of focus in the talent strategy continue to be: workplace culture and behaviours (86% of councils); skills and adaptability of staff (74%); and effective performance management (73%).

Across both NZ and WA councils, we observe sharp increases in the focus on the skills and adaptability of staff, with around 80% of these councils serious about developing the capabilities within their workforce.

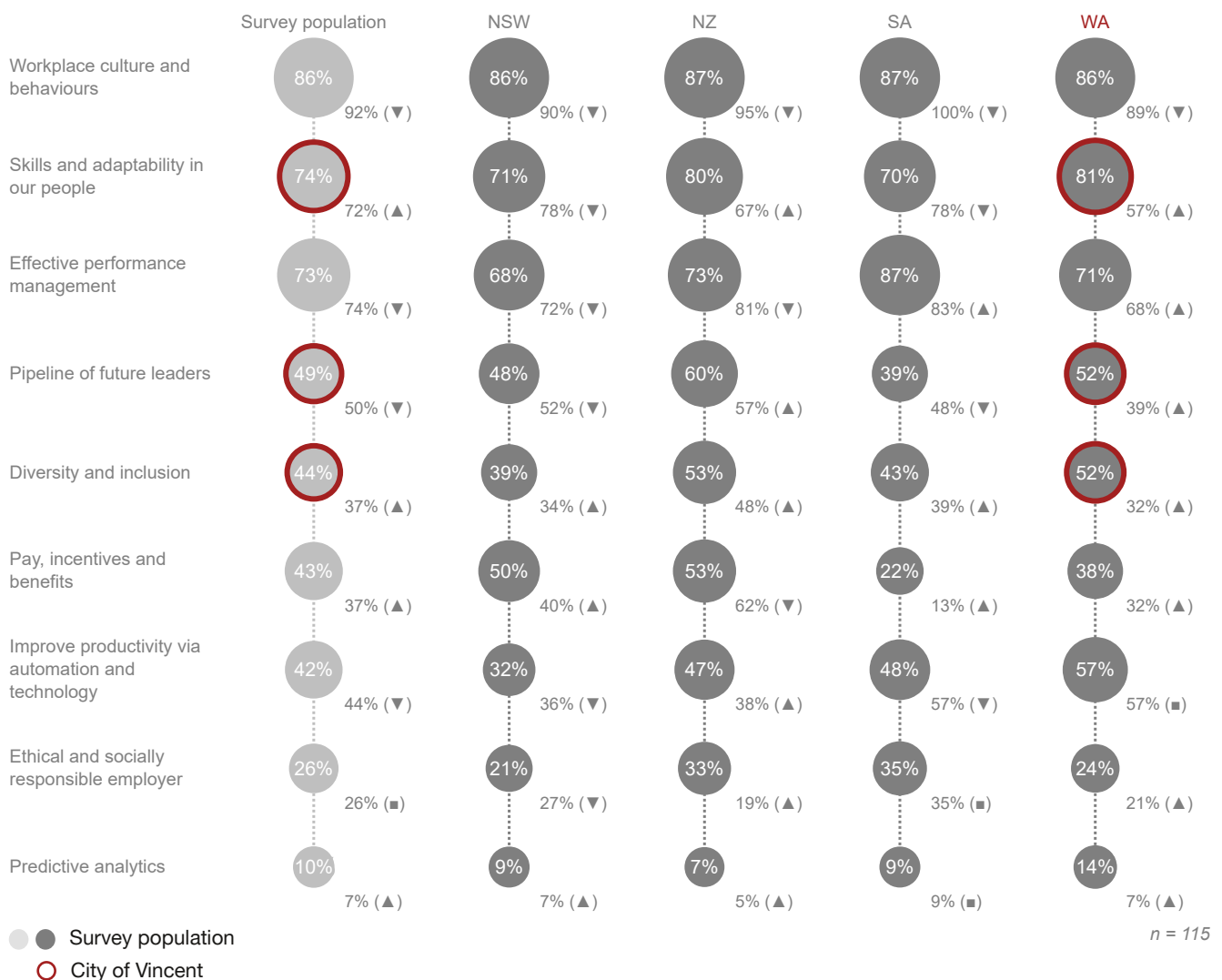
Diversity and inclusion (D&I) is another important area for organisations as they strive to be an employer of choice. While more councils across all jurisdictions are placing more emphasis on D&I as part of their talent strategy, more than half of WA councils are doing so (52%), compared to just under a third in FY18 (32%).

PwC's Workforce Planning in the Public Sector report urges government bodies to mature their workforce planning capability and look further into the future by taking action across four key activities:²

- Align your workforce and talent strategy with business strategy and capability;
- Make iterative improvements to your workforce planning process;
- Accelerate development of critical capabilities; and
- Build confidence in your data to power your people decisions

In regards to using data to power people decisions, we observe a much lower emphasis, with just 10% of councils focusing on predictive analytics as part of their talent strategy.

Figure 1.11: Areas of focus in the talent strategy



2 PwC, 2018, Workforce Planning in the Public Sector: Balancing capability and affordability

Are you recruiting staff with a diverse career background and gender?

New starter career backgrounds

PwC's 21st CEO Survey identifies that good workforce planning begins with tracking and mapping your current 'skills footprint' within your existing workforce.³ The diverse range of skills and experience already held by current staff, and the identification of any areas lacking, is an important consideration when preparing for a recruitment campaign or designing new roles within local government.

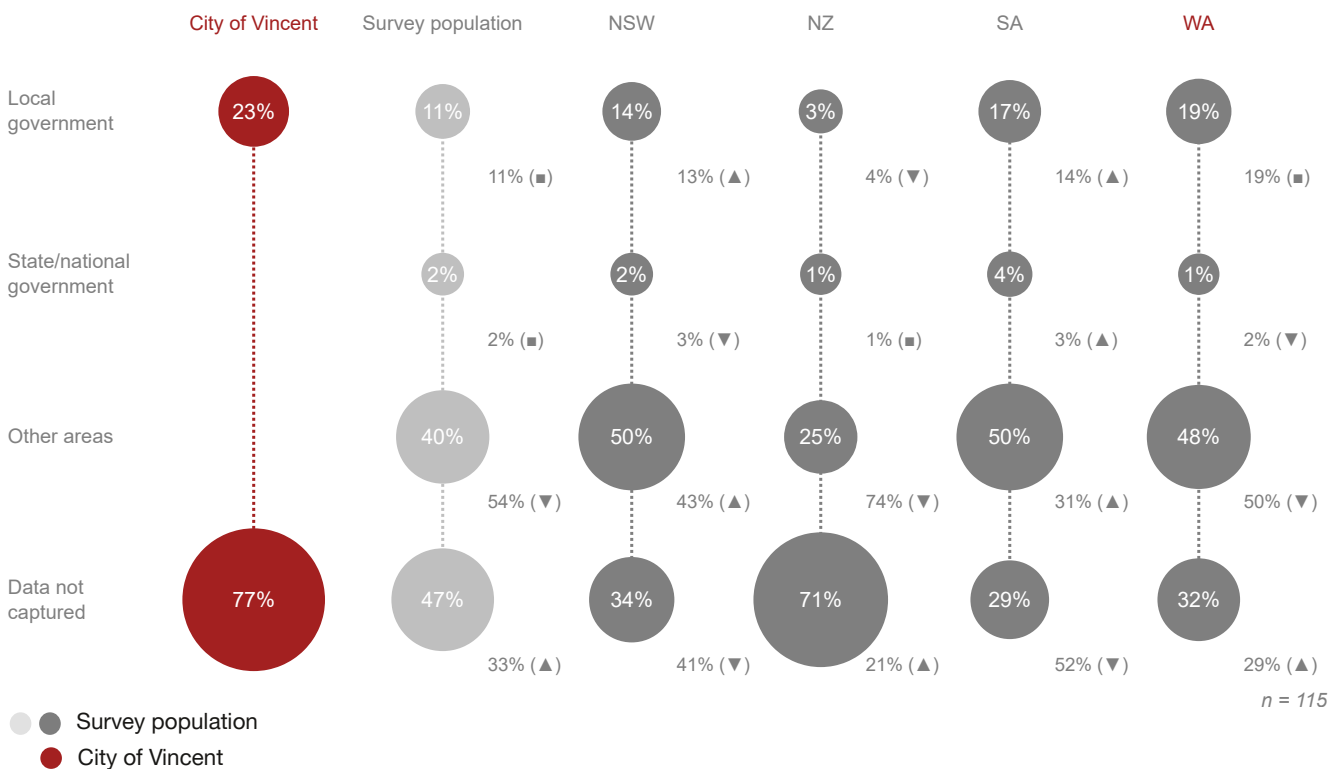
We asked councils to tell us more about their new starters, including whether they came from local government, state or federal government, or other areas. Australian councils continue to see far more movement of staff between councils compared to their NZ counterparts; 19% of new starters in WA were recruited from local government, 17% in SA and 14% in NSW, compared to just 3% in NZ councils.

We see just under half of councils not capturing a new employee's working background. We encourage councils to reconsider the collection of this important data as increasing the understanding of an employee's working background enables councils to more easily tap into prior skills or other industry knowledge, and assess how prior experience may affect ongoing performance.

Key considerations

- Do you have a good understanding of the prior experience of your new talent pool?
- Are there any patterns or trends when considering employee experience and their related success within the council workforce? Can this be built into your talent strategy to help attract new talent in the future?

Figure 1.12: Proportion of new starters from the local government sector



³ PwC, 2018, 21st CEO Survey, 'The talent challenge: Rebalancing skills for the digital age'

Actively building a more inclusive and diverse workplace

Diversity and inclusion workforce strategy

This year we have introduced a new focus area of diversity and inclusion (D&I). We have included specific components that we believe are important towards making progress in D&I, such as:

- Creating a robust D&I strategy that is leader-led, resonates with employees, and withstands organisational change;
- Designing robust and contemporary policies that support D&I, e.g. parental leave, flexible working; and
- Building the foundations that lead to a good understanding of the diversity of the workforce.

As noted above, a key fundamental element required for organisations to make sustained progress in D&I is to have an overarching strategy that is endorsed at the leadership level. Our overall results show that 75% of participating councils either have a formal diversity and inclusion (D&I) workforce strategy or are developing one.

The rate of adoption of a D&I strategy differs across the various jurisdictions. NSW and WA councils more likely to have adopted a formal D&I strategy, compared to just 22% of SA and a third of NZ councils.

The size and type of council also influences the likelihood of a D&I strategy, with 64% of small, and just over half of rural councils, without one. This may be a reflection of the size of the workforce, where a formal strategy is not considered necessary due to the council being in a position to be more flexible and agile with their employee needs. Alternatively, this could be a reflection of a lack of dedicated resources or budget assigned to drive the design, implementation and monitoring of a D&I strategy, as supported by the 2018 Benchmarking Diversity and Inclusion Practices in Australia report. Of 279 members of the Diversity Council Australia, 45% of D&I practitioners were extremely dissatisfied with the amount of resources/budget they were given, and only 19% of those reported that they focused only on D&I-related work, with the majority performing split roles.⁴

Introducing a D&I strategy is only part of the journey towards a more inclusive workplace. Councils need to ensure that the introduction of a strategy isn't just a tick-the-box exercise; rather, the strategy should leverage foundational policies as they relate to D&I, and be brought to life in the workplace through the actions and behaviours of employees.

PwC's Women in Work Index 2019⁵ outlines five important considerations in turning this strategy into effective action:

1. Make sure the D&I strategy supports the business and operational priorities and strategies.
2. Use data to diagnose potential areas for focus, set targets and measure progress.
3. Ensure the leadership team are accountable for improving diversity and inclusion and cascade this responsibility throughout the organisation.
4. Be honest with the progress being made, focus on addressing shortcomings, as well as celebrating achievements.
5. Set measurable goals, decide how they will be achieved and assign business leaders who are accountable for meeting these goals.

Definition

Diversity and inclusion workforce strategy: This is a leadership-led strategy that looks at D&I from an intersectional perspective and has clear messages that connect with employees around the 'why'. It should have a clear supporting governance framework to help drive progress and defined key measures of success that are monitored frequently. The most important component is ensuring that the strategy links clearly to the business objectives so it creates buy-in and ownership from the senior leadership cohort. This may involve procedures and training focused on increasing inclusion within your council.

Figure 1.13: Did your council have a formal diversity and inclusion workforce strategy in place during FY19?



n = 115

4 The University of Sydney - Business School in partnership with Diversity Council Australia and AHRI, 2018, 'Benchmarking diversity and inclusion practices in Australia'
5 PwC, 2019, Women in Work Index 2019, 'Turning policies into effective action to advance gender equality'

Creating a culture supporting diversity and inclusion

Diversity and inclusion policies

Those councils that reported having a formal D&I workforce strategy in place were then asked to indicate the adoption of specific policies to support their strategy.

Overall, we observe a wide range of D&I policies being offered across all councils, including employee assistance programs (100%), personal carers leave (96%), wellness programs (95%), and flexible working (92%). These policies support employee well-being and mental health, and in many cases have a positive flow-on effect to productivity and motivation within the workplace, as supported by PwC's Return on Investment analysis which reported that for every dollar spent on successfully implementing appropriate mental health actions, there is on average \$2.30 in benefits to be gained by the organisation.⁶ Ultimately councils are striving for a higher performance outcome leading to enhanced community satisfaction, well-managed employee turnover and a reduced need for extensive use of sick leave.

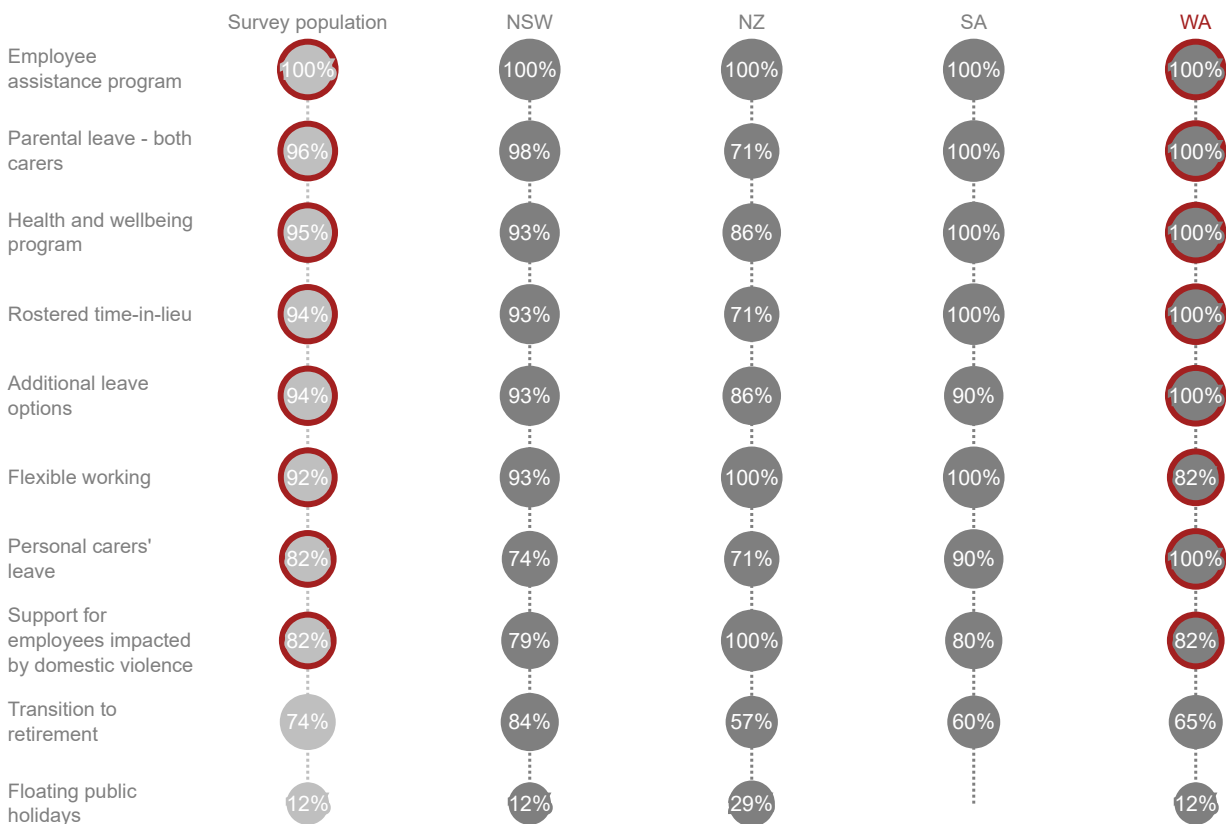
The adoption rate of a floating public holiday policy is low in NSW and WA councils (12%) and non-existent in SA councils. Yet 29% of NZ councils have moved towards offering this policy to their employees. This policy allows staff to 'swap' a national/state-recognised public holiday with a day of their choosing. This could be used by staff from different cultural or religious backgrounds as a way to recognise important celebrations that are meaningful to them, such as Lunar New Year or Diwali.

With millennials increasingly interested in the types of policies offered by employers, councils that offer additional benefits such as floating public holidays, additional leave options and/or flexible working, demonstrate they are an agile and diverse employer, and will be in a better position to attract talent to the local government sector.

Key considerations

- Have you designed a leadership-led D&I strategy that aligns with the business objectives? Does your D&I strategy have a clear message that connects with staff around the 'why'?
- Does your D&I strategy have a clear supporting governance framework to help drive progress with key measures of success defined?
- Have you assessed your D&I policies to ensure they are fair and inclusive to all staff - including those who may come from a diverse background or a traditionally underrepresented group?

Figure 1.14: Which of the following diversity and inclusion policies exist within your council?



● Survey population
○ City of Vincent

n = 77

6 PwC, 2014, Return on investment analysis, 'Creating a mentally healthy workplace'

Planning for new D&I initiatives

Collection of Diversity and Inclusion demographic data

Collecting demographic data on employee diversity can be a simple way for councils to assess the current composition of the workforce, and from there, better understand how effectively the council's workforce represents the communities it serves. The emphasis lies in the way this data can be analysed to assist in the introduction of new D&I initiatives as well as enhance existing policies. If this data is being collected, it is vitally important that there is an understanding and upholding of data privacy obligations. It will also be important to explain to employees why it is being collected and confirm the confidential nature of the stored data.

Our findings show that three quarters of councils collect gender data for new and existing employees. Collecting data about employees' ethnicity, disability or Aboriginal or Torres Strait Islander background is not widely performed, with only around a quarter of councils opting to do so for new and existing employees.

Our findings show that it is very rare for councils (85%) to collect demographic data on employees' sexual orientation, with a small percentage of councils (11%, or around 12 councils) including this an optional disclosure.

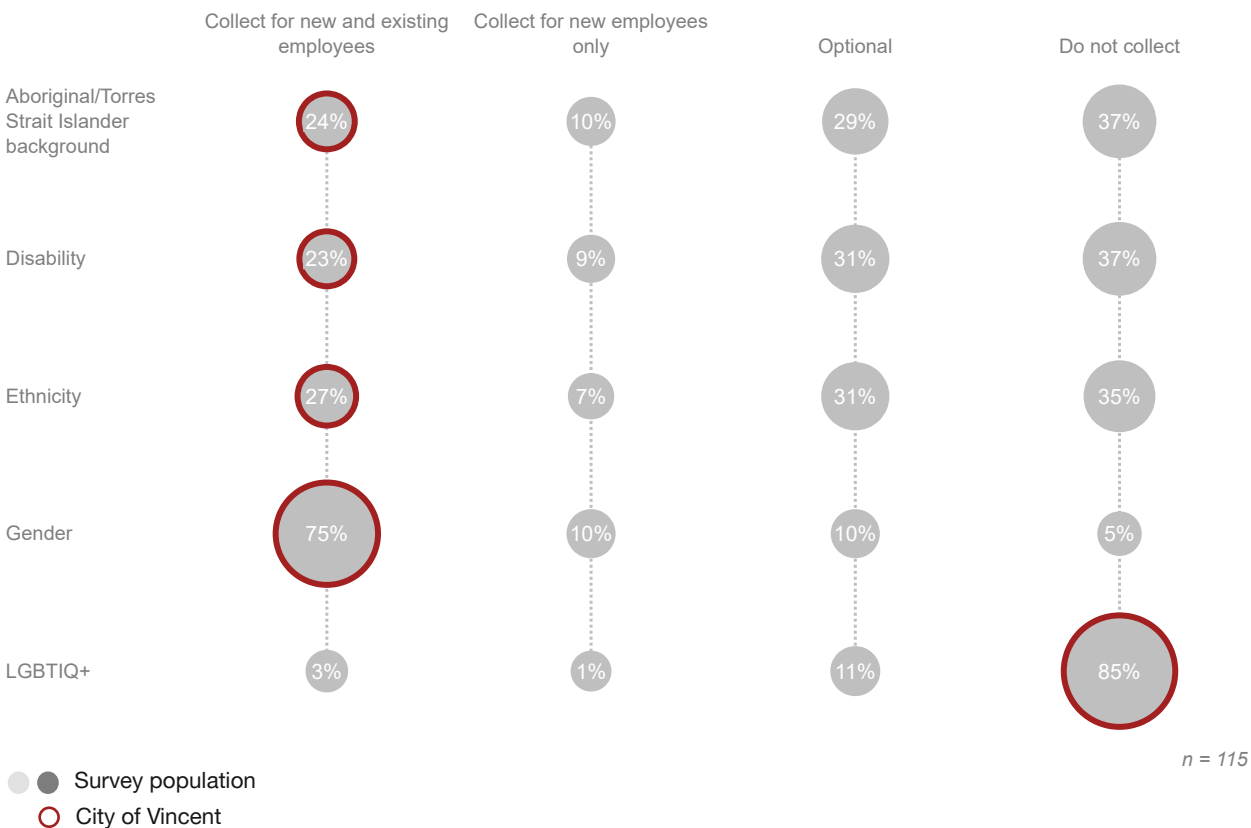
At a jurisdictional level, the results do not vary greatly, with the exception of a higher proportion of WA councils collecting various D&I datasets. Almost 50% of WA councils are collecting employee ethnicity, Aboriginal/Torres Strait Islander background and disability data, compared to around a quarter of NSW and 13% of SA councils. One other exception is almost half of NZ councils report collecting ethnicity data, compared to 27% collecting disability and no NZ councils collecting LGBTIQ+ data.

While not included within this survey response set, adding the option of 'prefer not to disclose' when collecting D&I demographic data from staff can provide insights in its own right. By monitoring how often 'prefer not to disclose' is selected, councils can begin to understand the extent to which employees feel it is safe to disclose their background at the workplace. Councils can then consider what action can be taken if there is a high response rate of 'prefer not to disclose'.

Key considerations

- Does your council have mechanisms in place to protect the collection of diversity data?
- Does your council understand the legal requirements when collecting and retaining this information?
- If your council is collecting D&I data, are you using it to drive new initiatives in the workplace to create more inclusion? Do you regularly report on D&I demographic data to various stakeholders such as employees and the community?

Figure 1.15: Which of the following demographic data does your council currently collect?



Are you recruiting staff with a diverse career background and gender?

Recruitment gender diversity

As in FY18, we observe equal representation of men and women being recruited within our surveyed councils.

NZ councils continue to be more likely to recruit females, with a median of 60% female new starters. This links to the higher overall female workforce in NZ councils as detailed in the Gender Diversity section in this report. We also saw a median of 54% female new joiners for WA councils, up from 49% a year ago.

Rural councils are increasing the proportion of women being recruited, with a median of 54% female new starters, up from 46% in FY18.

While overall equity in recruitment is a positive result, such a result can be achieved due to the aggregation of several imbalanced workforces. For example, where men predominate in IT and women do so in HR. The benefits of a diverse workforce can only truly be achieved when there is gender balance within and across individual teams.

The analysis conducted at a service level, presented in the Service Delivery section of this report, provides a comparison of service areas within council workforces, thereby providing councils with the opportunity to set goals at the service area level.

Key considerations

- Are you educating those involved in recruitment to be aware of, and avoid, unconscious bias in the recruitment decision-making process?
- Do you understand the most successful method for attracting a diverse range of applicants? Have you considered how your workplace brand and policies impact this?

Figure 1.16: Proportion of female new starters (council jurisdiction)

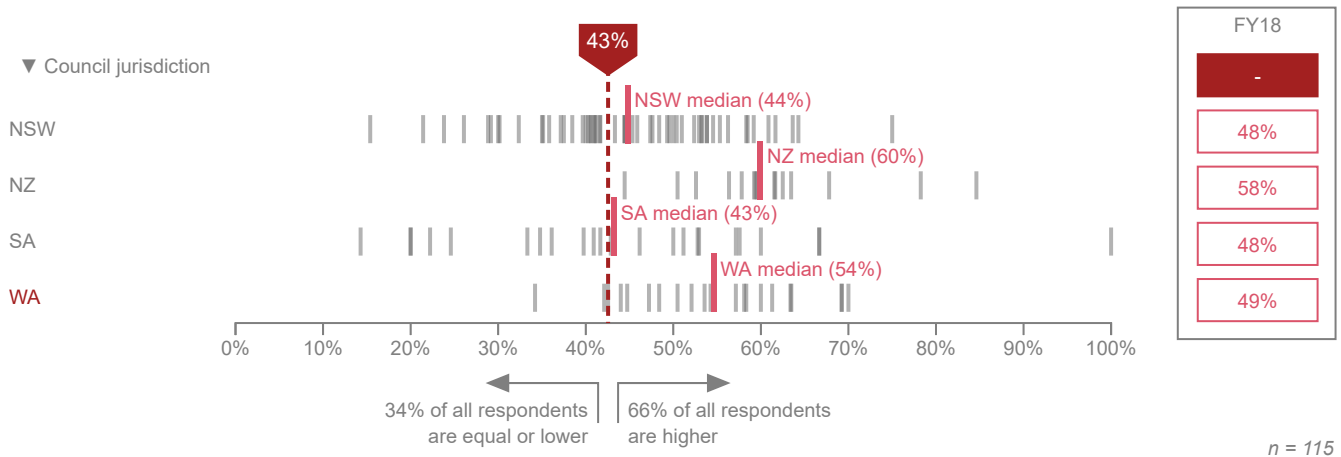
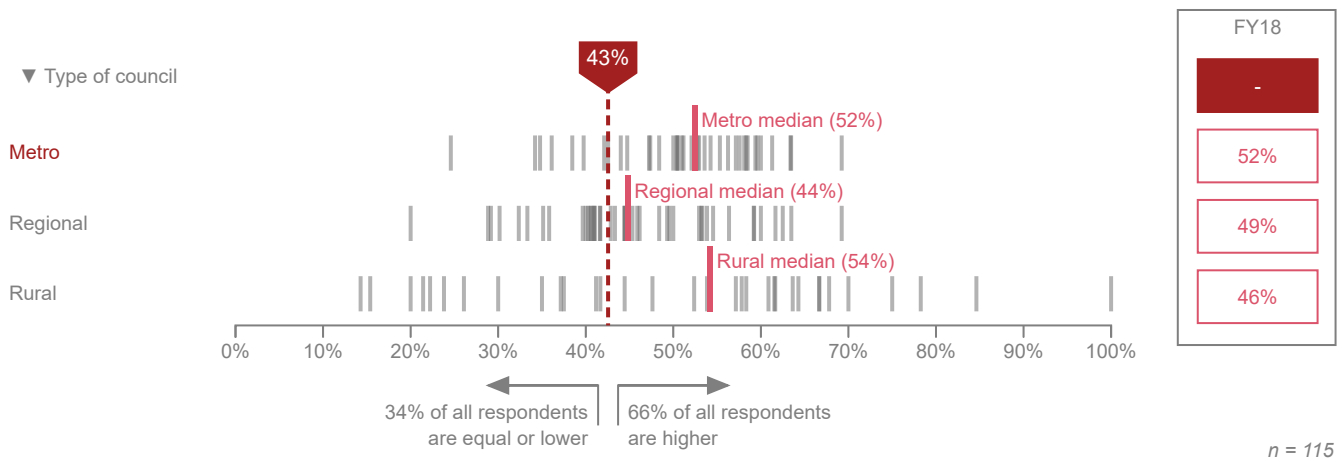


Figure 1.17: Proportion of female new starters (type of council)



Survey population | Median | City of Vincent

Are you striking the right balance between retaining and refreshing your people?

Staff turnover

Our survey results show a consistently low turnover rate in local government, with the FY19 median result (including fixed term (FT) contractors) at 12.9% versus 10.9% (excluding FT contractors).

Both of these median staff turnover rates represent a year-on-year decline, attributable to the reduction in the median NSW council staff turnover rates, with other jurisdictions remaining relatively stable compared to the prior year.

The result of 14.1% (including FT contractors) noticed by NSW councils in FY18, compared to 12.6% in FY19, is likely a result connected with the council amalgamations and the finalisation of the needs of the merging councils in regards to workforce skills, teams and service areas.

A moderate level of staff turnover is considered healthy for organisations, and so councils should monitor their results, particularly in light of the changing generational workforce mix and as more baby boomers exercise the option to retire. Digital transformation across many business processes, with the introduction of automation, may also impact the nature of some existing roles in the future which could lead to further long-term shifts in the workforce.

Definition

Staff turnover rate: Total number of all leavers in the year divided by the headcount at the start of the year (excluding casual employees).

Key considerations

- Are you monitoring staff turnover at a more granular level, by staff level, generation, gender, service area and department, to better understand where there may be higher or lower rates of attrition?
- Are you refreshing, or retaining, your staff at the right rate so you can achieve your goals and meet community needs in the future?
- Do you perform exit interviews to collect data and analyse turnover trends within your council?

Figure 1.18: Staff turnover rate (including fixed-term contract employees)

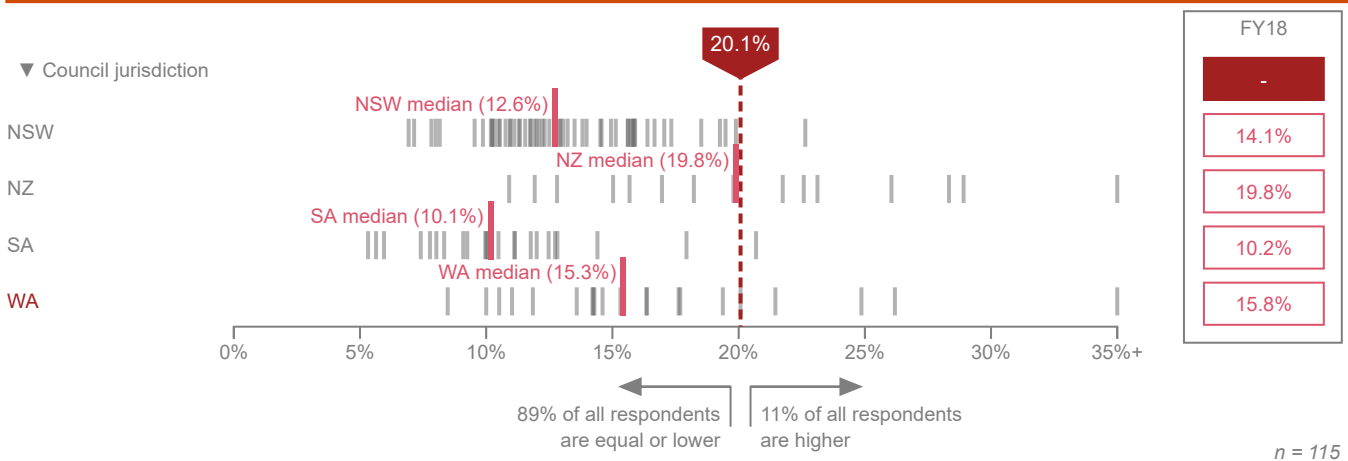
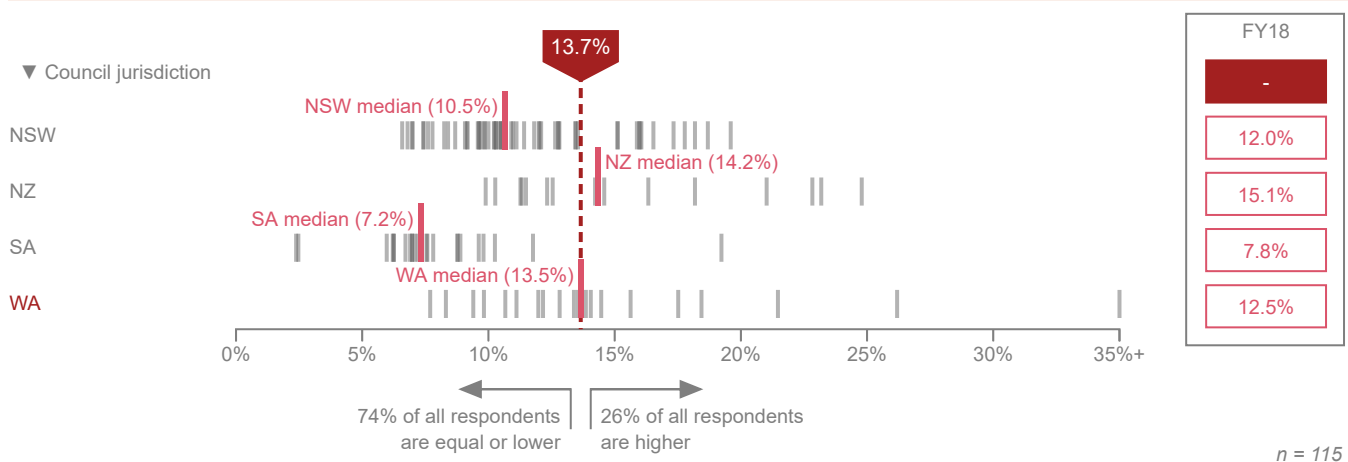


Figure 1.19: Staff turnover rate (excluding fixed-term contract employees)



Survey population | Median | City of Vincent

Who is leaving your council?

Staff turnover rate in detail

To allow councils to further dissect their overall staff turnover results, we have performed the same calculations across five different dimensions. These turnover calculations exclude casuals but include fixed-term contract employees.

The introduction of Gen Z within our survey population this year shows a higher median staff turnover rate (31%), compared to the other generations. This is slightly accentuated due to the lower headcount of this cohort (it represents just 5% of the surveyed workforce); nonetheless, each council should review their Gen Z turnover and discuss trends and anecdotal evidence with the senior leadership team.

At a jurisdictional level, NZ councils continue to have the highest rate of Gen Y turnover, with a Gen Y median turnover of 26%. This is closely followed by 23% in WA councils, up from 20% in FY18.

When looking at overall median turnover by staff level, we continue to see higher median turnover rates at either end of the staff level spectrum of senior management and 'other staff', compared to the middle ranks of team leader and supervisor. An accentuated median turnover rate at the 'other staff' level is seen in NZ (18%) and WA councils (15%), compared to 9% in SA and 12% in NSW councils.

When comparing overall median turnover rate across the four corporate services areas, the median turnover within HR continues to be the highest at 16%. The median customer service turnover rate has actually contracted in the past year, sitting at an all time low of 6%.

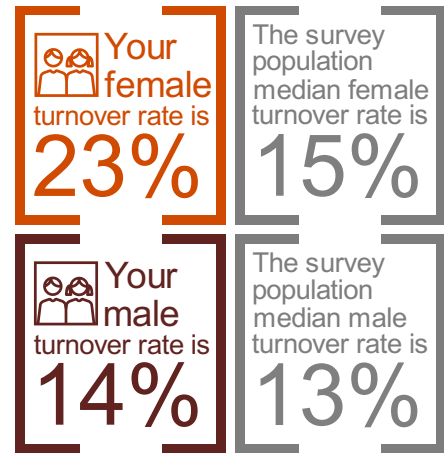


Figure 1.20: Staff turnover rate by generation

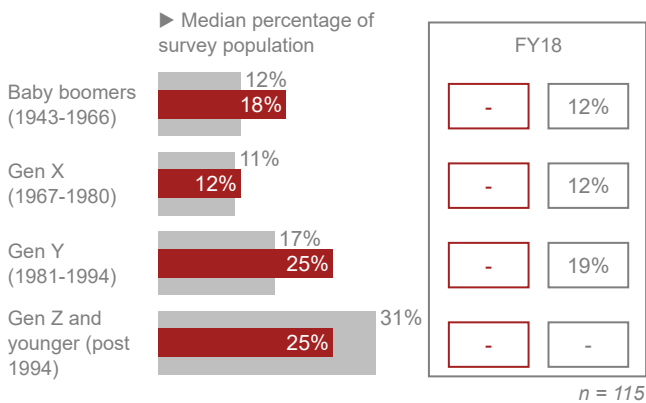


Figure 1.21: Staff turnover rate by tenure

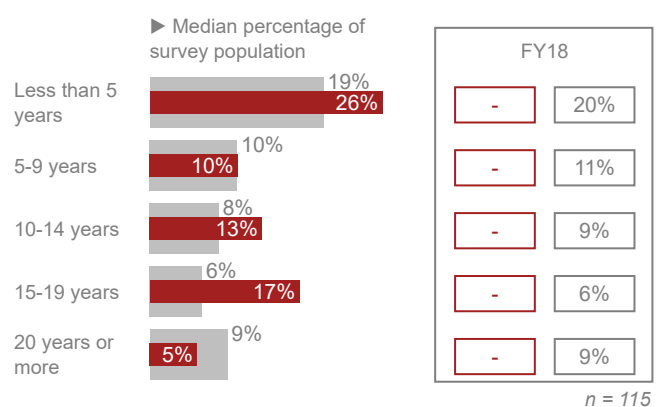
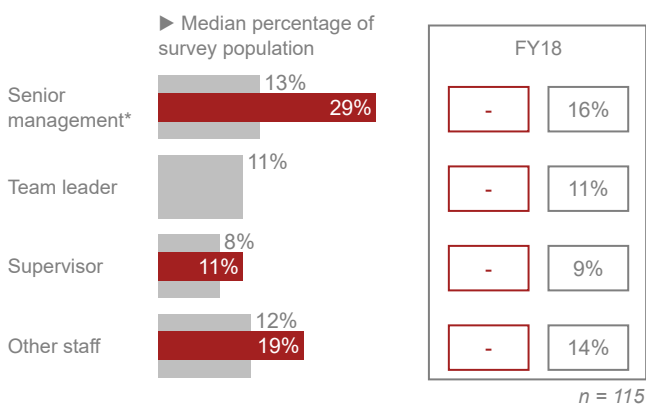


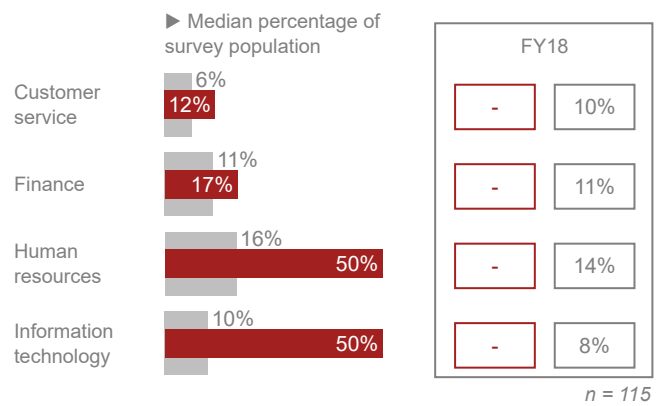
Figure 1.22: Staff turnover rate by staff level



*Includes CEO, Director and Manager.

Legend:
 Survey population
 City of Vincent

Figure 1.23: Staff turnover rate by corporate service area



Turnover rate for employees in their first year of employment

Staff turnover rate in year one

Examining the turnover rate in the first year of employment enables councils to explore the frequency of new employee resignations and provides insights into the effectiveness of the talent and recruitment strategy, as well as reflecting industry changes.

Similar to the decline in the overall median staff turnover rate excluding fixed term contractors (10.9%, down from 12% in FY18), the median year one staff turnover rate of 15.6% has also fallen from a five year high of 18.2% in FY18. Despite the fall, it continues to suggest that new recruits are 1.4 times more likely to leave a council in their first year of employment, compared to employees with extended tenure.

When analysed at a jurisdictional level, it is only NSW councils that have seen a decrease in first year attrition, down to 15.7% from a five year high of 21.1% in FY18. This suggests improved stability of new recruits within NSW councils.

In WA councils, we observe a rise in the median year one churn rate of 19.4%, compared to 18.2% in FY18. The gap between the median year one staff turnover rate of 19.4%, and the equivalent overall turnover of 13.5% in WA has closed slightly in the past year. The difference between the two metrics remains the largest gap across jurisdictions and suggests a broader challenge in selecting and retaining new employees.

A year ago we observed an almost non-existent gap in the NZ median year one staff turnover rate and equivalent overall turnover rate. However in FY19 a gap now exists (17.2% year one, compared to overall 14.2%), suggesting a return to expected patterns of staff turnover. The explanation for a 0% median year one turnover result in SA is due to more than half of the SA participating councils not losing any new recruits in their first year.

We also consider diversity measures in the analysis of the median year one staff turnover rate, and for the first time in five years, we report overall equity in the rate at which men and women exit a council in their first year of employment.

Definition

Staff turnover rate in year one: Total number of leavers with less than one year of experience divided by the headcount at the start of the year with less than one year of experience (excluding casual and fixed term contract employees).

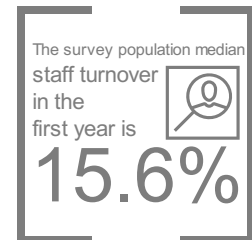


Figure 1.24: Staff turnover rate in the first year (excluding fixed-term contract employees)

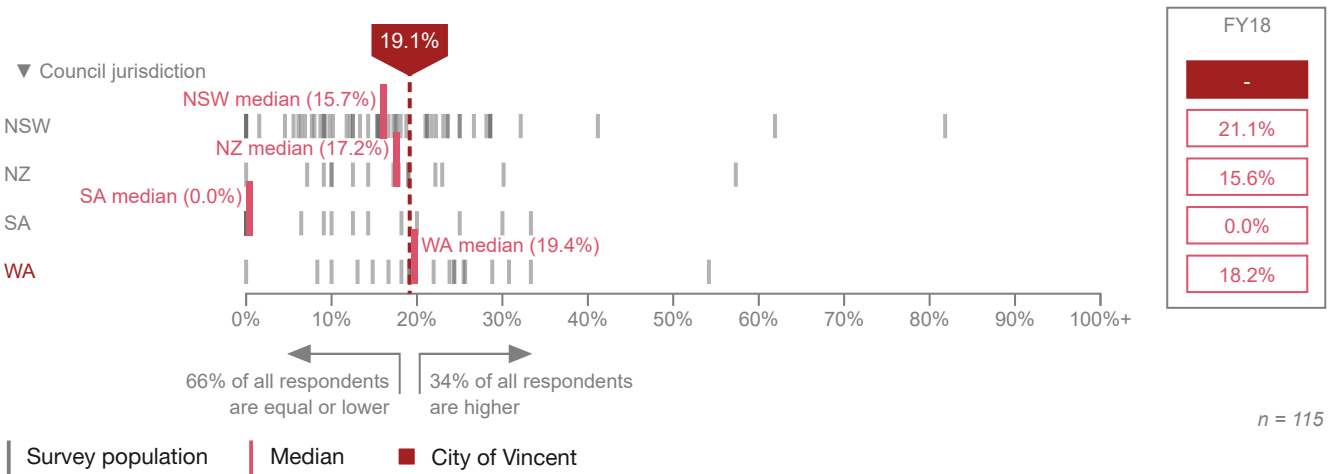


Figure 1.25: Median gender turnover rate in the first year (council jurisdiction)



Turnover rate for employees in their first year of employment

Generational turnover rate in the first year

Since FY15, we have consistently observed volatility in the Gen Y and younger cohort being more likely to leave in their first year of employment, compared to the Gen X and baby boomer cohorts.

While the chart on this page separates Gen Y and Gen Z, to be able to compare to the prior year, we have separately calculated a Gen Y and younger year one turnover rate, and we see a remarkable decline in the rate at which Gen Y employees leave a council within one year of joining, with a median of 13%, down from 18% in FY18, and for the first time in our program, a comparable rate to the median Gen X year one turnover rate.

This shift in the median Gen Y year one staff turnover rate is most pronounced in NSW where it has historically hovered around 20%, but in FY19 is at an all time low of 13%.

Conversely, WA councils are advised to delve deeper to better understand why the median Gen Y year one attrition rate is now at 24%, the highest of all jurisdictions, and substantially higher than 17% in FY18. In addition, we see a WA median churn rate in year one of 22% for baby boomers.

Millennial employees now make up the majority of the global workforce,⁷ and it is important for councils to consider optimising retention strategies for this cohort aged in their 20s to early 30s.

The 2019 PwC Digital Pulse report has identified a number of traits specific to Millennials which should be taken into consideration as part of any review of existing retention and attraction strategies:

- **They are social:** Millennials have grown up in an environment where they are used to building and sustaining connections through social media and striving to present a better version of themselves.
- **They want transparency and feedback:** Thanks to the internet, people are immersed in a hyper feedback culture. As a result, Millennials seek honest, in-the-moment feedback.
- **They want work/life balance:** Millennials are turning away from the traditional five-day week. And with the technology readily available to support it, remote and flexible working isn't seen as a privilege - it's a requirement

- **They want mobility:** Millennials can expect to see more diversity in their careers and they plan to work for longer. They don't think of advancement in terms of seniority and time of service and results matter more than tenure.

- **They want training and development:** Millennials taught themselves digital skills during their teenage years. They're used to constant, iterative improvement, and want to apply this to their working processes.⁸

With the increasing presence of Gen Z (born post-1994) and the need for Gen X to remain in the workforce for longer, councils should see this as an opportunity to adapt and balance the needs of a workforce with increasingly different needs.

Figure 1.26: Median turnover rate (by generation) in first year



7 PwC, 2019, Digital Pulse, "The impact of millennials on the workplace"
 8 Ibid

Talent diversity

Gender diversity

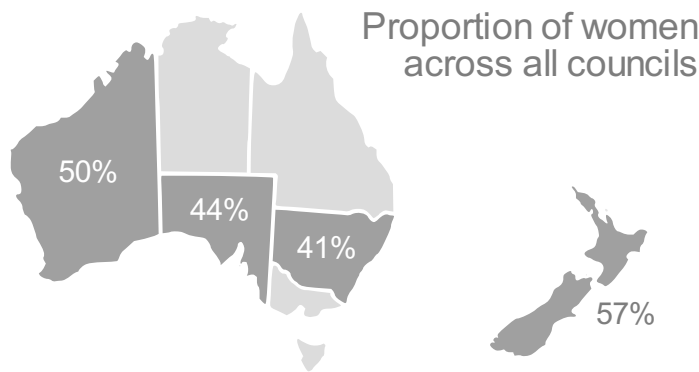
The local government sector continues to serve as an exemplary workplace for the inclusion of women. In our program, women represent 47% of the surveyed council workforce. The proportion of women in the workforce remains highest in NZ councils (57%), followed by WA councils (50%).

When further analysing gender diversity at each staff level, the representation of women tends to decline as the level of responsibility rises. Our results show that women comprise 49% of all employees at

the entry level position of 'other staff,' but this slowly declines as the positions become more senior. By the time an employee reaches the manager grade, we only see 38% of women, and an even smaller 22% of women at the CEO level.

According to the PwC Women in Work Index Report, many women often have to combine work with ongoing caring commitments, which necessitates part-time or flexible working.⁹ However, opportunities are constrained by the lack of flexible or part-time roles available for

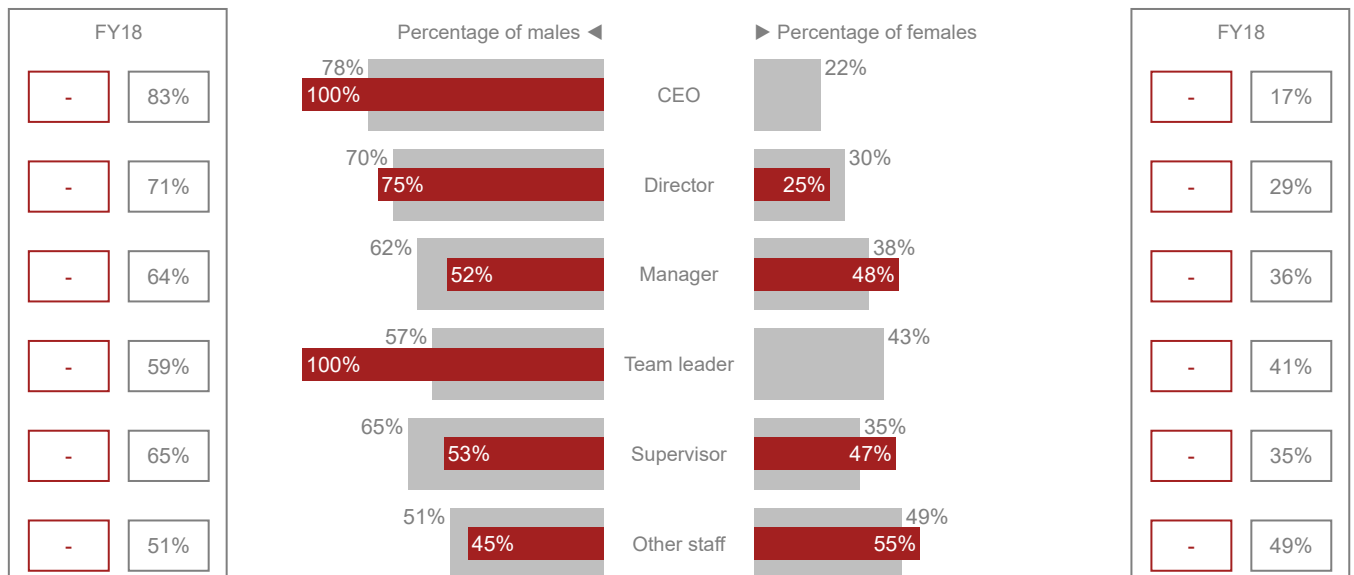
senior and higher-skilled jobs. The report further notes that businesses can play a role in improving female representation at senior levels by making flexible work opportunities more widely available and taking active steps to build a pipeline of female leaders.¹⁰



52%
of your workforce is female

47%
of the surveyed workforce is female

Figure 1.27: Gender split by staff level at 30 June 2019



Legend:
 Survey population
 City of Vincent

n = 115

9 PwC, 2018, PwC Women in Work Index, 'Closing the gender pay gap'

10 Ibid

Talent diversity

Pipeline of female employees

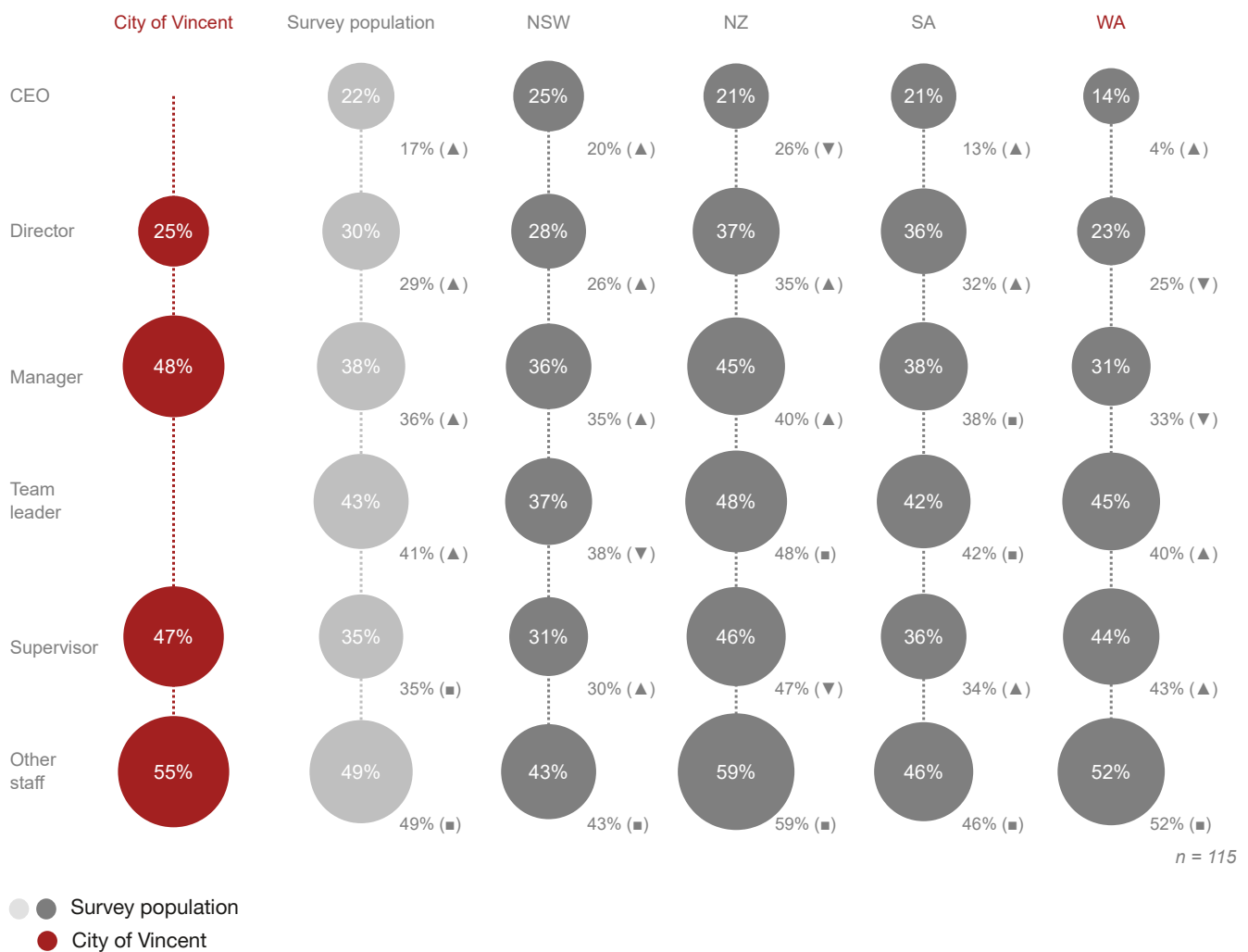
Over the last three years, we have observed more women moving into senior management and leadership positions in the local government sector. Importantly, our findings show an increase in the proportion of women at the CEO level, with 22% female, up from 17% in FY18 and 12% in FY17. Female representation at the director and manager levels also continues to improve.

This increase in overall female representation at the CEO level reflects the strong year-on-year improvements across the Australian jurisdictions, especially in NSW councils where there is now 25% female representation at the CEO level (up from 20% in FY18 and 14% in FY17).

PwC's 2019 Women in Work Index notes that while governments are responsible for shaping a policy environment that supports gender equality and diversity in the workplace, it is up to organisations and employers to put this into practice.¹¹

As such, councils should consider their current internal policy setting agenda and whether any new initiatives are helping to attract, promote and retain top female talent in management roles. First and foremost, a merit-based, unbiased selection process for recruitment and promotion should be implemented, while other key policy levers may include (but are not limited to) offering flexible working hours, mentoring programs, diversity and inclusion programs and awareness, and active sponsorship of women by the leadership team.

Figure 1.28: Female employees by staff level



11 PwC, 2019, 'Women in Work Index 2019: Turning policies into effective action'

Talent diversity

Gender diversity in senior levels

Progression of women into senior management roles, at a similar rate to men, remains a challenge faced by many organisations. Based on the Australian data collected by the Workplace Gender Equality Agency (“WGEA”), covering over 4 million non-public sector employees, females comprise 39.4% of manager and above levels, broadly in line with the prior year.¹²

In terms of the pipeline of future female leaders across our local government survey population, the median proportion of female employees at manager level and above is now at 33%, up from 31% in the prior year. The median in NZ councils is much higher, with 44% female managers and above, up from 39% in FY18.

The WGEA report goes on to explore the representation of women in senior leadership roles, with 31.5% of key management personnel roles¹³ represented by women (up from 30.5% in prior year), and 17.1% are CEOs (consistent with prior year).

In comparison, we see a blended overall female CEO and director median of 25% in local government, consistent with the prior 5 years, except for a dip to 20% in FY17.

Fostering female talent and promotion is just one of the ways councils can future proof their workforce. Councils need to be considering the impact of an aging workforce and the potential senior

positions that will become vacant, and how female talent within the workforce could play a vital role in succession planning.

Councils can ensure they are future-fit by identifying a pool of talent in the existing group of employees and developing strategies to support female managers in applying for these future leadership roles.

Key considerations

- Have you incorporated a focus on developing all managers equally for senior roles within your council?
- Do you have equal gender representation in your recruitment processes?
- Have you considered setting some merit-based KPIs for senior management that will support diversity of talent?
- Have you implemented or piloted a flexible working policy and/or strategy targeted at both men and women?

Figure 1.29: Females at manager and above levels

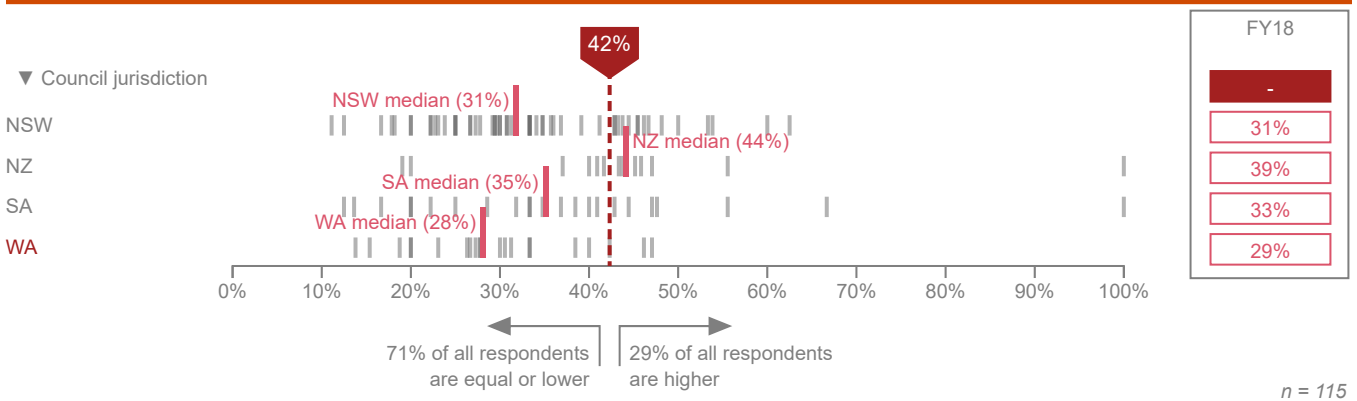
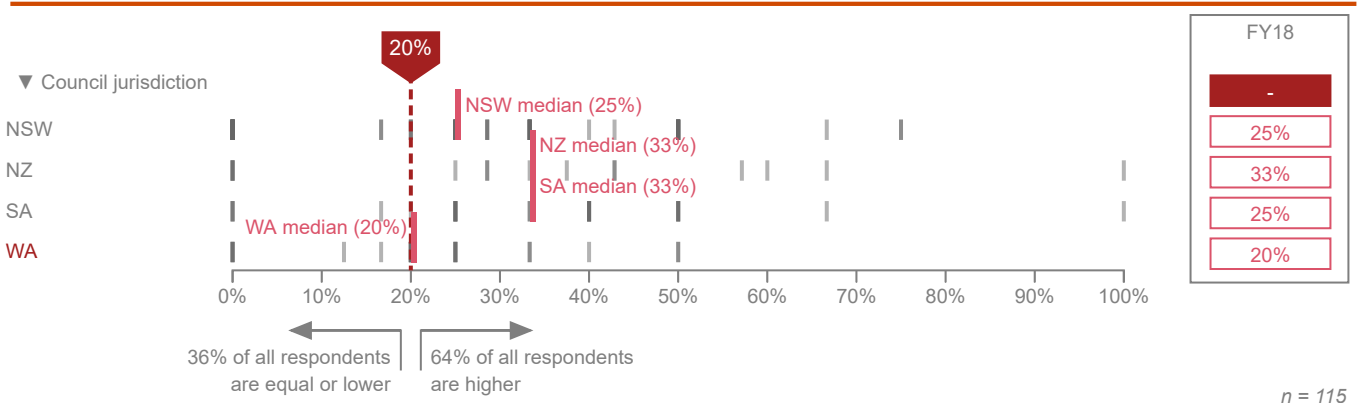


Figure 1.30: Females at CEO and Director levels



Survey population | Median | City of Vincent

¹² Workplace Gender Equality Agency (WGEA), November 2019, 'Australia's gender equality scorecard. Key findings from the WGEA's 2018-19 reporting data'

¹³ Key Management Personnel ('KMP') is a manager who represents at least one of the major functions of the organisation and participate in organisation-wide decisions with the CEO

Removing the glass ceiling

Promotions

It is important that councils provide growth opportunities for both women and men in leadership positions. Moreover, the rate at which women are promoted into senior roles is one indicator of a council's diversity performance. By assessing the rates of promotion, councils can determine how close they are to achieving gender balance during promotion cycles and more importantly how much more focus they need in this area.

For the first time since the survey began, we observe overall promotion equality in the proportion of men and women being promoted to supervisor or above, both at 1.1%. However, when analysed at a jurisdiction and council type level we observe some differences.

A year ago, NSW councils achieved promotion gender balance, and in FY19 we see a higher rate of women (1.4%) being promoted into supervisor and above levels, compared to 1.2% of men. Likewise in WA councils, a higher proportion of women (1.1%) than men (0.8%) were promoted to supervisor or above levels, and this situation has persisted for two consecutive years.

Both NSW and WA councils have a lower proportion of women in manager and director roles than SA and NZ councils, so this result may reflect a realignment of the female pipeline and a focused effort on implementing equitable promotion strategies.

Conversely across both SA and NZ councils, men were more likely to be promoted to supervisor or above levels in FY19. The gap in NZ councils was minor, with 0.8% of men compared to 0.7% of women being promoted. Meanwhile, there was a more pronounced gap in SA councils, with 1.4% of men compared to 1.0% of women being promoted.

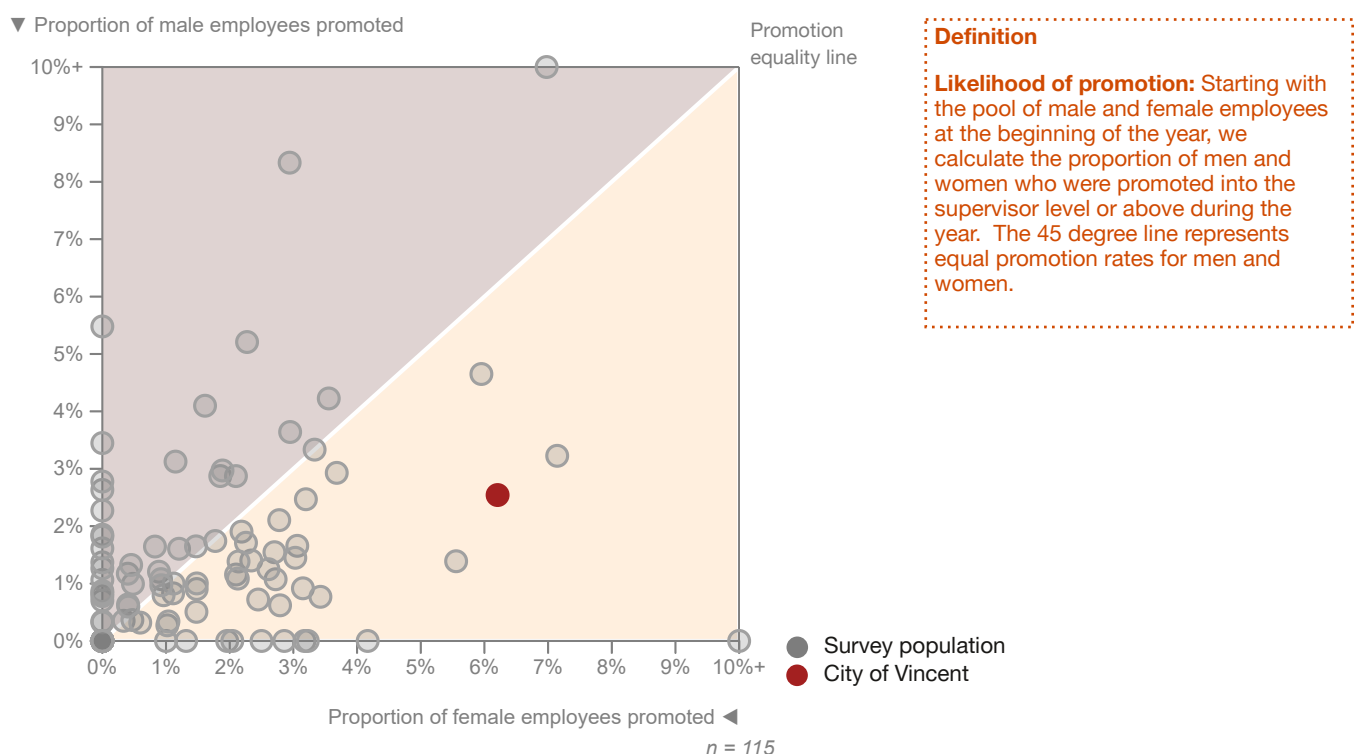
Gender promotion balance also varied by council type. Metro councils had a much closer alignment of women and men being promoted to supervisor and above roles; 0.8% of women, compared to 0.9% of men. However, women were more likely to be promoted compared to men across both regional (1.5% of women vs 1.3% of men) and rural councils (1.4% vs 1.1%).

We acknowledge that cultural change often takes time, and a single year of results should be taken as such. It is important for each council to dissect their results and review whether new strategies around equitable progression of all employees across all staff levels and business areas is having a desirable impact.

Key considerations

- Do you have a structured merit-based selection process, especially in regard to existing promotion processes for senior executive positions?
- Do you perform a final review of your promotion decisions to consider diversity statistics? i.e. percentage of male vs. female promotes?
- Have you analysed your promotions at each level and by business unit? Is there an imbalance across the more senior levels? Why is this?
- Do you have a rigorous and independent talent review process that supports enhanced decision making regarding senior promotions?

Figure 1.31: Likelihood of promotion into supervisor or above levels, by gender



Removing the glass ceiling

Rate of promotion

Our survey also examined the rate of promotion for all employees across different staff levels, as shown in Figure 1.32. At an overall level, there are visible results of councils developing a strong leadership pipeline for female staff members, with increases across the vast majority of staff levels.

Our rate of promotion calculation examines the proportion of employees who were included in the opening headcount of a specific staff level, and were promoted during the year.

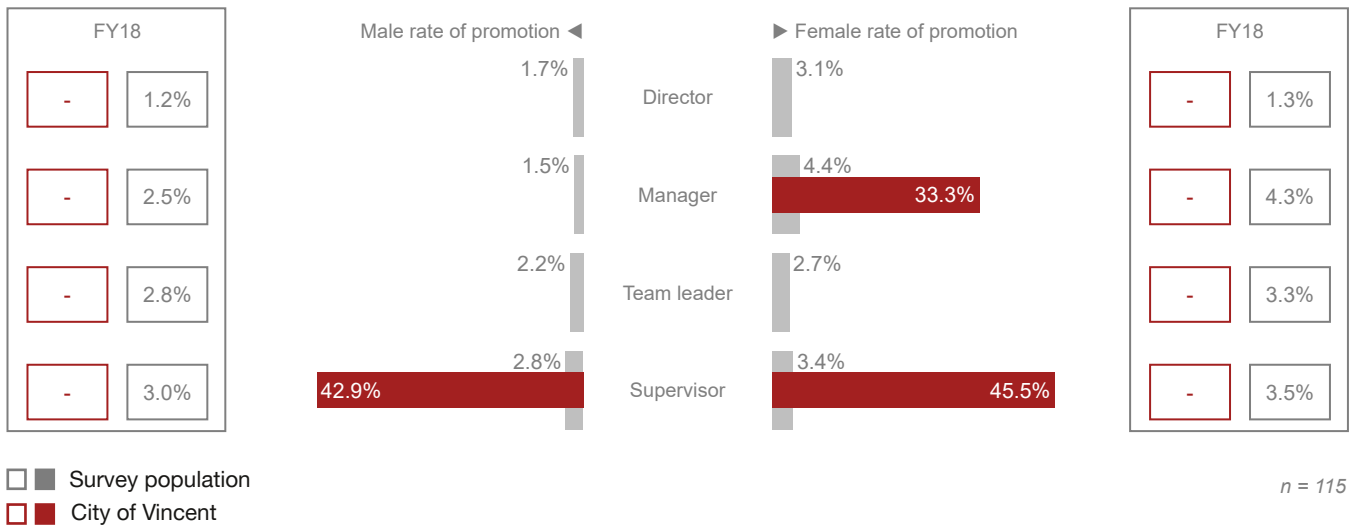
Within the manager level, we continue to observe a two year trend with a higher proportion of female managers being promoted, compared to male managers. Women in the manager grade were almost three times more likely than males to be promoted (4.4% vs 1.5%) in FY19, compared to 1.7 times in FY18.

This trend is also evident at the director level, with female directors being almost twice as likely to be promoted than their male counterparts (3.1% vs 1.7%).

At the director level, our result is driven by both NSW and SA councils, with no promotions being recorded at this level by NZ and WA councils. However, at the manager level, the higher female promotion rate was seen across all four jurisdictions.

At the team leader and supervisor levels, we continue to see the trend for more women being promoted, compared to men. Both of these levels are important career development milestones where potential successors for key management roles may emerge, so we encourage the continued focus and achievement of gender balance at this level.

Figure 1.32: Rate of promotion - gender split by staff level



How are you preparing for the generational shift?

Generational diversity

Councils are better able to position themselves for the future and appropriately tailor their HR strategies and initiatives when they have an understanding of the generational diversity trends affecting their workforce. This year we have introduced the Gen Z cohort, born 1995 onwards, by splitting the “Gen Y and younger” cohort. This acknowledges the material share of the workforce that Gen Z now represents. Overall this cohort is still small, however for some councils the recruitment of Gen Z may be more prevalent and therefore more influential as HR strategies and initiatives are being designed or enhanced. For the first time in our program, we see Gen X rather than baby boomers as the largest segment within the council workforce, with a sizeable 35% representation. This suggests that the generational shift is in full swing.

Figure 1.33: Headcount mix by generation

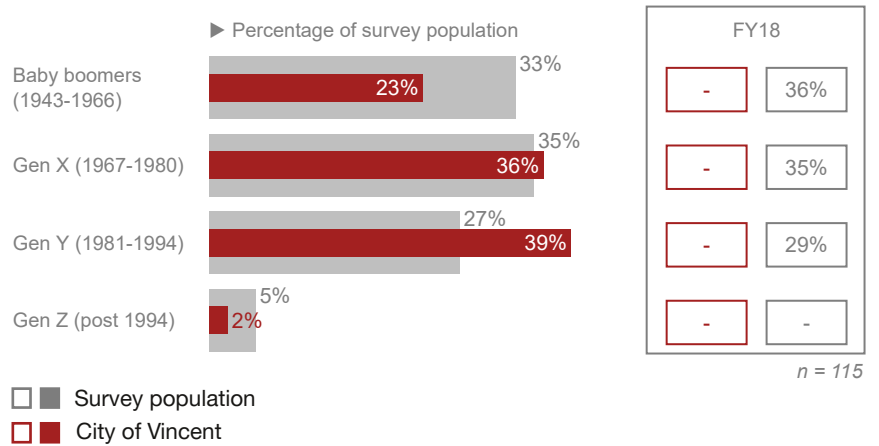


Figure 1.34: Workforce profile (closing headcount breakdown by generation and gender)

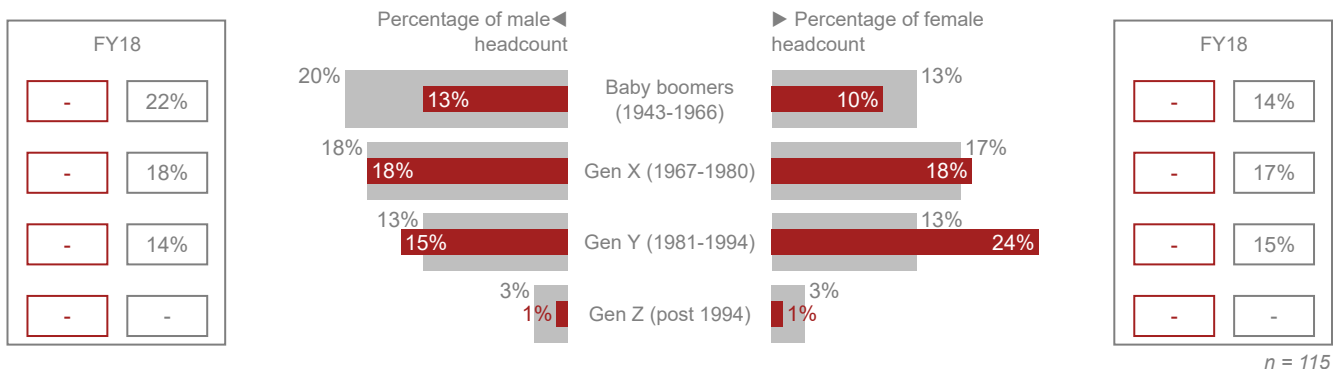
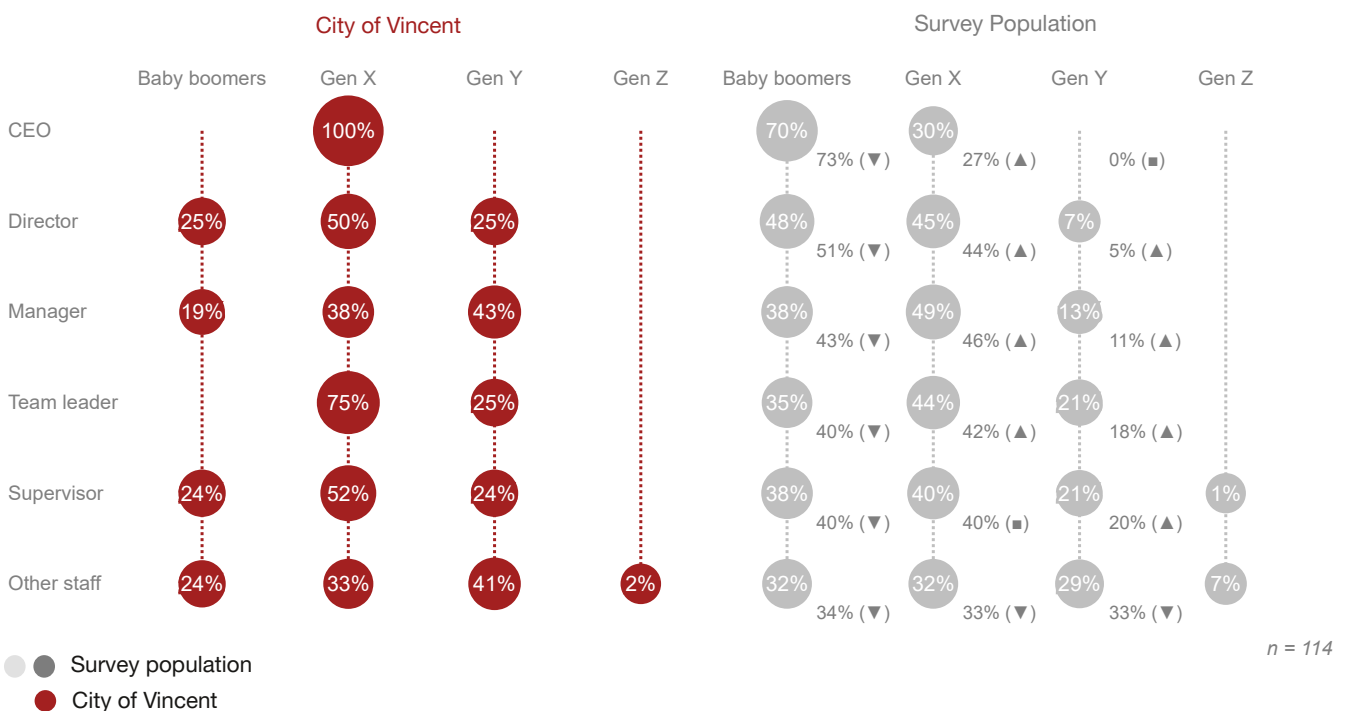


Figure 1.35: Generational mix by staff level



How are you preparing for the generational shift?

Potential retirements

In response to the demographic changes affecting the workforce, councils should plan for the impact this will have on future resourcing requirements and the retention of local government sector knowledge. Forecasting the potential for retirements over the next five or ten years is an important starting point.

Across the entire surveyed council workforce, the percentage of staff reaching the retirement age of 65 in the next five years seems low at 13%, albeit we observe this doubling to 27% in 10 years. In terms of our survey population's workforce, this equates to approximately 6,300 employees in five years or 13,000 employees in ten years.

When this data is dissected at a more granular level, our findings show a higher proportion of employees in senior positions having the option to retire, especially in ten years. This year we have updated our chart to show predictions by 2024 or in five years. To review potential retirements in ten years, please refer to the Council Comparative Analysis Tool (CCAT).

When looking at potential retirements, by staff level, in the next 5 years, almost a third of CEOs (30%) will have the option to retire, more so in WA councils with 38% of CEOs in this position.

Likewise, we see 14% of directors potentially retiring in five years and this jumping to 35% in ten years or 2029. This result is consistent with results from the past five years and is not surprising given the anecdotal relationship between age and position. Given the importance of the role that Directors play in ensuring that departments are run effectively and of a high standard, it is crucial that councils are adequately preparing for these departures and have identified talented managers who will be ready to move into these leadership roles.

NZ councils are more exposed than other jurisdictions in the next five years, with 29% of all current CEOs and 20% directors having the option to retire. Australian councils are more exposed at the CEO level (ranging from 25% to 38%), with a smaller proportion of directors (ranging from 12% to 14%) potentially retiring in five years.

The demographic changes present an opportunity for councils, with a large proportion of senior leadership predicted to retire over the coming years, ultimately making way for a generation of digitally-savvy and socially conscious employees.

The councils that are able to adapt their recruitment and retention strategies to reflect this reality, while delivering a smooth transfer of institutional knowledge and a strong leadership pipeline, will be well placed to deliver high quality services to their residents in innovative, effective and efficient ways.

Figure 1.36: Potential retirements in five years (by June 2024)



● Survey population
● City of Vincent

n = 115

Are you actively promoting transition to retirement programs?

Transition to retirement

Effective transition to retirement initiatives are geared towards both the well-being of the departing employee and the benefit of the employer, through greater retention of skills and knowledge, and opportunities for mentoring. For key roles, the provision of more flexible working arrangements act to prolong employment and delay retirement. The introduction of these types of initiatives act to enable proper transition of local government knowledge to the next generation.

The Potential Retirements section of this report explores that almost a third of the council workforce will reach retirement age in the next ten years. With this amount of expertise, knowledge and

leadership skills due to exit local government, councils should be discussing and implementing creative ways to transition employees into retirement.

We find that the two most common retirement transition programs involve changes to working hours, either taking a stepped approach to retirement by reducing from full time to part-time hours (98%), or working flexibly during transition (78%). The least favoured option, with just 7% of councils, is a change in employment status to independent contractor, although a quarter of NZ councils are offering this initiative.

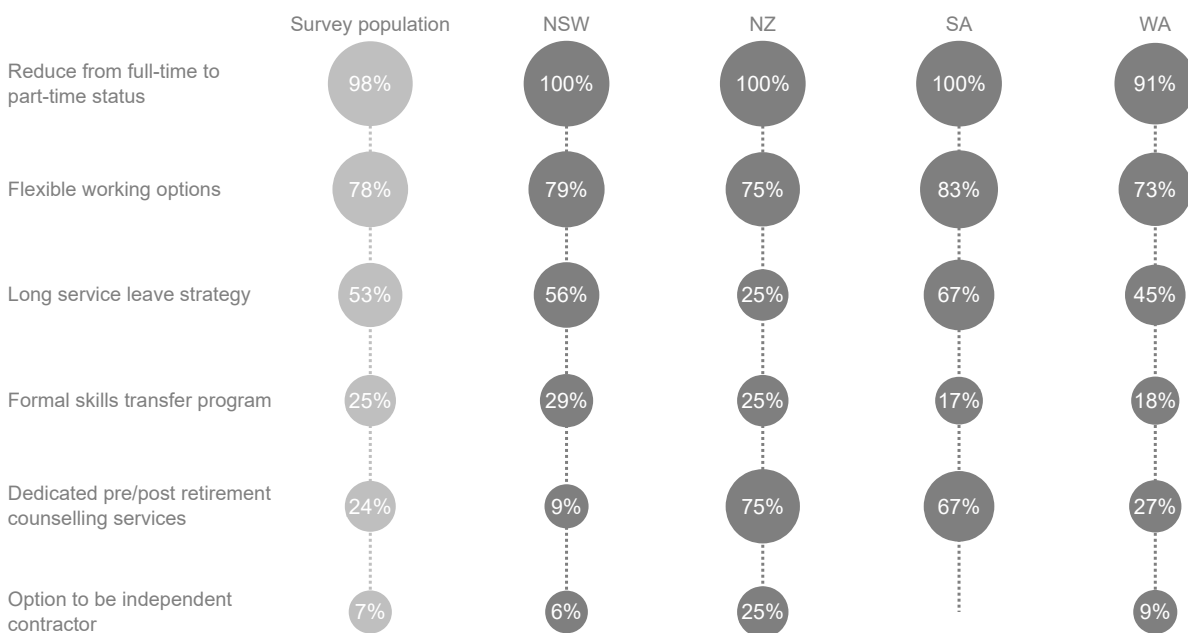
These types of initiatives can be mutually beneficial for the council and the employee. By supporting the retiree through reduced working hours, encouraging mentoring or 'as required' contract work, the council can mitigate the possibility of loss of knowledge and allow for the upskilling of the ongoing workforce.



Key considerations

- How aware are your staff of your council's transition to retirement policies?
- Does your council monitor the use and success of these policies? Are exit interviews and post-retirement check-ins used to collect this insight?
- How often do you review your transition to retirement policies? Is this a collaborative process with input from key stakeholders within your council?
- Does your post retirement policy consider the possible different needs and priorities between male and female employees transitioning to retirement?
- Does your retirement policy include consideration of the departing employee's well-being, as well as the handover of knowledge and the impact on the workforce of the changing generational composition?

Figure 1.37: Which of the following transition to retirement policies does your council offer?



● Survey population
○ City of Vincent

n = 55

Do you have an active leave management strategy in place?

Annual leave

An active leave management strategy promotes employee well-being, and role models a way of living and working more likely to be appealing to the newer Gen Z cohort. A lack of employee rest and recuperation may result in health problems and adversely affect workplace productivity, and increasing the need for unplanned absences via sick leave. Consideration of the financial risk associated with the accrual of large annual leave balances is also important, particularly as employee salaries rise over time.

Our survey results show that as at 30 June 2019, 36% of employees carried more than four weeks of accrued annual leave and 9% have in excess of eight weeks, both unchanged from FY18.

While all surveyed Australian councils have 37% or more of their workforce with 4 or more weeks of accrued annual leave, WA councils have the highest proportion at 39%, and this has increased from 36% in FY18. In comparison, a much lower 28% of the surveyed NZ workforce has more than four weeks accrued annual leave.

The higher proportion of unused annual leave in WA councils coincides with an increase in the paid overtime hours and spend per FTE metric. The median WA council had 19.4 paid overtime hours per FTE (up from 18.8 in FY18) along with \$1.1k paid overtime spend per FTE (up from \$877). While these overtime results are below the overall median due to the much higher overtime median in NSW councils, it does suggest that WA staff are working additional overtime hours as well as holding large accrued leave balances. Councils facing this scenario are urged to address their resourcing strategies and instigate change by reviewing roles, vacancy rates and a new approach to using annual leave.

We observe a downwards shift in the proportion of NSW employees with 4 or more weeks accrued annual leave, falling from a steady 40% over the past 3 years to 38%. However, NSW employees carrying in excess of eight weeks accrued annual leave remains proportionally higher compared to other jurisdictions, with 12% of the workforce or 2,700 employees in this situation, although this has dropped slightly from 13% in FY18.

With one in three employees effectively rolling over one month's salary each year and almost one in 10 rolling over two months' worth, councils must be aware of not only the obvious and more easily quantifiable financial risks this creates, but the issue it presents for staff well-being and overall organisational health.

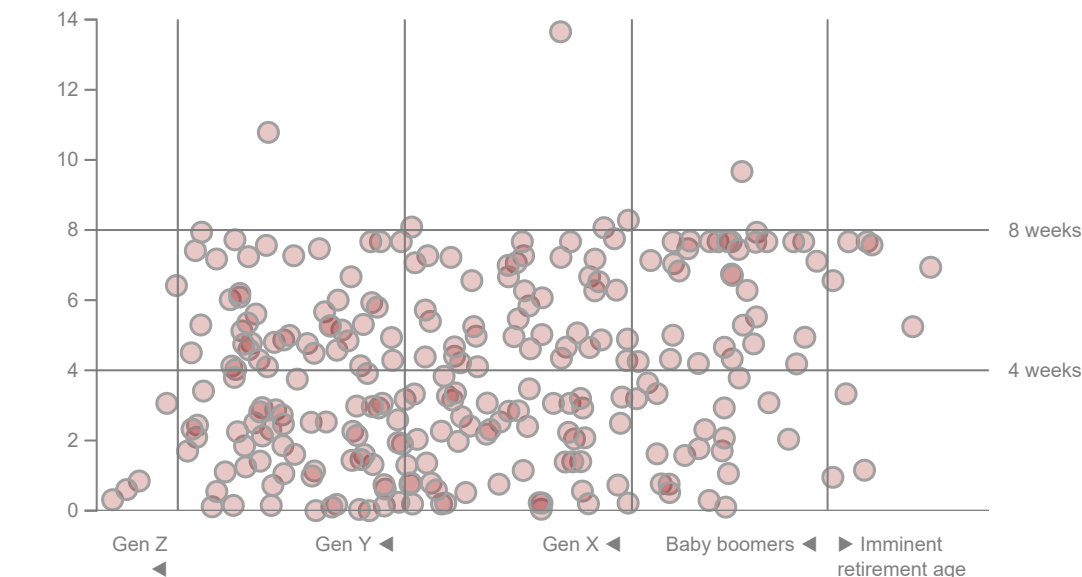


Key considerations

- Are you focused on creating a culture where the taking of leave is promoted as a way to maintain good health and wellbeing?
- Are your managers accountable for managing leave balances for their staff?
- Are you analysing high level balances and high overtime hours by business unit?

Figure 1.38: Employee annual leave balances

Annual leave in weeks



City of Vincent employees

The importance of managing long service leave and retirement

Long service leave

This section profiles the spread of long service leave (LSL) balances across the various generations for each council, with each dot representing a council employee with a LSL balance. Councils can use this chart to assess the extent of their existing financial liability and when it might crystallise.

The generational shift is underway, however this has not significantly impacted the percentage of employees with LSL balances in excess of 12 weeks. This remains static at 14% and has not moved since FY16.

Results across jurisdictions barely shifted from the prior year - NSW and SA councils remain at 25% and 13%, respectively, while the WA council result increased slightly to 7%, up from 6% in FY18.



While there is nothing inherently wrong with staff choosing to preserve their LSL, there are many benefits to be had from the implementation of an active LSL management program. These include:

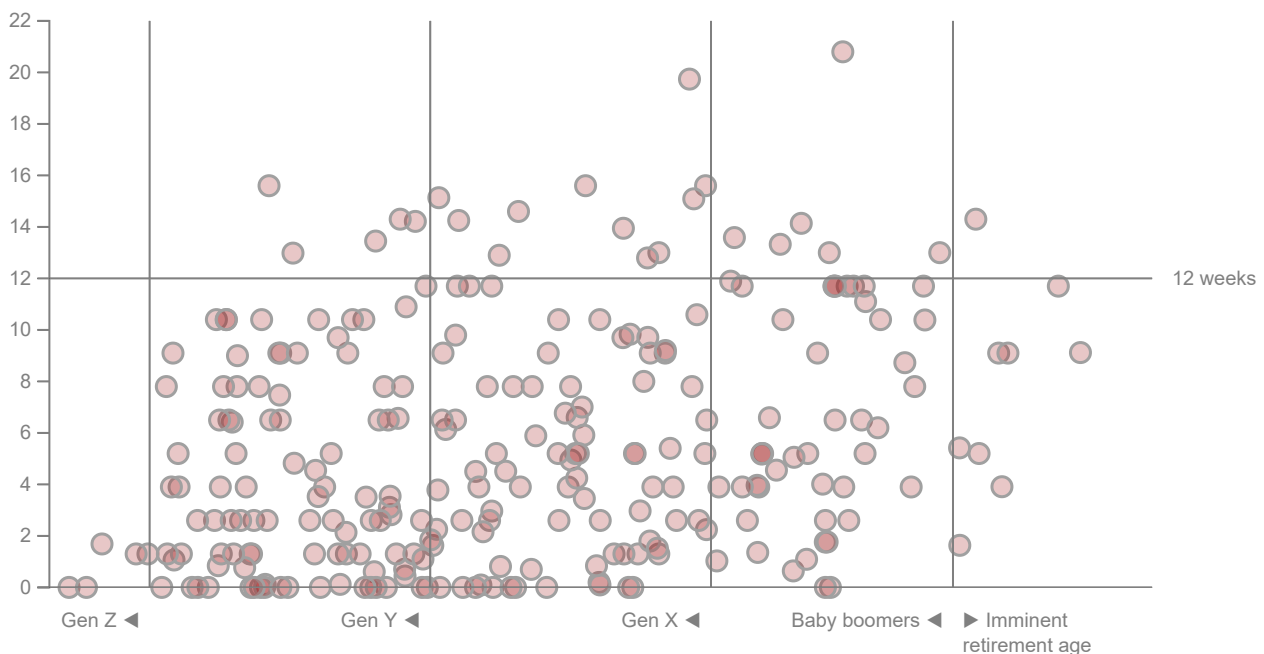
- A shift in culture, whereby leaders model the desired behaviour thereby encouraging others to take leave when they see fit, not when they think they should;
- A smoother transition from work to retirement, leading to improved employee welfare and institutional knowledge retention and transfer within the council;
- A refreshed and well-rested workforce, which is more likely to lead to reduced sick leave and lost time from injuries;
- Increased opportunities for staff to act at a higher level, thereby improving organisational capability and creating a more flexible workforce; and
- A more engaged and satisfied workforce, due to the variety of work on offer and increased visibility and enhanced rapport with council leaders.

9%
or your workforce has more than
12 weeks of long service leave accrued

7%
of the surveyed workforce has more than
12 weeks of long service leave accrued

Figure 1.39: Employee long service leave balances

▼ Long service leave in weeks



● City of Vincent employees

Case study: Reducing excess leave balances and increasing employee engagement

City of Bayswater, WA

Background



Using the data from the ALGPEP report we recognised a high amount of accrued annual leave across all of our employees. Our Leadership Team, in collaboration with our HR department, undertook a program to develop a leave management policy (management practice) and design tailored leave management plans for individuals with excess leave. We also established a routine of reporting and follow-ups with the line leaders of those individuals, as well as regular reporting to the Leadership Team on current status and monitoring of progress.

Benefits



With a clear overview of current status, not only did the program reduce our leave liability, it also helped generate a more positive culture in the workplace with regards to employees taking leave. Having a structured approach and involving the Leadership Team in the regular review process also provided greater clarity of their accountability.

Challenges



As anticipated, trying to change the existing culture of 'being too busy to take leave' was not easy, and generating accurate data (particularly for part-time employees) to form the basis of our plan was also challenging. Some employees would use a small amount of leave to bring them under the 'excess leave' threshold, but because they continued to accrue leave, they were surprised that they 'reappeared' on the excess leave list shortly thereafter. As a result, employees started to plan longer periods of leave which has reduced the problem.

Learnings & advice



Regular reporting to the Leadership Team, in the way of visual presentation of data, was vital in galvanizing the team leaders to take action. We have also made subsequent improvements to the business such as establishing clear targets to reduce leave balances to sustainable levels, with staff being strongly encouraged to proactively manage their leave through leave management plans.

Coffs Harbour City Council, NSW

Background



The ALGPEP data showed that the percentage of our workforce with more than 8 weeks of accrued annual leave and 12 weeks of accrued long service leave was at or above the NSW survey population average, and the sick leave days taken was also at or above the NSW survey population median. This provided the catalyst for the "Responsible Leave" project, which was driven by our Senior Leadership Team (with strong support from the Executive Team), and with Organisation Development overseeing all of the major initiatives. Our overall aim was to focus on the reduction of unplanned leave, and increase the usage of planned leave.

Benefits



In addition to the financial benefits of implementing leave management initiatives, we have seen other non-financial benefits that have improved the future sustainability of our organisation. These include: increased efficiency from employees who are refreshed and engaged as a result of taking annual leave and long service leave; improved attendance at work (which also reduced the need to pay higher duties allowances for operational staff); and a focus on succession planning, knowledge transfer and transition to retirement for mature workers. The results achieved through the project will continue to be realised in coming years as the leave liability of the organisation is reduced and our workforce leverages the available leave options and opportunities for career progression.

Challenges



There were two primary challenges with the project, both of which were expected: reluctance of staff to take leave, and reluctance of some people leaders to have difficult conversations. Neither of these two challenges were completely overcome during the project, however communication and inclusion was a high priority for staff at all levels. To make this possible, People Leaders were empowered to discuss the changes with their staff by being provided clear and concise information and support. They were also encouraged to bring feedback from their team meetings back to the project team.

Learnings & advice



Changing ingrained workplace behaviours is challenging and requires ongoing focus to ensure that the desired behaviours become 'business as usual' and are embedded in the culture of the organisation. It's about breaking the cycle, as well as making sure our newer staff adopt good leave practices by getting into the habit of taking regular leave so they become part of the driving force of cultural change in terms of managing leave balances.

Learning from sick leave and absenteeism

Absence

The absence rate can be used as an indicator of two key workforce outcomes:

- The volume of absence management that needs to be performed and/or managed; and
- The extent to which excess absenteeism can be attributed to low employee engagement or poor health in the workplace.

Across the survey population, the 25% of employees who used the least amount of sick leave took 2.6 sick days or less, on par with FY18. At the other end of the spectrum, 25% of employees took 10.4 days or more (also on par with 10.5 days in FY18). The remaining 50% of employees took between 2.6 and 10.4 sick days - this is the 'normal' range.

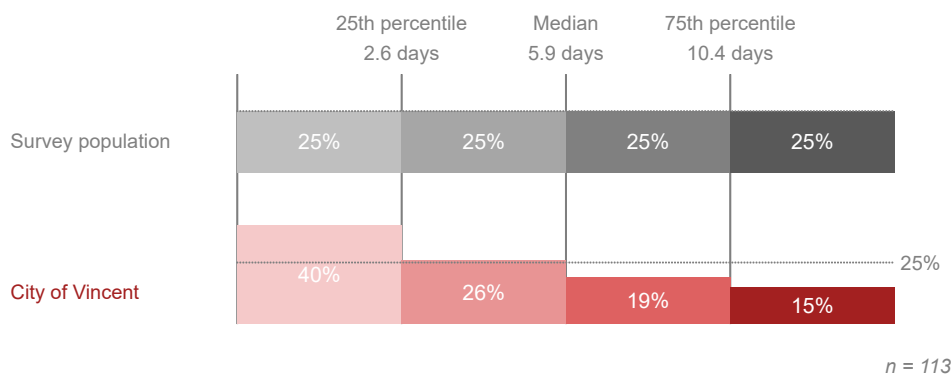
It is important for each council to examine their sick leave profile in Figure 1.40, especially where results are higher than the population median results. Strategies to reduce staff absences may entail making allowances for non-medical leave and flexible working arrangements as well as promoting a positive workplace where staff are engaged, recognised for strong performance, and supported by their managers.

To allow councils to gain a deeper understanding of their sick leave profile we have provided each council with a quartile breakdown on sick leave taken by supervisors and above compared to other staff in Figure 1.41. A high level of absenteeism among employees at the supervisor level can have a demotivating effect on staff below that level and may lead to higher overall absenteeism.

Key considerations

- Do you equip managers with the ability to manage and monitor staff well-being and absenteeism?
- Which employee groups (by levels and business units) are reporting consistent high levels of absenteeism?
- Are you understanding the root cause of critical absenteeism to apply preventative measures? Do you perform return to work interviews?

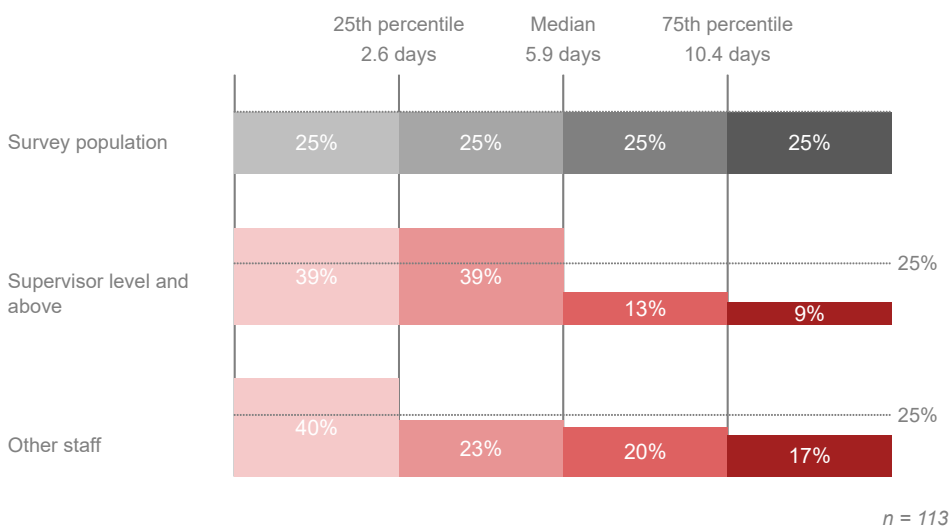
Figure 1.40: Breakdown of percentage of employees taking sick leave by quartile



3.9 median
sick leave days taken in FY19 across your workforce

5.9 median
sick leave days taken in FY19 across the survey population

Figure 1.41: Breakdown of percentage of employees taking sick leave by quartile and staff level



Q1 Q2 Q3 Q4 Survey population quartiles
Q1 Q2 Q3 Q4 City of Vincent quartiles

Are you equipping staff with new skills?

Staff training

We continue to observe a persistent trend across the local government sector, whereby 98% of councils establish and agree on a formal training budget, however, just 25% of these councils actually spend the full training budget.

Again this year, NSW councils used a relatively larger portion of their training budget compared to other jurisdictions, with 35% spending their full budget. Conversely, only 10% of WA and 16% of SA councils spent their full training budget. In FY19, we observe more NZ councils following suit, with 21% of councils using the full budget compared to just 5% last year.

Councils spending well below their training budget allocation should be examining the reasons why this is the case and how this may affect the upskilling of the workforce. It could also

be a sign of insufficient hours being set aside and dedicated to upskilling throughout the year.

The rapid change in customer and employee expectations, as well as the increasing need to innovate and digitise existing business processes means that equipping staff with the right technical skills has become more important than ever.

Moreover, these skills need to be combined with the right soft skills, as suggested in PwC's 22nd Annual Global CEO Survey. The survey noted that while improved STEM (science, technology, engineering and math) skills will be important in allowing people to perform new roles and tasks, soft skills like creativity and empathy will also be important in making people adaptable and employable throughout their working lives.¹⁴

If councils do not provide the right learning opportunities for staff, this may lead to reduced productivity, staff engagement and retention. It could also impact a council's management pipeline, and its ability to innovate and quickly respond to changing circumstances.

Ways to provide staff training options without impacting their existing roles include:

- Providing short or long-term secondments to other business areas or councils;
- Incorporating training into planned social or team bonding sessions; and
- Redesigning training via interactive gamification such as the use of apps or virtual simulations.

Figure 1.42: Is your council spending its training budget? (A\$)

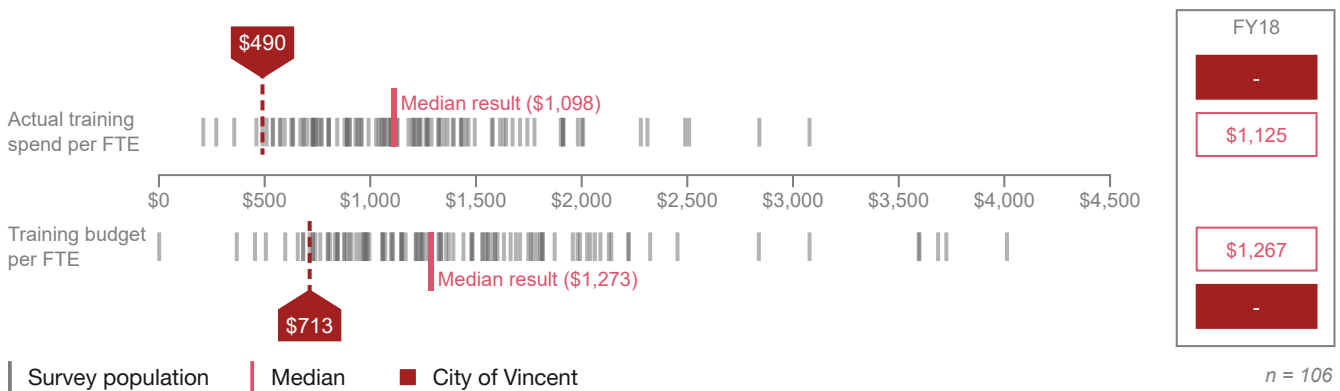


Figure 1.43: Actual training spend against training budget per FTE (A\$)



14 PwC, 2019, 22nd Annual Global CEO Survey, 'CEOs' curbed confidence spells caution'.

Maintaining high levels of staff engagement

Staff engagement

Monitoring and understanding staff engagement levels are crucial inputs to maintaining a high performing and productive organisation. High staff engagement levels can help reduce absenteeism, avoid regrettable staff turnover and increase efficiency in the delivery of council services.

Our findings show that 30% of councils reported improved staff engagement, up from 27% in FY18. Two thirds of NZ councils measured staff engagement levels this year, compared to just 43% last year, inferring this is not an annual activity, and almost half reported improved engagement levels in FY19. Similarly in SA, just 35% of councils measured staff engagement levels in FY19, suggesting it is not measured every year in some councils.

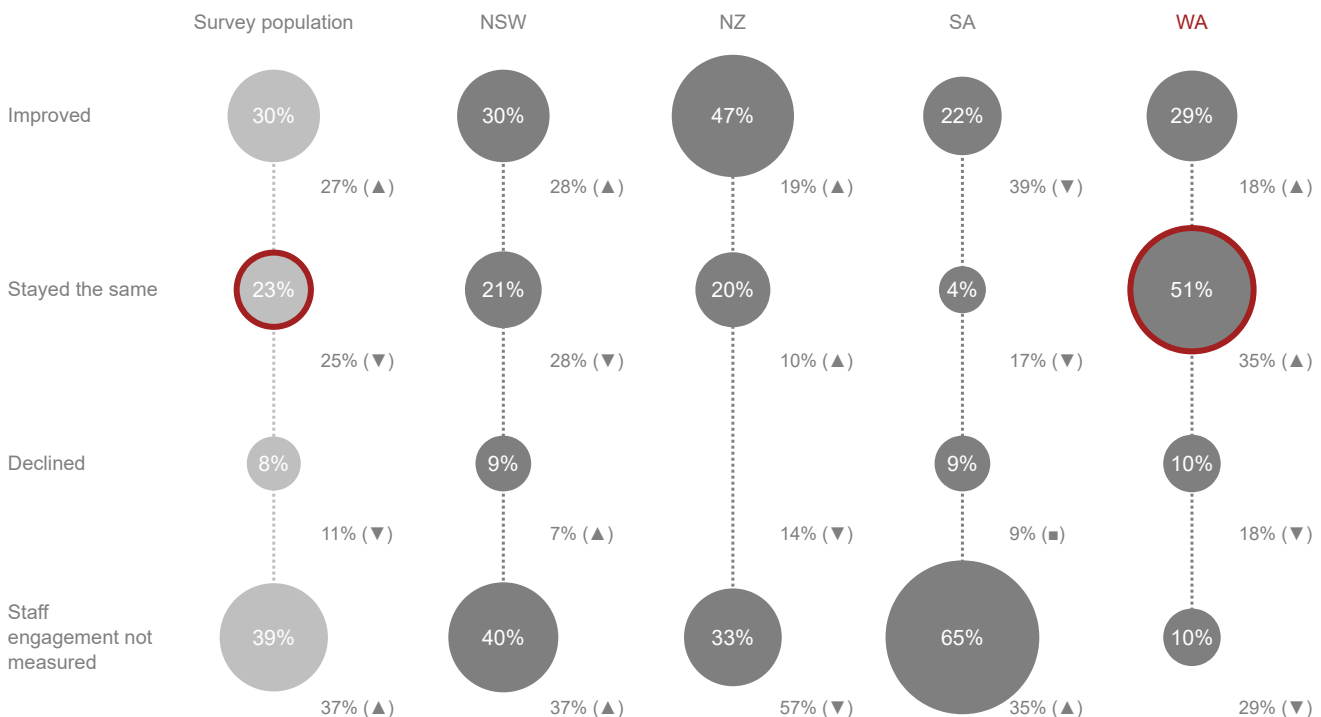
Measuring staff engagement is essential for any organisation seeking to gauge employee commitment. Moreover, the results of the staff engagement surveys can be used to drive meaningful and timely change. Celebrating improvement in staff engagement levels more broadly with teams shows that the leadership team are listening and value their input.

Key considerations

- Do you have a true understanding of your organisational culture? Is it motivating and inclusive, where diverse opinions are valued?
- Do you measure and take time to understand your staff engagement results?
- Do you understand where you have strong engagement and why? What can you learn from this?
- Conversely, do you understand which clusters of employees are less engaged and have you taken action to address this?
- Do you make staff recognition a priority and encourage all levels of staff to share success stories?



Figure 1.44: Did your staff engagement levels improve during the year?



● Survey population
○ City of Vincent

n = 115

How do you manage lost time injury incidents?

Lost-time injuries

In Figure 1.45, we have plotted each council's rate of incidents (measured as the number of incidents per 100 employees) against the average claim cost. We acknowledge that councils with a higher percentage of outdoor workers may have a higher rate of incidents.

NZ councils continue to operate with a lower number of days lost per 100 employees (20 days) compared to other jurisdictions, however this has increased from 13 days a year ago. At the other end of the spectrum, NSW councils experienced 83 lost days per 100 employees (down from 88 in FY18), followed by WA councils with 72 days (up from 62 in FY18).

Our results show that during FY19 the average rate of incidents remained relatively stable across all age groups of workers, apart from a slight decline in the 31-45 age bracket. The two highest age brackets (46-60 and 60+) continue to have the highest relative number of incidents per 100 employees, with 2.4 and 2.5 incidents per 100 employees respectively. Further exploration of the nature of these incidents is recommended so that action can occur via the implementation of awareness and well-being programs that target the 46-60 and 60+ age groups.

The nature, shape and mix of council services will invariably impact the extent of workplace injuries, and where outsourcing is used to deliver services it is important that councils contract with a provider that manages this risk appropriately and that the contract itself promotes safe work practices.

Key considerations

- Do you use the data you collect on incidents to support and improve your prevention program? Is this analysed by service area within the council?
- Do you understand the nature of the incidents? How did they rate on a scale of very serious to minor?

Figure 1.45: Lost time injury incidents

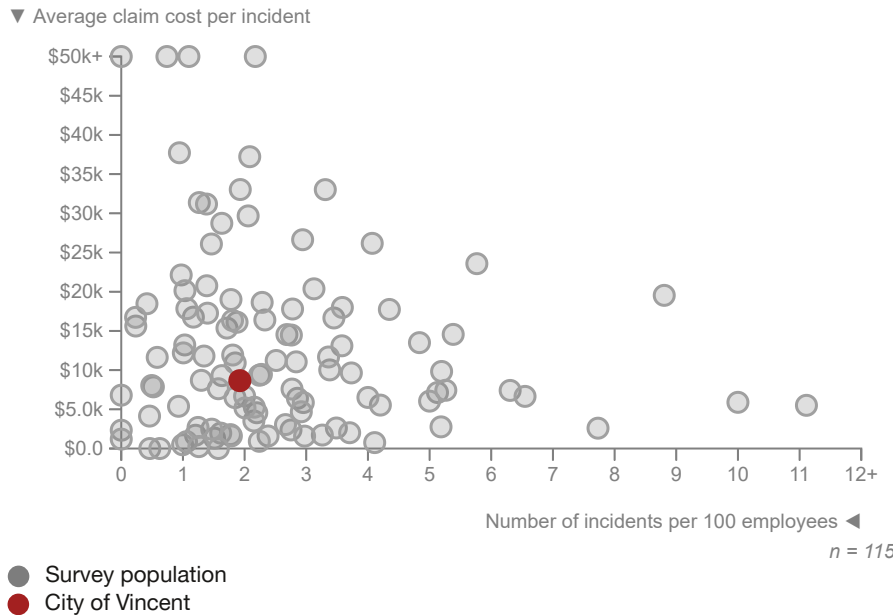
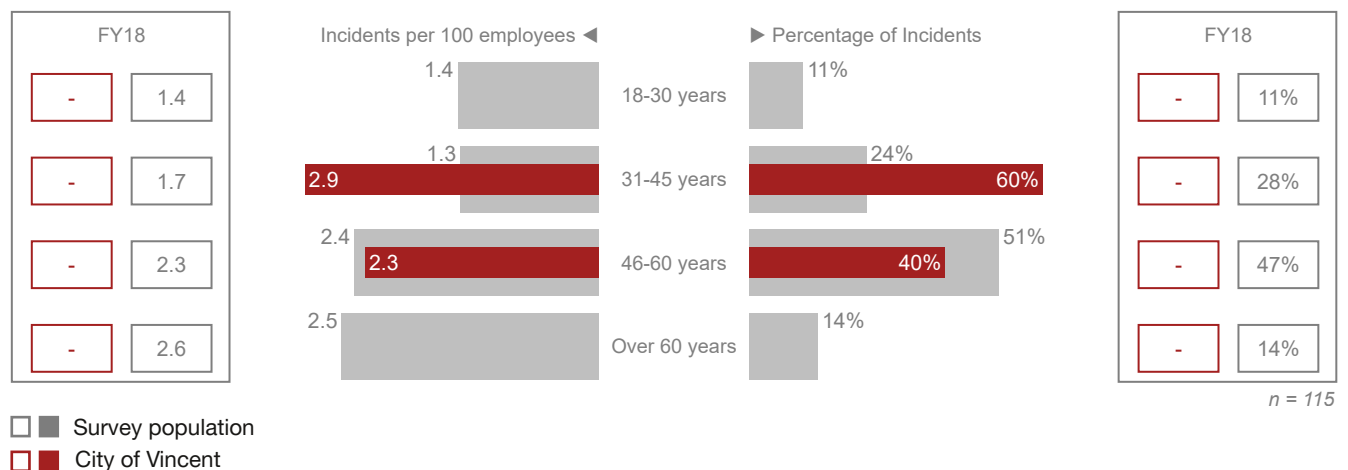


Figure 1.46: Incidents per 100 employees by age bracket



Case study:

From hierarchical to collaborative: a workforce-led transformation

Lake Macquarie City Council, NSW

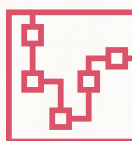
Background



Across the local government sector, we recognise that community expectations are increasing. Councils are no longer just tasked with delivering 'rates, roads and rubbish', but are instead expected to be primary partners in helping to meet a range of community needs, from offering opportunities for cultural enrichment through art galleries and performing arts to delivering infrastructure that helps the community stay fit and healthy.

In 2018, we achieved significant gains in moving the organisation from a traditional hierarchical structure to a more flexible and collaborative one that enables staff to be more responsive in the way they work and serve their community. The year-long reconfiguration project was aimed at improving customer experience, increasing role satisfaction, enabling more front-line decision-making and dynamic ways of working, increasing efficiency and improving financial sustainability and risk management within the council.

Implementation



The restructure began in January 2018, with the formation of a dedicated project team (comprising a project manager, human resources specialist, and communications and engagement professional) to coordinate the process, with support from the council's Executive Team, especially the Chief Executive Officer. We used a co-design framework which champions shared trust and power, and IAP2's¹⁵ Core Values and Spectrum of Public Participation, uniquely applying these external engagement tools to working with the council's internal workforce.

The ultimate goal of the co-design process was to support hundreds of staff in determining their proposed organisation structure. Every employee was invited to work together to identify ways in which the organisation could work more effectively and collaboratively, and nominate structural solutions that would improve relationships and customer service outcomes across the organisation.

More than 40 suggestions for structural change, developed by 300 participating staff (more than 30% of our workforce) at 24 workshops have resulted in a flatter workforce structure based on clusters of teams that are now better organised by function and strategic relationships. Of the change recommendations endorsed by the Executive Team, 90% were provided by staff, while the remaining 10% of staff moves were determined by the Executive Team through further workshopping, following consultation with staff.

Benefits



At an organisational level, the new structure will ensure Council continues to have a high-calibre, innovative workforce, dedicated to providing high quality service to the Lake Macquarie community. It will also help staff pursue a range of career opportunities, be involved in decisions that affect them and their work, as well as foster cross-unit collaboration, and help position the organisation as an employer of choice for young people.

Rather than taking a top-down approach, working collaboratively with our people to reconfigure the organisation enabled us to create a structure that allows employees to work more efficiently and effectively and to provide a higher level of service to the community. The commitment to improve customer service is at the top of the list of six design criteria that have been developed to help measure the success of the restructure over time, the others being: increased role satisfaction; more front-line decision-making; dynamic ways of working; increased efficiency; and better financial sustainability and risk management.

Challenges



Throughout the process, the project team utilised a wide range of communication and engagement methods to overcome potential barriers, from posters, emails, text messages, intranet news stories and blogs, to drop-in sessions, site visits, small group updates, large staff briefings and video recordings. This helped connect with a large and geographically disparate workforce, as well as keep staff engaged over the life of the project. This approach proved successful and is reflected in the high levels of engagement achieved throughout the project.

Learnings & advice



Structural changes are only one piece of the transformative puzzle, and supporting staff resilience during the change and transition process was critical. The speed at which changes occur can be either too fast or too slow for some, and we continue to reflect on getting the balance right as our organisation evolves.

More recently, we used these learnings to communicate what's on the horizon for our organisation, with a roadmap of projects and activities that will be delivered over the next two to three years. This roadmap has allowed staff to better understand where the organisation is heading, and therefore be more engaged for the future.

Finance



Workforce



Finance



Operations



Service Delivery



Corporate Leadership



Asset Management



23%

of the finance function effort is devoted to business insight activities



8 days

to close and report for top quartile council finance functions



24%

of finance functions are currently using data transformation and blending technology on a frequent basis

Finance Trend Summary

City of Vincent



Finance partnering with the business

CFOs continue to help shape the business strategy

It is encouraging to see council CFOs¹⁶ continuing to play an increasingly important role in local government, with over two thirds of councils reporting that their CFO works closely with their GM and senior executives to define business strategy.

CFOs in NZ and WA councils continue to act in a more strategic finance role compared to their peers, at 87% and 90% respectively. Across council types, we observe 82% of metro councils continuing to report greater CFO involvement in strategy definition and direction, compared to regional and rural councils (both at 63%).

CFO involvement in defining business strategy has become crucial to business performance. Digitally-enabled finance teams are moving beyond their traditional stewardship role to provide CEOs and senior management with improved analytical insights as well as drive business performance through digital transformation.

According to PwC’s Finance Effectiveness Benchmark Report 2019, which is supported by analysis from interviews and benchmarking data from over 700 finance functions, CFOs are challenging the very core of the functional operating model, led with a digital mindset and a focus on functional transformations where they will get results.¹⁷

The report¹⁸ emphasises that while top-performing finance functions are keeping automation high on their agendas, it’s just the start of a bigger push for better performance. There are three key areas of focus:

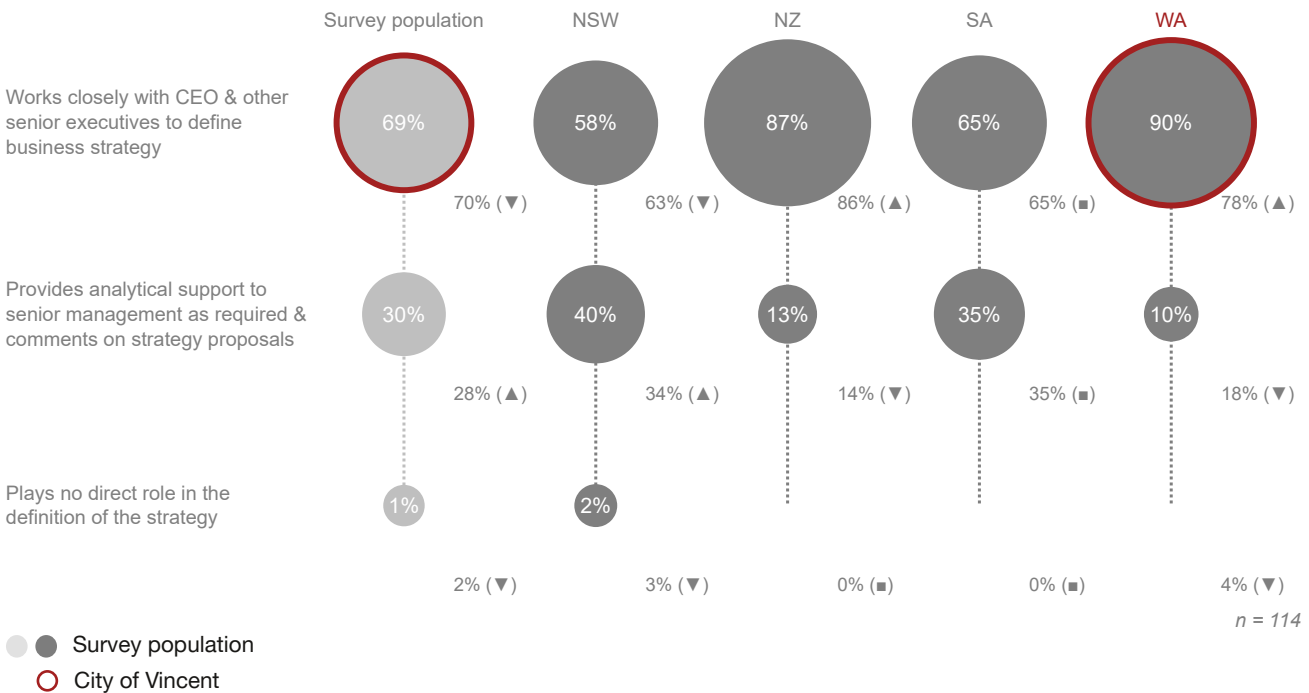
- **Process:** Have a roadmap for finance effectiveness, not automation
- **People:** Finance teams should find new ways to use underutilised skills
- **Performance:** Drive insights with connected, self-service financial data

When it comes to the important area of process redesign, CFOs are preparing a technology roadmap that considers both the finance function’s culture and goals alongside appetite for change.

In addition, new roles are evolving as a result of the automation potential in processes that drive transactional efficiency such as procure-to-pay, order-to-cash and record-to report. PwC’s Finance Effectiveness Benchmark Report 2019 highlights an increased interest in single end-to-end process owners who are responsible for process excellence, and the need to weigh up potential needs against overlapping goals for people and performance.¹⁹

Stage improvements carefully to increase finance’s contributions to the business. Move forward in line with the capabilities most needed for the business and staff different technology solutions and role changes carefully. Transformation efforts are less likely to succeed when there’s not a clear understanding of the target operating model and specific business outcomes. Change roles to get the right role-to-outcome match.²⁰

Figure 2.1: What role does the CFO play in the development of the council's business strategy?



16 CFO: Chief Financial Officer. Also pertains to the role of Director or Manager of Finance
 17 PwC Finance Effectiveness Benchmark Report 2019, ‘Your finance function is ready for change, are you?’
 18 Ibid
 19 Ibid
 20 Ibid

Finance partnering with the business

Finance skills and qualifications

The ability for councils to attract finance professionals with a higher level of education remains broadly consistent with the prior year results, with 29% of finance employees having a postgraduate qualification (compared to 28% in FY18).

NZ councils continue to employ the largest proportion of highly-educated finance professionals, with 39% of staff holding a postgraduate qualification. WA councils have invested in a more qualified finance workforce in the past year, increasing the proportion of finance staff with a postgraduate qualification to 30%, up from 25% in FY18.

SA councils remain broadly in line with FY18, operating a finance function with around one third of staff holding a postgraduate qualification. Meanwhile NSW councils continue to operate their finance functions with less than a quarter of the finance workforce having attained a postgraduate qualification.

Interestingly, the PwC Finance Effectiveness Benchmark Report found five of the six steps required to improve finance effectiveness involve people. These five areas includes improving communication protocols, collaboration, interactions and relationships, upgrading skills and clarification of roles and decision rights.²¹

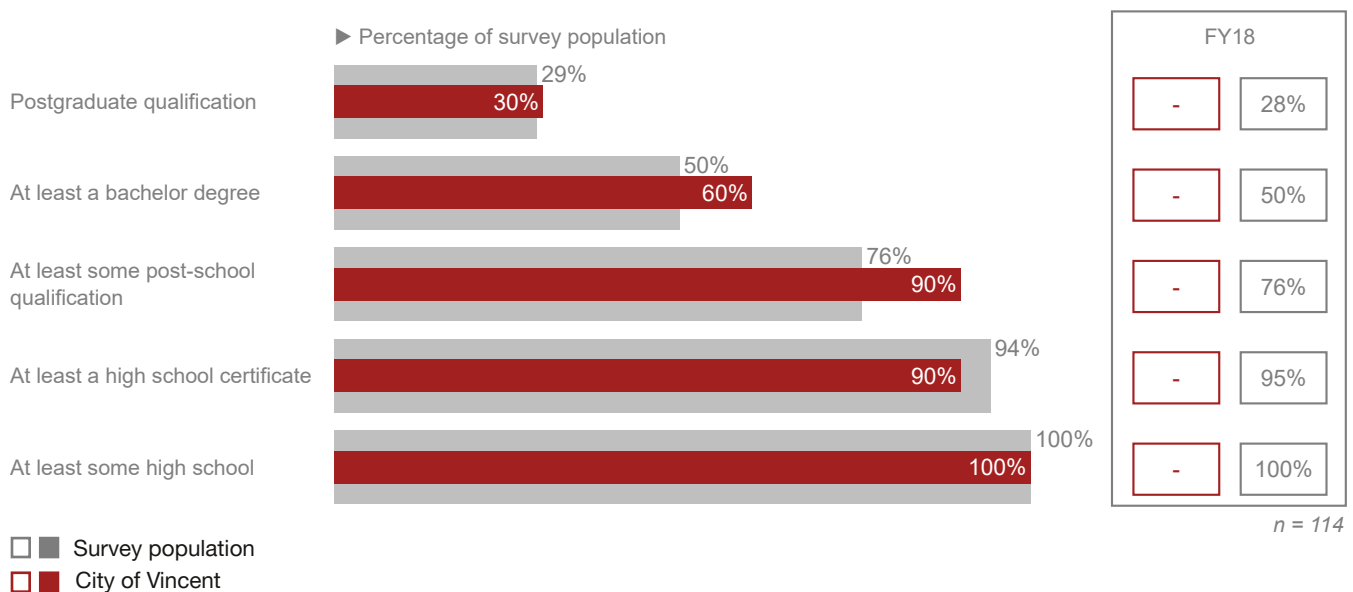
This suggests that councils need to be in a position to attract and retain high calibre finance professionals as they work towards finance effectiveness. As councils invest in a more experienced and highly qualified finance workforce, it will be important that the work remains challenging and impactful and that the finance function becomes insight-focused, with transactional activities being reduced through the use of automation technologies.

Allowing finance professionals to focus on value-adding activities such as data-driven analysis enables finance teams to attract and retain high calibre candidates with a diverse range of skills, experience and qualifications. This creates a culture where creativity and an analytical approach to problem solving is encouraged, placing employees in a strong position to deliver meaningful business insights that can contribute to strategic transformation.

Key considerations

- Has your CFO and finance team identified a clear value proposition – one that leads to a more informed performance discussion with the business units and the leadership team?
- Does your CFO collaborate closely with the business to identify strategic opportunities and threats? Can they identify strategic priorities and highlight ways to drive the business forward?
- Is your finance function embracing change and starting to explore how automation technologies could reduce time and occurrence of errors, allowing a re-focus on driving data-driven insights?
- Is your finance function supporting business units to understand the overall performance of their areas by providing more visual and analytical insights to assist business decisions and longer term plans?

Figure 2.2: Finance employee qualifications (cumulative)



21 PwC Finance Effectiveness Benchmark Report 2019, 'Your finance function is ready for change, are you?'

How are you leveraging technology to create real time insights?

Opportunities for finance teams to generate business insights

We continue to see just under a quarter of the median council's finance function being deployed towards value-adding business insight activities²² (23%, unchanged from FY18). Interestingly, there has been a slight shift in effort, from transactional efficiency (57%, down from 60% in FY18) to compliance and control activities (20%, up from 17% in FY18).

We see an upward trend in the effort that NZ finance functions devote to business insight activities, now representing 37% of overall finance function effort, compared to 31% in FY18. At the other end of the spectrum, finance functions in WA councils devote just 18% of their time to these value-add activities. As discussed in the previous section, we observe many WA councils reforming the mix of staff in their finance teams. It will be interesting to see whether this leads to an increase in the time spent on more value-adding business insight activities during FY20.

NSW councils continue to devote 21% of their finance effort to business insight activity, with very little movement over the past 5 years. We have seen a slight decline across SA councils, with 25% of time spent on business insight activities, down from 27% in both FY18 and FY17.

Consistent with the desire for finance teams to drive business performance, the most recent PwC Finance Effectiveness Benchmark Report found that top performing finance functions spend 75% of their time devoted to data analysis and insights, while the median result came in at 63%.²³ This is in stark contrast to our local government median result, with just 23% of time spent on business insight activities.

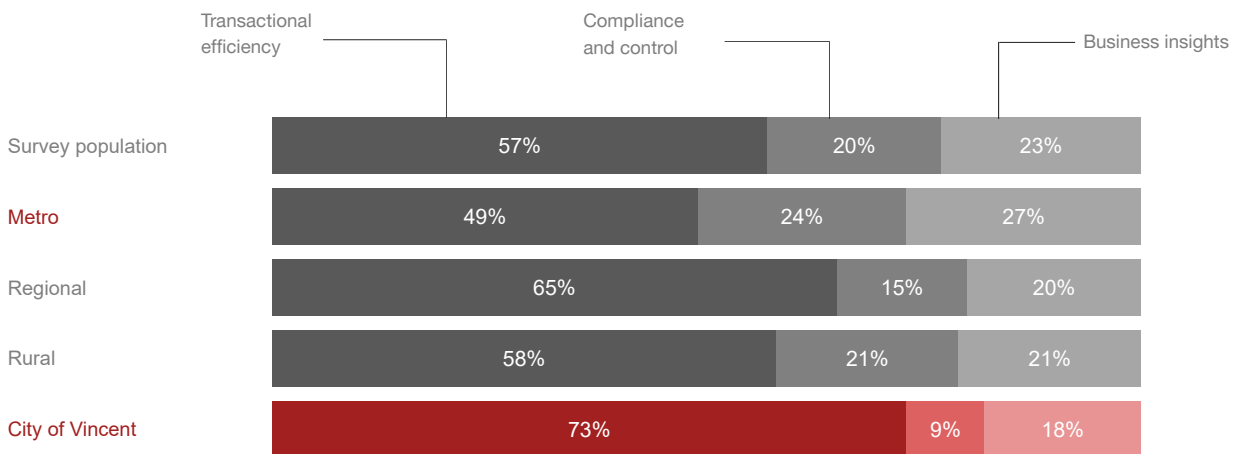
While some allowance should be made to reflect the fact that some of the organisations in the aforementioned report operate in the private sector and may have different compliance obligations, the gap suggests there is room for improvement in the local government sector.

Key considerations

- Are there any strategic partnerships with other councils that can be leveraged to provide additional value or deliver business insights?
- Do you have adequate funds or plans in place to invest in upskilling employees to enhance their problem-solving and commercial mindset, along with soft skills such as communication, creativity and teamwork?
- Have you reviewed how many tasks or processes could be improved, automated or eliminated altogether to increase efficiency? Are you aware of the technology available to help you facilitate this?
- Have you created an inventory of finance reports being produced, and then researched how they are being used by the business? Are you able to eliminate any that are irrelevant or being produced in duplicate?

Delivering insight is a far cry from generating hundreds of pages of static reports. The goal is to zero in on key questions for where the business is now, and what's needed to move forward. This may mean shaping dynamic self-service dashboards to show comparisons, automating flags or ranges, or linking to more detailed data so that business users can get more context (like being able to drill into social media posts from dynamic dashboards).²⁴

Figure 2.3: Finance function effort by process



n = 114

- Transactional efficiency
- Compliance and control
- Business insights

²² Business insight activities refer to the way Finance guides the business to enable sustainable growth, and provides relevant, timely and meaningful performance insights to assist the leadership team make informed business decisions

²³ PwC Finance Effectiveness Benchmark Report 2019, 'Your finance function is ready for change, are you?'

²⁴ Ibid

What is your finance function really costing you?

Finance function cost

Finance teams face increasing pressure to innovate and deliver value while maximising efficiency and minimising cost. Understanding the cost of the finance function helps finance teams assess the value derived from the investment made and enables them to identify if and where change is required.

The most recent PwC Finance Effectiveness Benchmarking Report found global finance functions are costing a median of 0.85% (finance cost as a percentage of revenue), with the lowest cost quartile finance functions costing 0.55%.²⁵

By comparison, our median survey result is high and rising at 2.4%, up from 2.2% in FY18. SA councils continue to report the highest cost of finance as a percentage of revenue (3.1%, albeit down from 3.4% in FY18), followed by NZ

councils, at 2.7%. These results coincide with the councils boasting the highest proportions of finance employees with postgraduate qualifications (upwards of 33%) and the greater effort spent on business insight activities (25% and 37% respectively).

Interestingly, WA councils run the leanest finance function, with the median council at 2.1% of revenue, broadly consistent with the prior year (2.2% in FY18), yet the mix of the finance workforce has changed in the past year, with a higher proportion of staff holding a bachelor and postgraduate qualification.

To some extent, this higher cost in local government finance functions may be associated with the mandatory legislative reporting requirements. However, this suggests there is an opportunity to explore ways to become more efficient.

Automation tools such as robotic process automation (RPA) eliminate low value activities, and there is also scope to consider how councils could share finance capacity across a cluster of councils, especially for transactional activities.

In addition to automation, the utilisation of shared service centres (SSCs) can also result in substantial cost savings. PwC's 2019 Annual Shared Services Report found that accounting has consistently been the most prominent function of SSCs and that the finance function presents the most significant opportunity for the use of SSCs.²⁶

71% of accounting, 55% of treasury and cash management and 46% of tax processes can be covered by shared service centres (SSCs).²⁷

Figure 2.4: Cost of finance as a percentage of revenue (council jurisdiction)

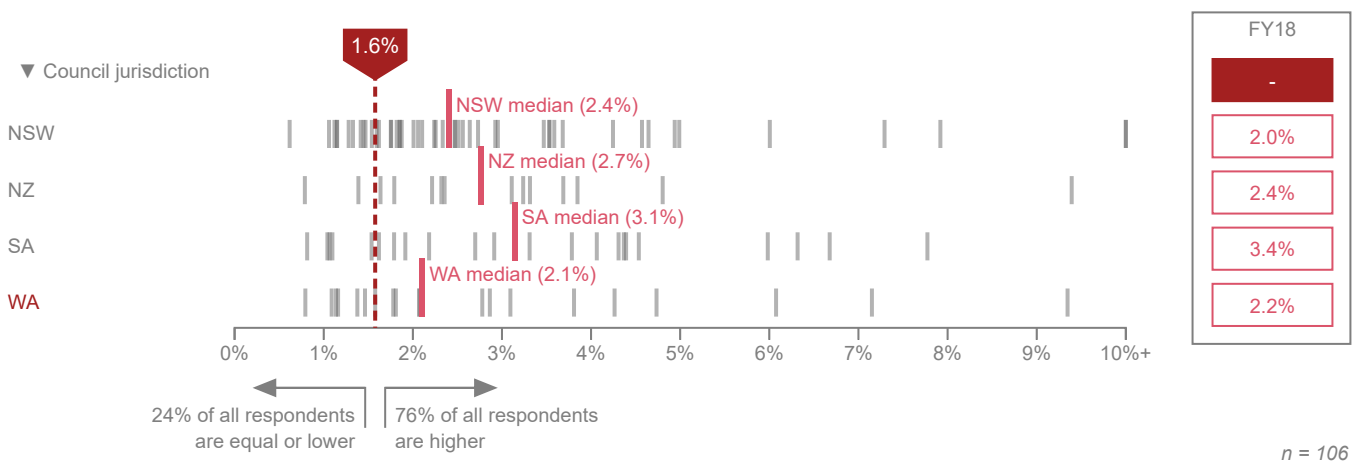
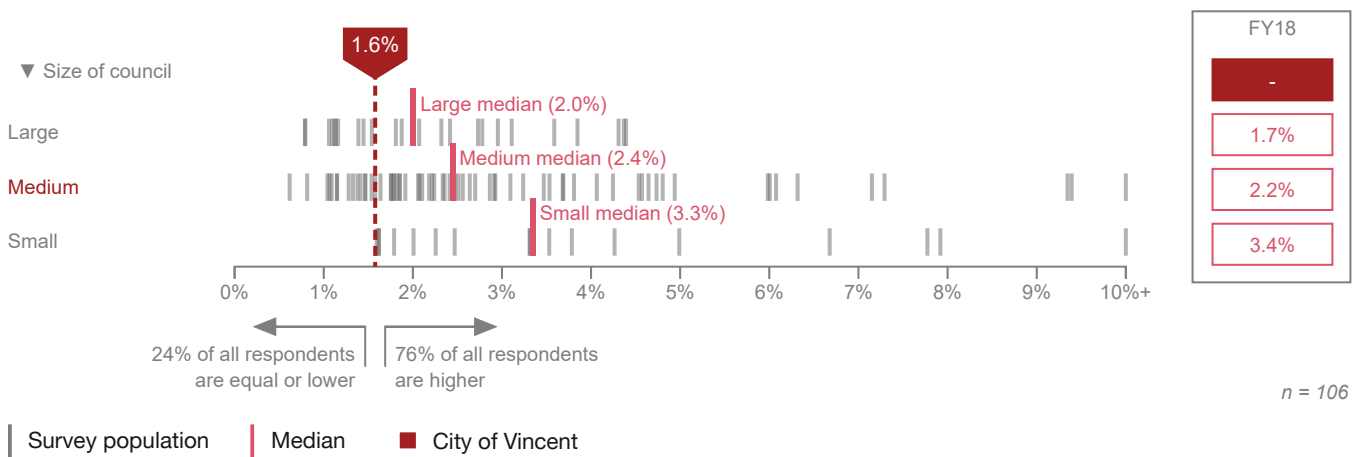


Figure 2.5: Cost of finance as a percentage of revenue (size of council)



25 PwC Finance Effectiveness Benchmark Report 2019, 'Your finance function is ready for change, are you?'

26 PwC Annual Shared Services Report 2019, 'Shared Services - Digitalise Your Services'

27 Ibid

How efficient is your finance function?

Days to report and manual journals

The ability of finance teams to provide timely, insightful and accurate information can be hampered by a drawn-out reporting cycle where data gathering and collation is unnecessarily slow.

Our survey results indicate the median council completes its close-to-report cycle within 10 days, down from 11 days in FY18. At a jurisdictional level, all councils with the exception of NZ have a lower median result in FY19, and we observe WA councils with the shortest median cycle time of 9 days, compared to 11 days across NSW and NZ and 10 days across SA councils.

Encouragingly, when analysing the results by size of council, we see small councils reducing their median cycle time from 14 days in FY17 to 10 days in FY19, putting them on par with both large and medium-sized councils.

Examining the volume of processed manual journals can also provide some insight into the efficiency of the finance function. Our results indicate that 24% of councils processed more than 1,500 manual journals during FY19, a fairly consistent result compared to 22% in FY18. This suggests councils are yet to take advantage of efficiency gains in the form of automation and shared service utilisation, perhaps due to a lack of knowledge, resourcing constraints and a lack of technological readiness.

Key considerations

Aside from automation, strategies to reduce the duration of month-end close and reporting can include:

- Setting or increasing existing materiality thresholds for variance analysis;
- Posting accruals and subsequent adjustments as required;
- Performing tasks prior to month-end where appropriate; and
- Reducing management reporting to only what is required.

Figure 2.6: Days to close and report

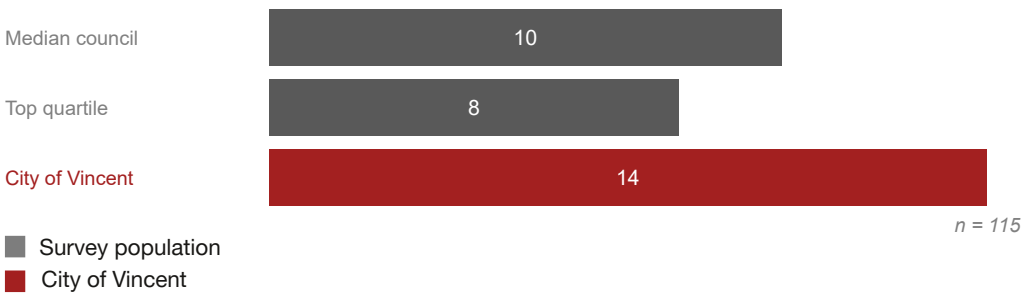
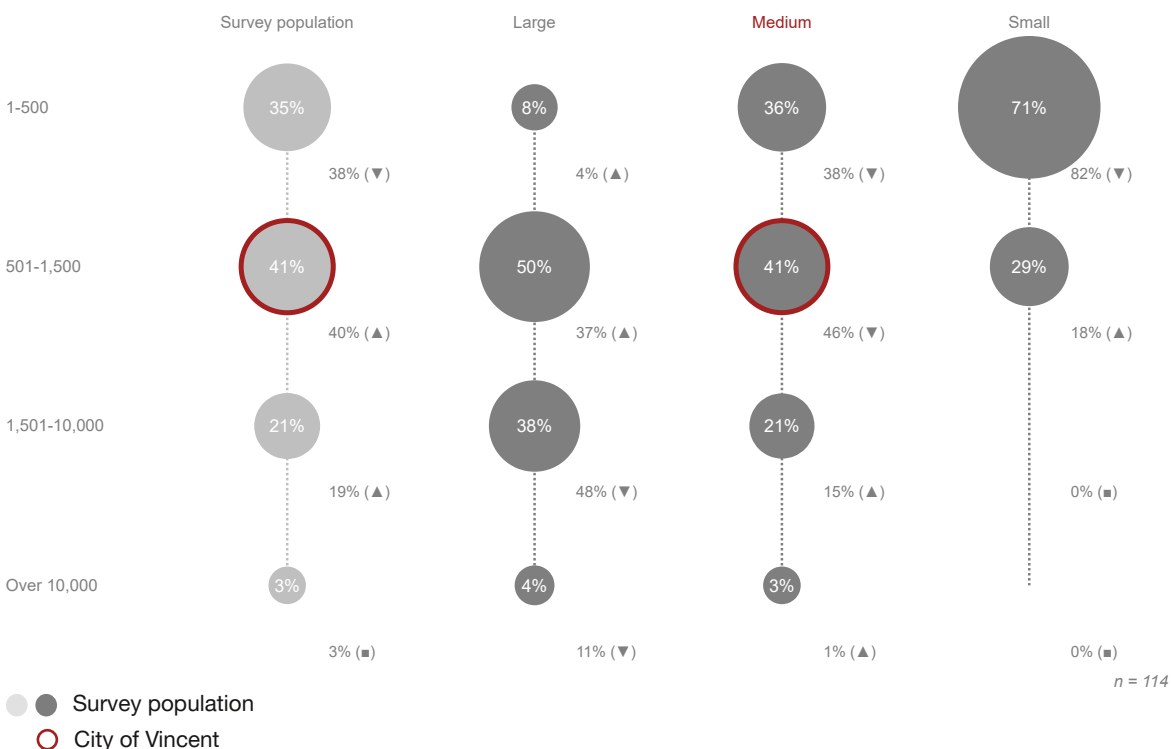


Figure 2.7: What was the total number of manual journals processed in the year ending 30 June 2019?



How mature is your council when it comes to the use of technology?

Current state finance function maturity

To gauge maturity within the finance function, we asked about the frequency with which councils utilise certain technologies/tools, as well as the desired frequency of use within the next two years.

Overall, councils reported a low level of maturity, with manual data wrangling being the primary processing method within the finance function. Almost three-quarters of councils (74%) reported frequent use of manual data wrangling tools, such as MS Excel.

Despite this, we are seeing councils venturing into the deployment of data transformation and blending tools, with 42% of councils using them frequently or somewhat frequently. This suggests a greater awareness and appetite for data preparation tools, compared to data visualisation tools.

The reported use of data visualisation tools remains low, with just 26% of councils frequently or somewhat frequently streamlining business insight reporting and engaging the user by showcasing findings via charts and infographics.

The use of RPA tools is an emerging area of technology for most organisations, so it is not surprising to see just a small proportion of councils (13%) using these tools frequently or somewhat frequently,

13% with infrequent use, and 42% aware of the technology but not using it. A surprisingly high proportion of councils (32%) reported that they were not aware of RPA, so we have provided some additional information about RPA below.

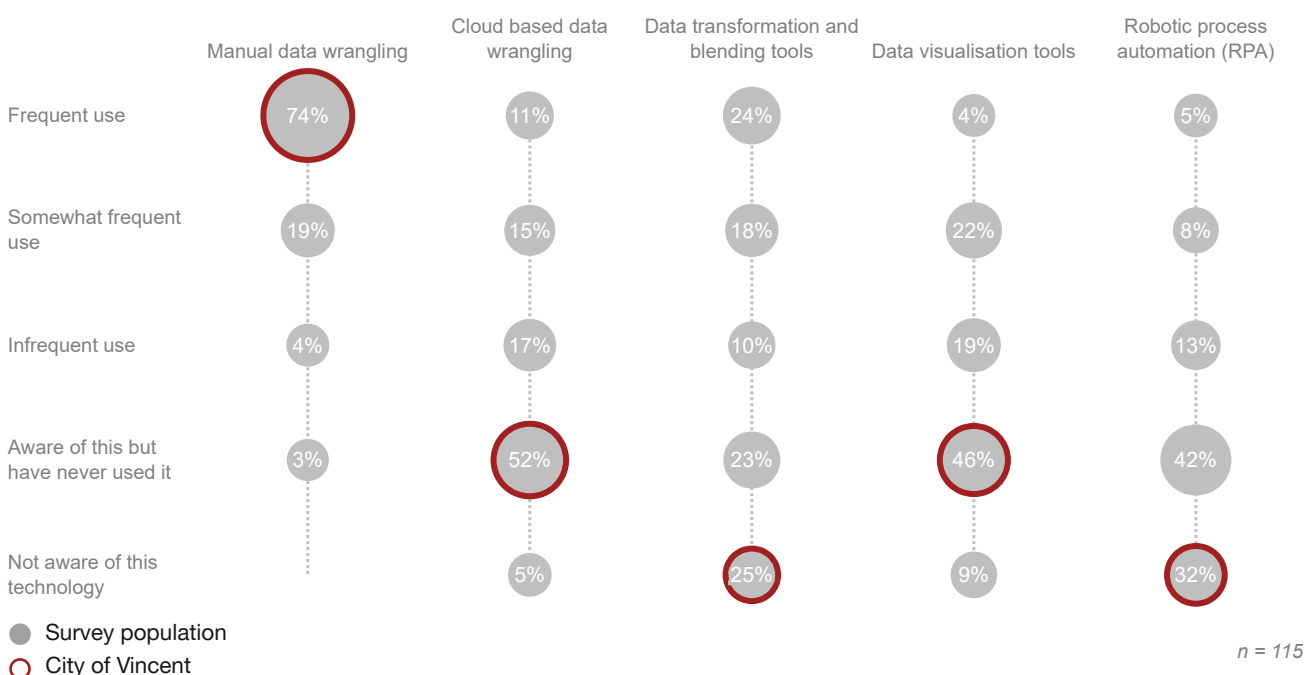
At a jurisdictional level, while it is encouraging to see an overall higher uptake of data transformation and blending tools, when it comes to RPA it is

the NZ councils that are more likely to have explored the use of this new technology, with 26% using RPA frequently, compared to just 16% of NSW and 10% of WA councils (no SA councils reported using RPA on a frequent or somewhat frequent basis). Of interest across Australian councils is that 40% of NSW, followed by 33% of WA councils reported no awareness of RPA tools, compared to just 13% of SA councils.

What is RPA and how can it help drive efficiencies in the finance function?

- Robotic process automation (RPA) speeds up processing and reduces error rates by automating manual tasks. It replicates the exact actions a human user would take and in effect, creates digital operations.
- Implementing RPA begins with the development of a simple proof of concept, whereby the suitability of selected financial processes for automation is assessed.
- Moreover, when combined with behavioural change, RPA can reduce total processing time by 30-40%,²⁸ allowing highly skilled finance teams to devote more time to higher value-add activities such as the development of enhanced analytical insights. This enables CFOs and senior finance professionals to play a more influential role in promoting strategic transformation while continuing to discharge their core reporting and control responsibilities effectively.
- RPA sits alongside existing IT infrastructure, as opposed to replacing it, and does not require a heavy IT investment or additional infrastructure. The successful deployment of RPA can result in cost savings, increased productivity, improved accuracy and enhanced security, potentially delivering a return on investment of 300-800%.²⁹

Figure 2.8: Finance function current maturity - use of technology and tools during FY19



28 PwC Finance Effectiveness Benchmark Report 2019, 'Your finance function is ready for change, are you?'

29 PwC 2016, 'Robotic Process Automation in Shared Services: How RPA applies to Finance, HR and Procurement'

How mature is your council when it comes to the use of technology?

Future state finance function maturity

We acknowledge that making a decision to invest in new technology and the associated training required to upskill the existing finance team needs to be strategically assessed and planned. It is important that the strategy for the finance function aligns to the overall council business and IT strategy.

There are a range of technologies that can assist finance functions to eliminate low-value activities and each council will need to assess where they will benefit the most. Perhaps your team spends hours each month manually manipulating and preparing data for management reporting - investing in data transformation technology could save hours of repetitive work for your team. Other finance teams may desire to engage the other business units in a different way by creating dashboards to encourage self-service analytics - investing in data visualisation tools will enable this type of dashboard functionality.

Each of these options will lead to a data-driven analysis of a council's performance and should provide management with new insights and a fresh approach to identifying areas for improvement.

Our analysis shows that in the next two years, councils aspire to reduce their reliance on manual data wrangling, with a lower 54% of councils planning to manually prepare and process data on a frequent basis (compared to 74% currently doing so). We observe 37% of councils planning to use data transformation and blending tools frequently in the next two years (up from 24% currently doing so). This is particularly prevalent in NZ (47%) and SA (48%) councils.

Also of interest is the jump in the proportion of councils planning to incorporate data visualisation technology into their everyday way of working. In two years, 36% of councils plan to be using data visualisation technology frequently, up from 4% currently doing so. We suggest that councils review the Council Comparative Analysis Tool (CCAT) to further analyse these results by jurisdiction. In particular, councils that subscribe to the Council Comparative Window (CCW) may be able to identify peer councils that have similar aspirations, and can therefore share the burden of implementing this change.

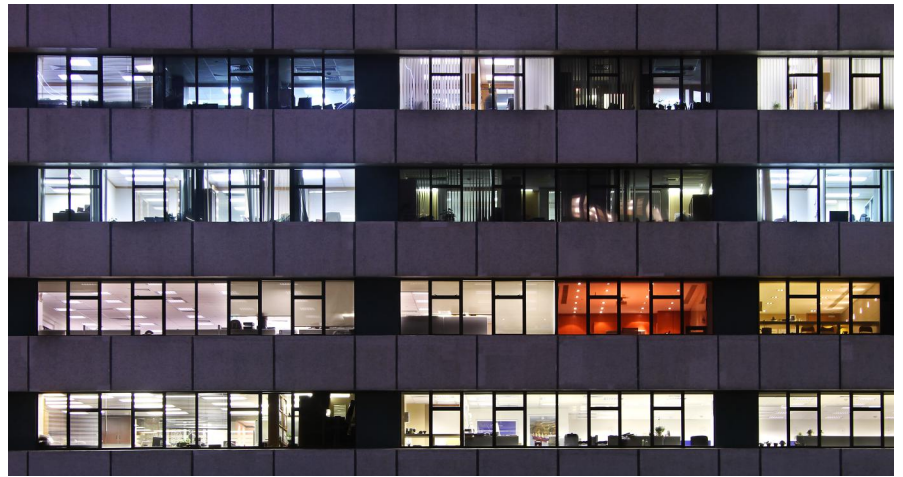
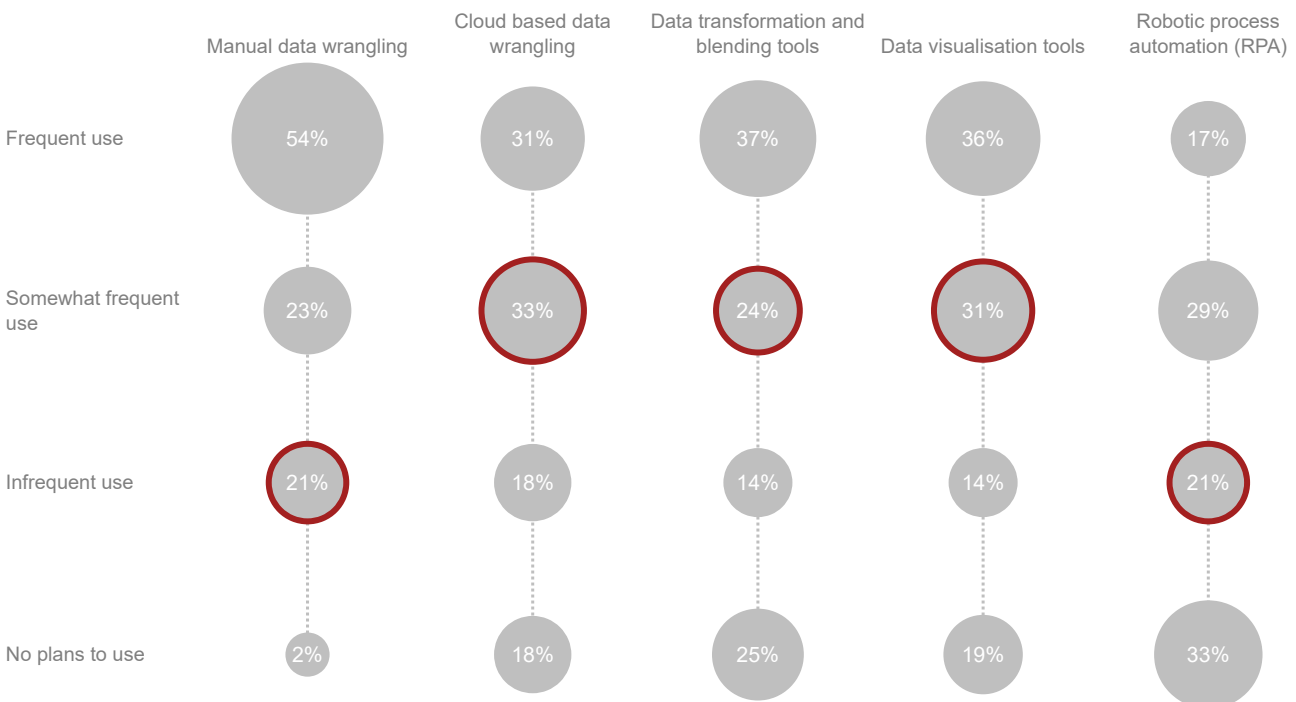


Figure 2.9: Finance function future maturity - plans to use technology or tools in the next two years



● Survey population
○ City of Vincent

n = 115

Balancing insight and efficiency

Budgeting

The annual budget process can provide an avenue for finance teams to engage more readily with the broader business. Relationships can be built and fostered and combining the analysis of past financial performance with an understanding of future strategic priorities can assist in a robust budgeting process, contributing to forward-looking and effective decision making.

Our survey assesses the time spent on budgeting by measuring the number of days between the official start date of the process, and the date the budget was finalised and loaded into the accounting system. The median result has hovered above 140 days for the past 4 years, and in FY19 we observe a median time spent on budgets of 145 days or 29 weeks.

At a geographic level, while NZ councils continue to have the longest budget cycle with a median result of 201 days, this has reduced by 25 days in the past year. The substantially longer timeframe in NZ may be due to the absence of state governments, meaning their budget process is more likely to resemble those of Australian state governments and are therefore likely to be more complex and time consuming than for Australian local councils.

Meanwhile in Australia, SA councils have the longest budget cycle with a median of 148 days, compared to 132 days for NSW councils, and an even lower 120 days for WA councils.

Finance teams dedicate almost three quarters of the total budget cycle preparing and refining budget data for CEO approval (71%), and we see a quicker turnaround time in obtaining approval from councillors, with 21% of budget cycle time (compared to 24% in FY18).

We encourage each council to assess their elapsed budget days and processing time to determine if it fits within a deemed acceptable level. It is important to understand whether bottlenecks or current processes are impacting overall budget planning and preparation time. Consideration of emerging technology to assist in the time to prepare, transform and consolidate data is one way to create a more efficient budget process.

Figure 2.10: Total elapsed business days for the budgeting process

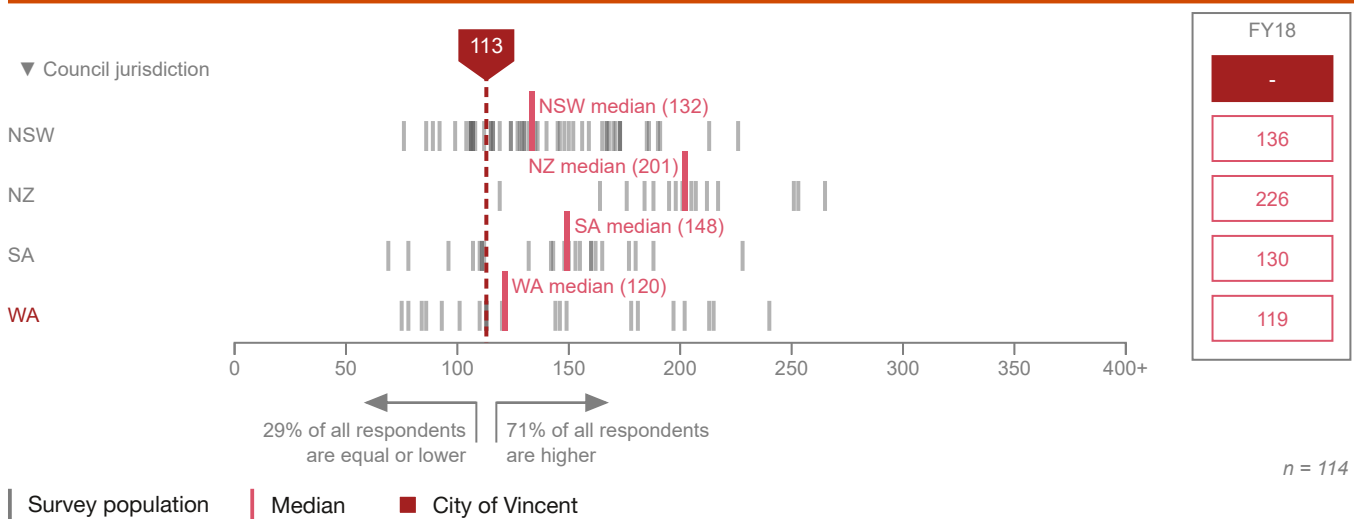
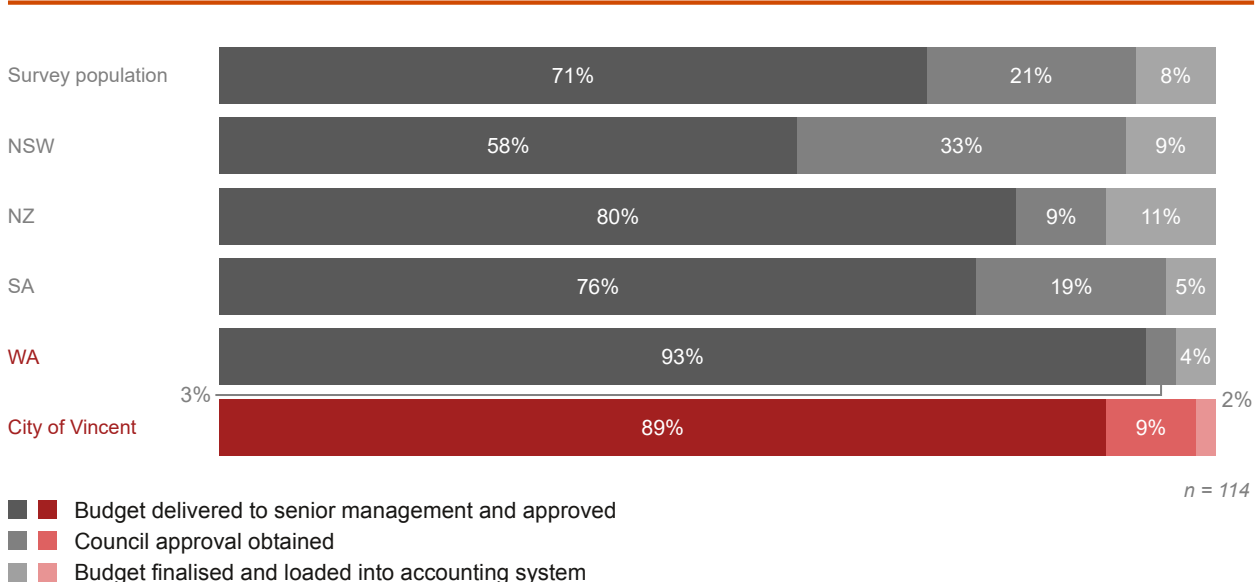


Figure 2.11: Proportion of total elapsed budget days by stage



Source of income

Revenue profile

We acknowledge that the revenue streams of local governments in Australia and New Zealand are not directly comparable due to the diverse service delivery models and varying levels of responsibility in each jurisdiction. The type of councils in our survey population also impact direct comparisons, so we suggest using the Council Comparative Analysis Tool (CCAT) to drive your own comparisons.

On that note, we continue to see a higher reliance on grants as a form of income for NSW councils (28% of revenue), compared to a much lower 14% in SA and 16% in WA. This result is attributed to the higher proportion of the NSW survey population being comprised of rural or regional councils (86%) that rely on government grants to manage their extensive road network. By comparison, there are 61% rural or regional councils in SA and just 19% in WA.

When comparing across the survey population, our findings show that 34% of rural council revenue was derived from grants, compared to 26% for regional councils, and a much smaller 11% for metro councils.

As expected, rates and annual charges remain the main source of revenue, both at an aggregate level (54%), and for all

jurisdictions. This is especially prevalent in SA councils, with almost three quarters of revenue derived from rates and annual charges (74%).

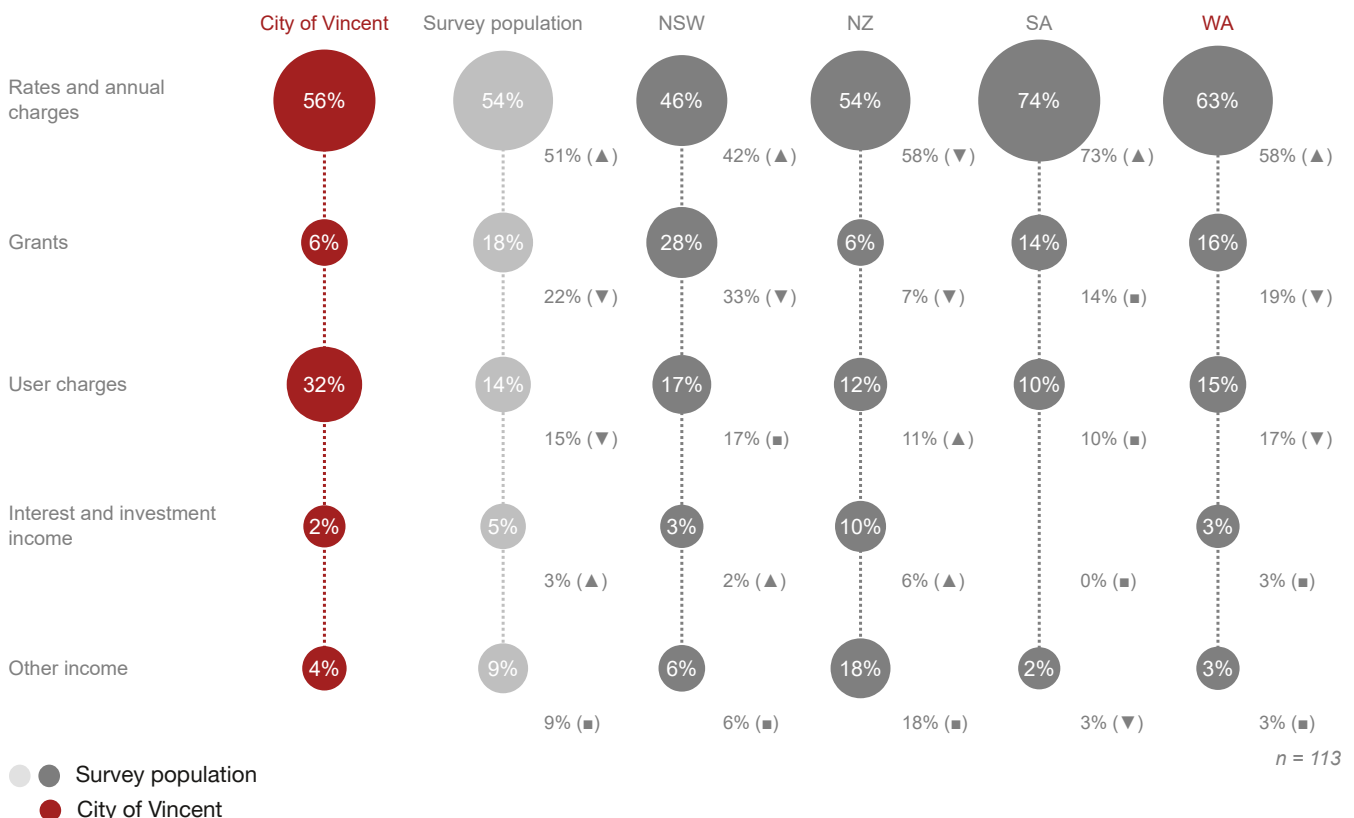
Councils should continue to periodically review their revenue mix and consider introducing innovative and sustainable revenue sources to reduce their reliance on traditional revenue streams. A high level of income diversity will contribute to a stable flow of revenue over the long term and insulate councils from adverse shocks.

Revenue generation and the sustainability of revenue sources requires ongoing attention and management.

Key considerations

- Does your council review its revenue mix as an area for more active discussion? Do you understand if any implications exist regarding this area?
- Does your management team think laterally when it comes to identifying new revenue opportunities?
- Does your council have the right skills, resources and ability to identify additional revenue opportunities?
- Have you considered contingency plans, in the case of short term or vulnerable funding being discontinued?
- What dormant opportunities lie in your existing revenue streams, fees and services? Have you maximised all opportunities to generate revenue?
- Have you carefully analysed new service pricing options in a bid to optimise revenue?

Figure 2.12: FY19 revenue profile



Optimising working capital

Collection of rates and annual charges

Figure 2.13 shows the cumulative collection of rates and annual charges compared to the survey population, and figure 2.14 displays the quarterly cash collections during FY19. Performance on this metric was consistent with the prior year, with an overall 60% of rates being collected by the end of the second quarter.

While most jurisdictions collect their annual rates and charges uniformly across the year, WA councils continue to front load their cash collections, with 79% of this pool of funds collected by the end of quarter two. At the other end of the spectrum, NZ councils had collected 54% of rates and annual charges by the end of quarter two.

The infographic (at right) shows the dollar-value equivalent of 1% of rates and annual charges collected. Based on this, councils can calculate how far ahead or behind they may be, quarter by quarter.

Why is working capital important?

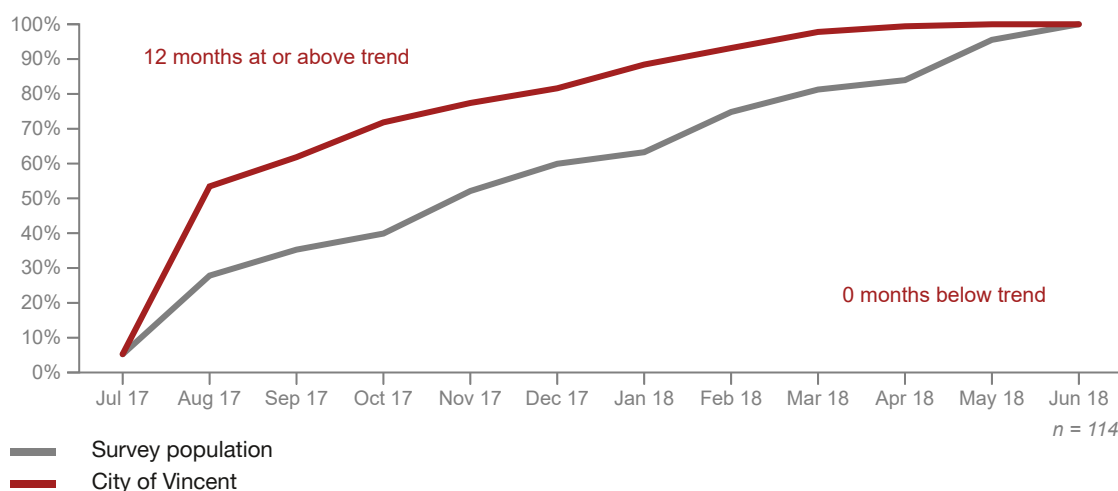
Working capital is a measure of liquidity, operational efficiency and short-term financial health.

Councils can better manage and allocate their cash flow and working capital through efficient collection of council rates and annual charges, employing methods such as:

- Offering early payment incentives;
- Imposing late fees for overdue payments; and
- Charging a small interest and/or an instalment fee if ratepayers elect to pay in instalments.

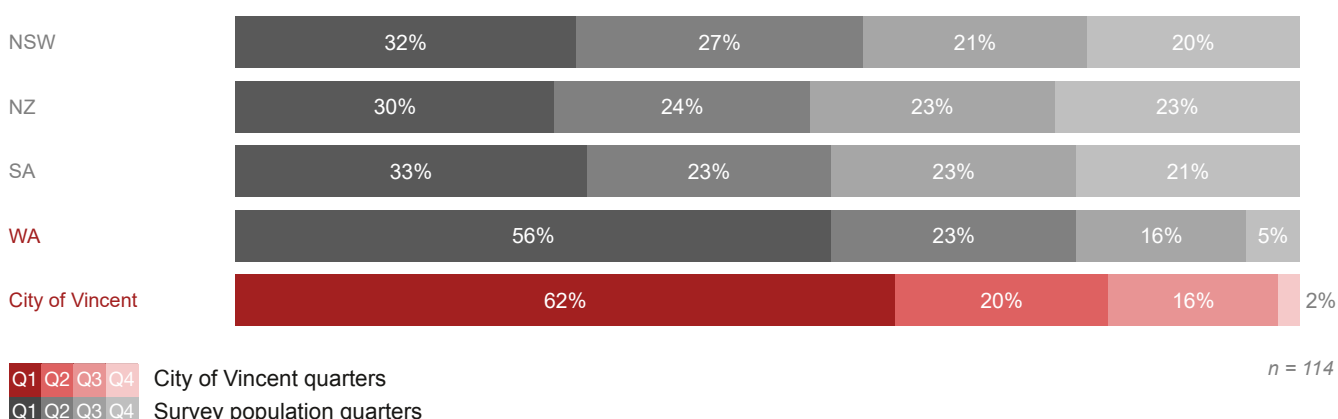
Minimising barriers to and facilitating easy payment options for residents, as well as automating financial processes, can help optimise labour-intensive finance processes and improve the relationship between councils, ratepayers and suppliers.

Figure 2.13: Cumulative collection of rates and annual charges



Every 1% is equal to
A\$411k
for your council

Figure 2.14: FY19 quarterly collection of rates and annual charges



Tracking and managing capital projects

Capital project expenditure

The effective management of capital expenditure (capex) is particularly important due to local government’s asset-intensive nature and the limited capacity of council operating budgets to absorb variations in the financial outcomes of capital projects.

Effective capex management is challenging due to the inherent volatility in year-to-year capex spending, the variety of significant capital works undertaken by councils in a particular year, and unexpected events that adversely affect capex budgets and timelines.

As observed in the prior year results, the median capital expenditure per resident is higher for rural councils, at A\$1,090 (NZ\$1,163), compared to the metro median of A\$380 (NZ\$406).

A key determinant of the higher capex per capita in rural council areas is the substantial cost associated with building and maintaining large-scale infrastructure. However, this may also have positive flow-on effects, such as primary roads running through a local government area connecting key cities or towns. It should also be noted that grants are often

provided to facilitate these capital works, as reflected in the rural councils’ funding mix where grants make up a relatively larger portion of overall revenue.

Geographically, NSW councils continue to have the highest capital spend per resident, with a median of A\$940 (NZ\$1,003). This is expected, given the higher proportion of the NSW survey population being comprised of rural/regional councils (86%). The other jurisdictions remain broadly in line with the prior year results.

Figure 2.15: Total capital expenditure (A\$) per resident (type of council)

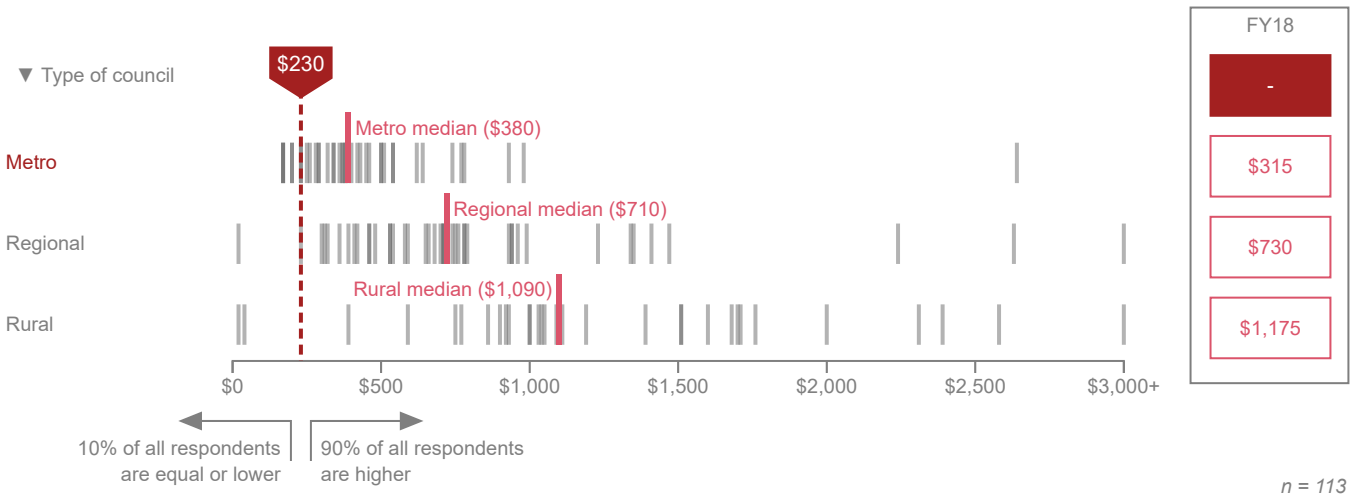
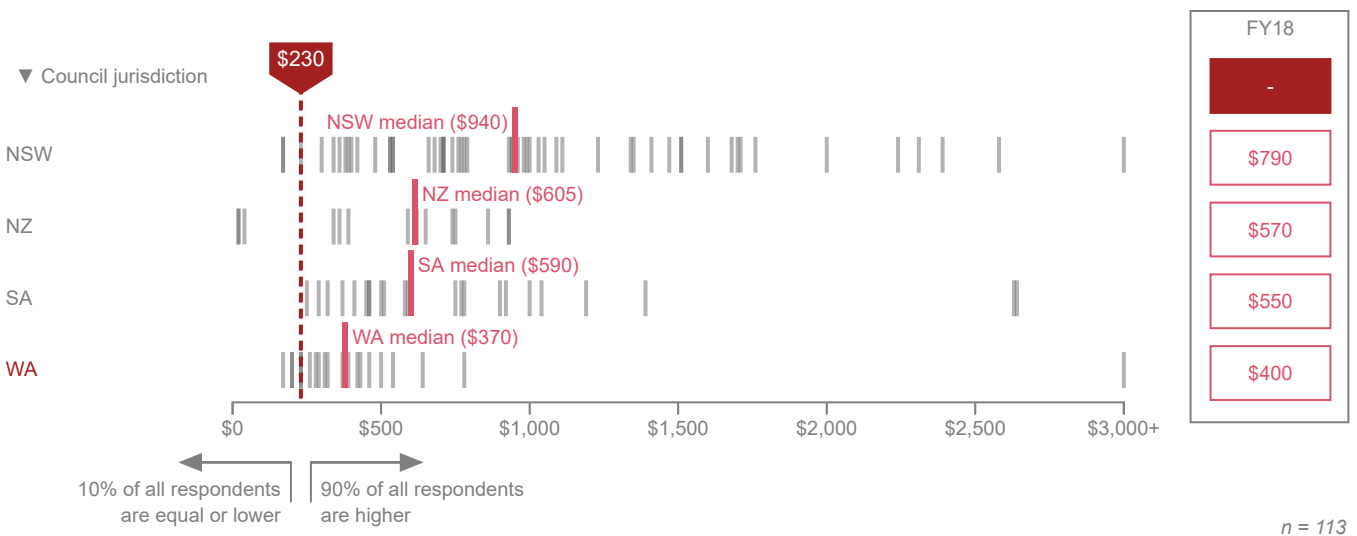


Figure 2.16: Total capital expenditure (A\$) per resident (council jurisdiction)



Survey population | Median | City of Vincent

Case study: The data visualisation journey

Kāpiti Coast District Council, NZ

Background



Prior to 2014, we were using Microsoft Excel spreadsheets to run our budgeting model as well as our financial reporting. This was a fairly manual process, so there was room for error. With an increasing demand from the business units for better financial reporting, visual information and an automated budgeting process, we sought input from the Senior Leadership Team and budget managers to understand their reporting requirements and expectations to help drive the design of meaningful data visualisations and metrics.

Implementation



In 2014, a decision was made by the Financial Controller at the time to invest in the MagiQ Performance product (a budgeting and reporting tool) to replace the existing Excel models. We employed our System Analyst as a dedicated resource to perform the initial set-up of the tool, and they received training from and worked closely with the supplier throughout the implementation stage. After that we had additional in-house resources that also received training and developed the necessary skills to implement and further utilise the tool.

By June 2015, we were already using the budgeting tool regularly to capture data, applying pre-set business rules and inflation rates for the local government sector, and publishing calculated planning results with a click of a button. From there, we started setting up our reporting requirements within the same tool and we were able to report on different revenue and expenditure categories easily. We also set up a comprehensive GL mapping table to allow us to perform other various reporting functions.

Usage



Currently we use data visualisation for internal monthly reporting to the Senior Leadership team and budget managers, external quarterly activity and finance reports, and for financial information in the published Annual Report, Annual Plan and Long Term Plan.

Looking ahead



We are now implementing the “Data Connectors” function in the software which will allow us to capture and report on non-financial information by pulling data from our existing modules such as Building Consents, Land Information Memorandums (LIMs), Service Requests, etc. We are also exploring the possibility of utilising Microsoft Power BI to enhance the data visualisation experience for our users (being the senior leadership team, budget managers, and council management).



Operations



Workforce



Finance



Operations



Service Delivery



Corporate Leadership



Asset Management



5.0

corporate service FTEs per
\$10m of total operating
expense



17%

of councils have a formal
cyber security strategy



87%

of councils offer online
payments to their customers

Operations Trend Summary

City of Vincent



Fostering productive corporate service functions

Corporate services

The corporate services function provides support and expertise to the entire organisation. It is responsible for establishing safe and sustainable practices so that core activities can be delivered consistently and efficiently across the council. With the appropriate skills and expertise, corporate services can provide business-critical information, and the insights needed to cultivate effective and efficient business processes, enabling management to make the right decisions.

In this section, we analyse *insourced* corporate services only and we focus on four specific corporate services: customer service, finance, human resources (HR) and information technology (IT). If your council outsources either some or all of these four corporate service areas then your results may not be comparable to other councils that predominantly insource these functions.

The four corporate services combined represent 10% of total council operating expenses, broadly consistent with 9% in FY18, and relatively consistent across the jurisdictions.

When reviewing corporate service full-time equivalents (FTEs) per \$10m of total operating expenses, we observe slight variations according to council size. Large councils operate with 4.7 corporate service FTE per \$10m of total operating expenses, compared to 5.4 in medium and 6.2 in small-sized councils.

We continue to see small councils operating with a proportionally larger finance FTE representation at 46%, compared to 30% and 27% in medium and large councils respectively.

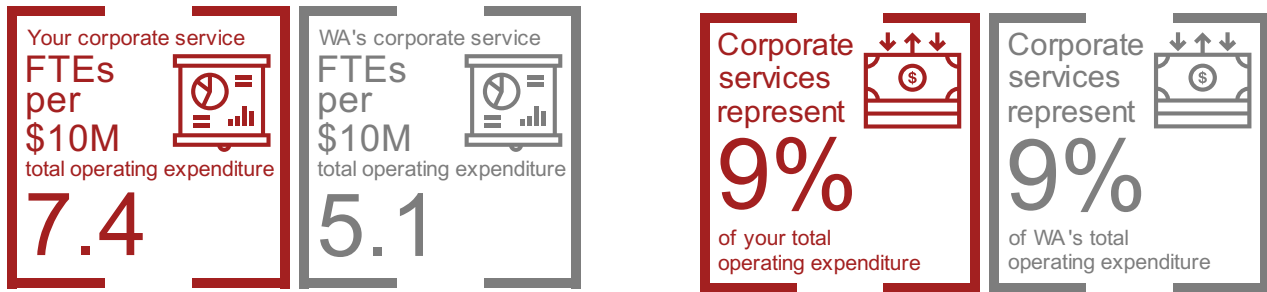
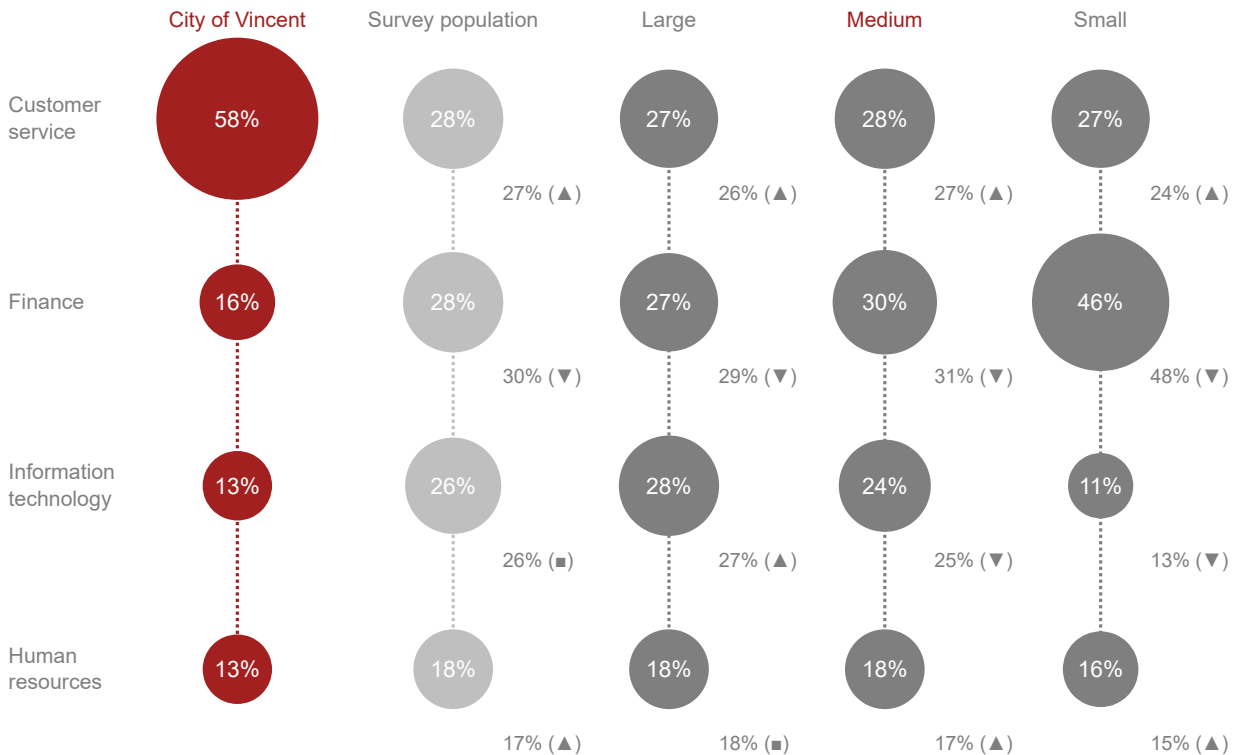


Figure 3.1: Breakdown of corporate service full-time equivalents



● Survey population
● City of Vincent

n = 113

Fostering productive corporate service functions

Corporate services (continued)

In the past year, there has been minimal change to the number of insourced corporate services staff per 100 employees across our four corporate service areas. There continues to be more customer services and finance staff per 100 employees at 4.3 and 4.2 respectively, relative to IT and HR staff at 3.6 and 2.6 respectively.

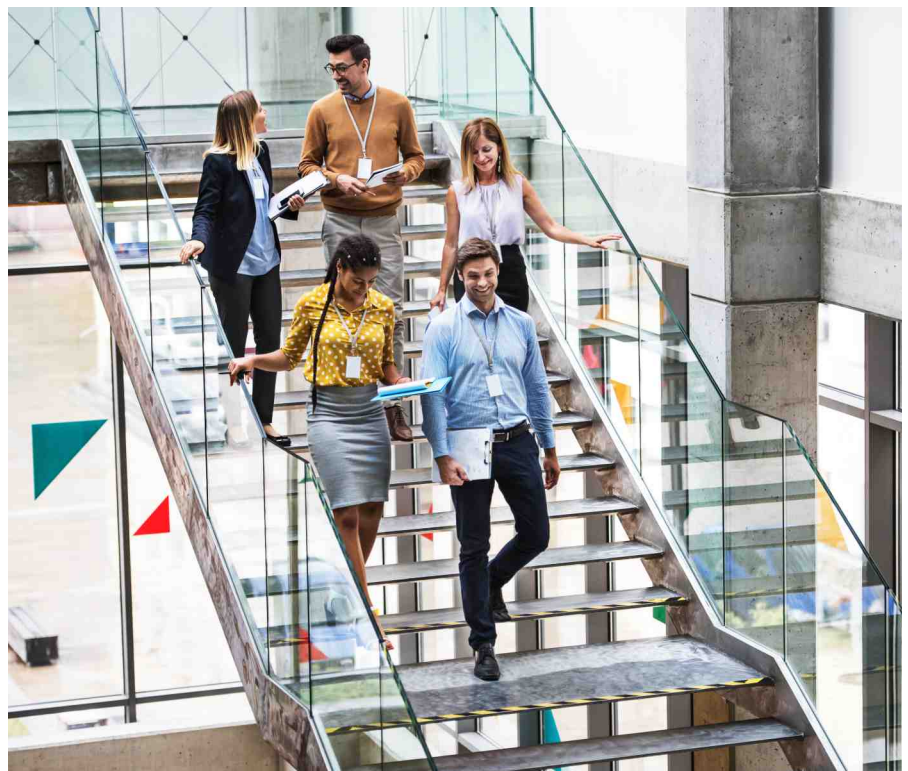
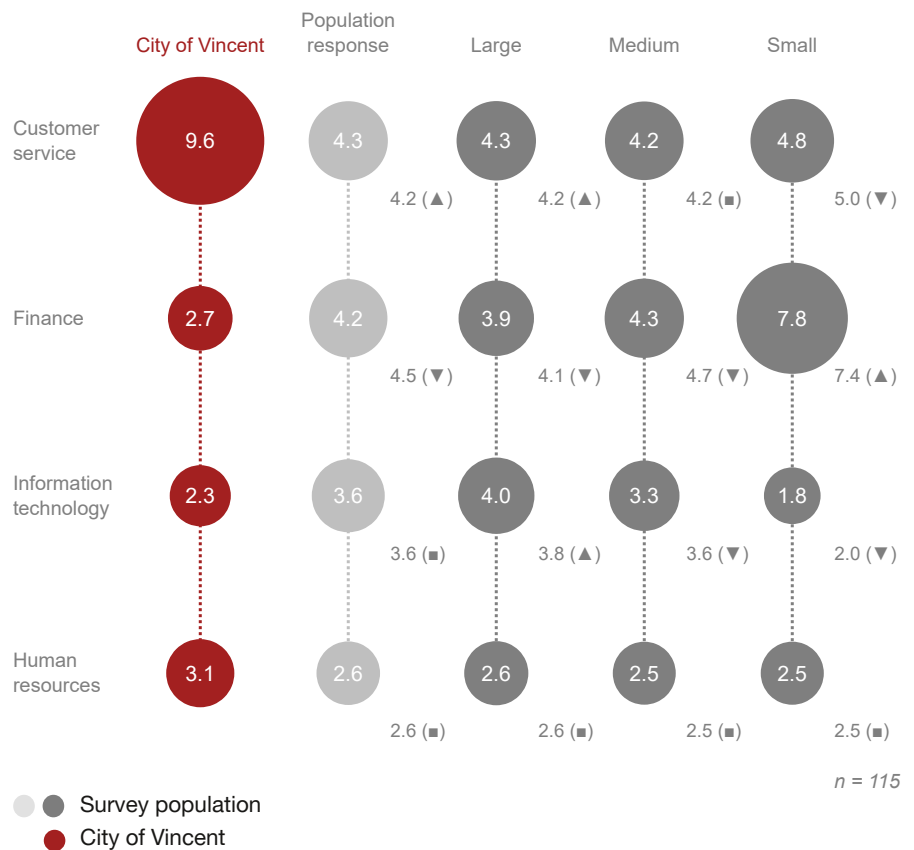
Consistent with FY18, the rate of HR resourcing is similar across all council sizes while IT resourcing is vastly different, with large councils having 4.0 IT staff per 100 employees, compared to 1.8 in small councils. This may be explained by 71% of small councils reporting that they outsource the IT helpdesk support, compared to just 17% of large and 22% of medium-sized councils.

There is a continued downward trend in customer service staff for small councils, at 4.8 staff per 100 employees, down from a high of 6.4 in FY16. We observe a closing of the gap between large/medium and small councils in FY19, with small councils carrying just an extra ~0.6 customer service staff per 100 employees (down from a gap of 0.8 in FY18 and ~1.1 in FY17).

Small councils continue to have more finance staff at 7.8 per 100 employees, compared to their large and medium counterparts at 3.9 and 4.3 respectively. This may be a result of shared responsibilities among finance resources in small councils whereby they also perform other roles within the council. In addition, large councils have the ability to benefit from economies of scale, and also invest in new technology.

In the 'Finance function maturity' section of this report, it is evident that large councils are embracing technology, with 66% of large councils using some form of data transformation/blending tool, compared to just 24% of small councils. Investing in this technology, along with upskilling the finance function, allows councils to create a more efficient finance function. It shifts the focus from data collation and transformation to interpretation of results and generation of business insights.

Figure 3.2: Breakdown of corporate service staff per 100 employees



Leading councils have an IT strategy

Importance of an IT strategy

Despite the increasing importance of technology and digitisation, we continue to see less than two thirds of participating councils with a formal IT strategy that aligns to the business strategy. Encouragingly, the number of councils without an IT strategy has more than halved, falling from 18% in the prior year to 8% in FY19.

Across NZ and WA, all participating councils now have either a final or draft IT strategy. Across WA councils, over three quarters are now operating with a formal IT strategy (76%, up from 57% in FY18). A year ago almost half of the SA councils (44%) did not have an IT strategy at all, and now this figure has dropped to 26%, with a steep rise in the proportion of SA councils creating a draft IT strategy (40%, up from 22% in FY18).

The 2018 PwC Global Digital IQ Survey evaluated 2,280 business and technology leaders, and points to a connection between organisations that have more comprehensive digital strategies and those that achieve stronger financial performance.³⁰ The top performers in the survey embrace a broad definition of what they consider digital, not limiting it simply to IT. They evolve digitally beyond software, hardware and technical tools into a way of operating and encouraging innovation across the organisation.

A shared plan between the IT function and the organisation, developed with existing and future business needs in mind, can play a substantial role in preparing the business for future technological disruption and also create substantial business benefits. To optimise the impact, the senior leadership team must drive and support the development of an IT roadmap and digital strategy that focuses on strategic priorities and the benefits for those who buy into the strategy.

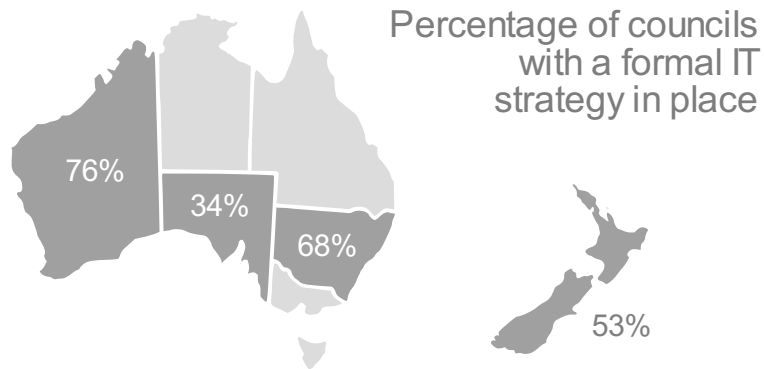


Figure 3.3: Does your council have a formal or draft IT strategy that aligns with the business strategy?



30 PwC 2018, Global Digital IQ Survey, "The no-excuses way to win in a digital world"

Leading councils have an IT strategy

Importance of an IT strategy (continued)

A digital strategy plays a key role in ensuring IT systems and processes are running as effectively and efficiently as possible. An IT strategy defines how technology will support the business strategy with project rationale, timelines, allocation of business and IT owners and estimated investment and duration.

Given 39% of councils are operating without a formal IT strategy, it is not surprising that almost two-thirds of councils (65%) reported having only 'adequate' IT systems with some functionality missing. It is interesting that SA councils are more likely to report a higher dissatisfaction with their IT systems (17%, up from 4% in FY18), compared to other jurisdictions, and they are also the jurisdiction with the highest proportion of councils operating without a formal or draft IT strategy (26%).

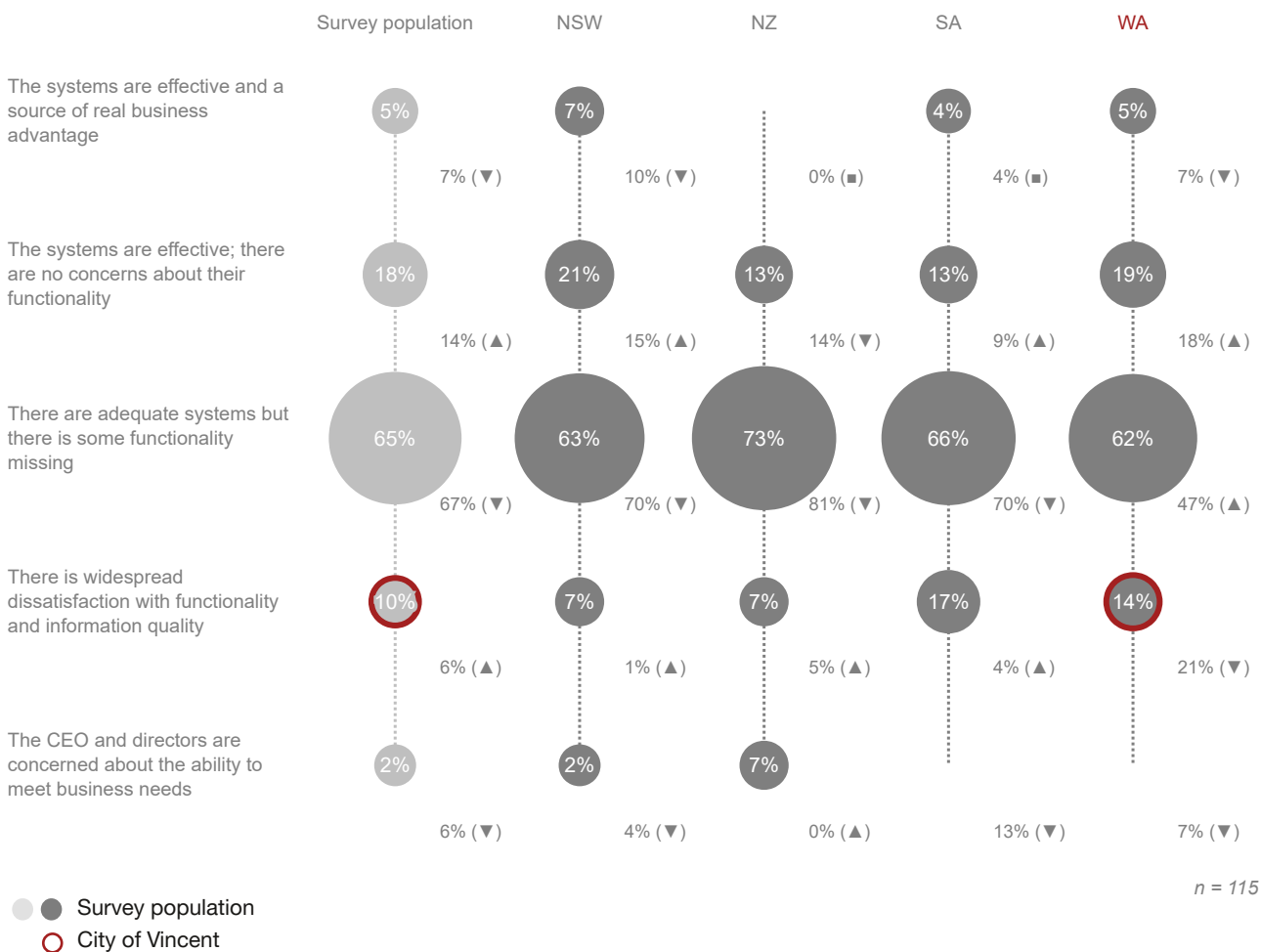
The 2018 PwC Global Digital IQ Survey notes that 54% of top performing firms say their leadership is digitally savvy, underlining the importance that the leadership team plays in actively supporting and collaborating to create a clear vision, comprehensive plan and adoption strategy to support digital transformation.³¹ An opportunity exists for councils to move away from the status quo and create a tech-savvy workplace where employees are enabled by technology and residents receive a better customer experience.

"There's a disconnect between the skills and technologies that companies say matter most and what they're investing in."³²

Key considerations

- Do you have a strategic view of the current digital capability within your council?
- Does your senior leadership team champion the importance of digital strategy? Do they incorporate digital into their daily tasks?
- Do you position IT as a central capability, identified as essential (not optional) in your strategic plan?
- How will you acquire and develop the digital skills and capabilities you need in the future?

Figure 3.4: How effective are IT systems at supporting your business?



31 PwC 2018, Global Digital IQ Survey, "The no-excuses way to win in a digital world"

32 Ibid

Investing in IT

IT spend

Within any given council we would expect IT spend per employee to fluctuate across survey years, given the cyclical nature of IT priorities, projects and investments. However, we continue to see a pattern of a consistent higher median spend by NZ councils (compared to participating Australian councils) and a lower median spend by small councils (compared to large and medium councils).

On the surface, it appears that a shift is taking place across small councils. We observe 46% of small councils now operating with a draft IT strategy (up from 27% in FY18) and this coincides with a 33% growth in the median IT spend per employee.

While for some small councils, growth in IT spend per employee may indicate the forging of a path to enable investment in digital, the way in which small councils ranked their IT priorities (discussed in this section) suggests otherwise.

Almost half of small councils (47%) ranked the maintenance of 'business as usual' technology as their top priority. This suggests that the higher median IT spend is being allocated to simply maintaining systems that are becoming increasingly costly to operate, rather than being invested in new technology and the upskilling of staff.

We encourage council leadership teams to properly plan their IT spend, assessing the full cost of maintaining legacy systems in determining IT priorities. A cost assessment should incorporate the IT costs as well as the efficiency impact felt by the business in working with slow, cumbersome, or disjointed systems.

As councils work to define their FY21 IT budget, it is important to identify business areas that can benefit from integrated IT systems, cloud computing, software development and increased investment in employing experienced IT professionals. An example of this is finance software investment. We discuss 'Finance function maturity' in the Finance section of our report and it shows around 30-40% of councils planning to implement new technology in the next two years to create more efficient work practices in the finance function.

Figure 3.5: IT spend (A\$) per employee (size of council)

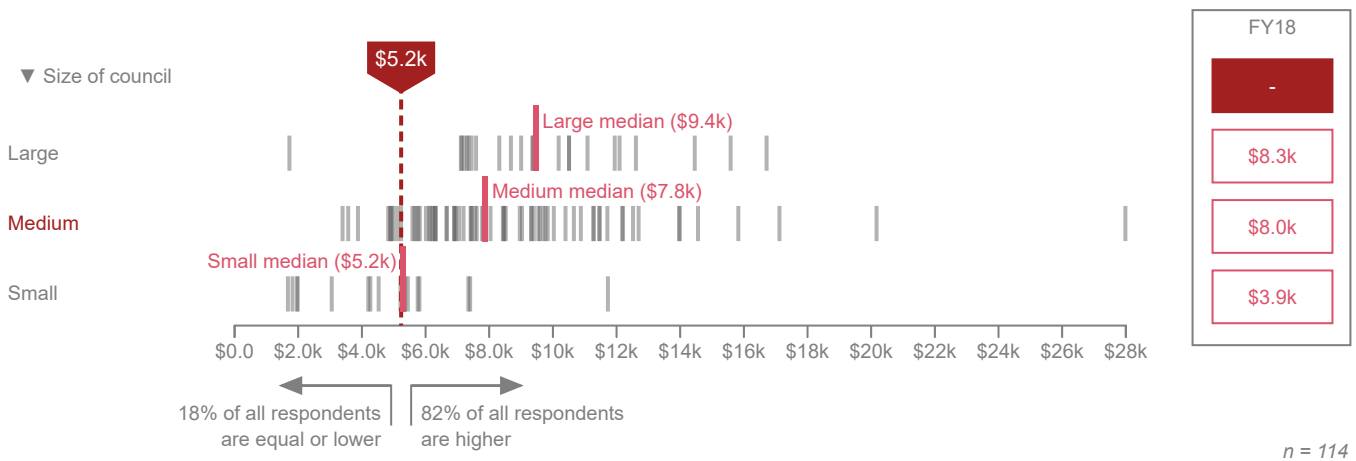
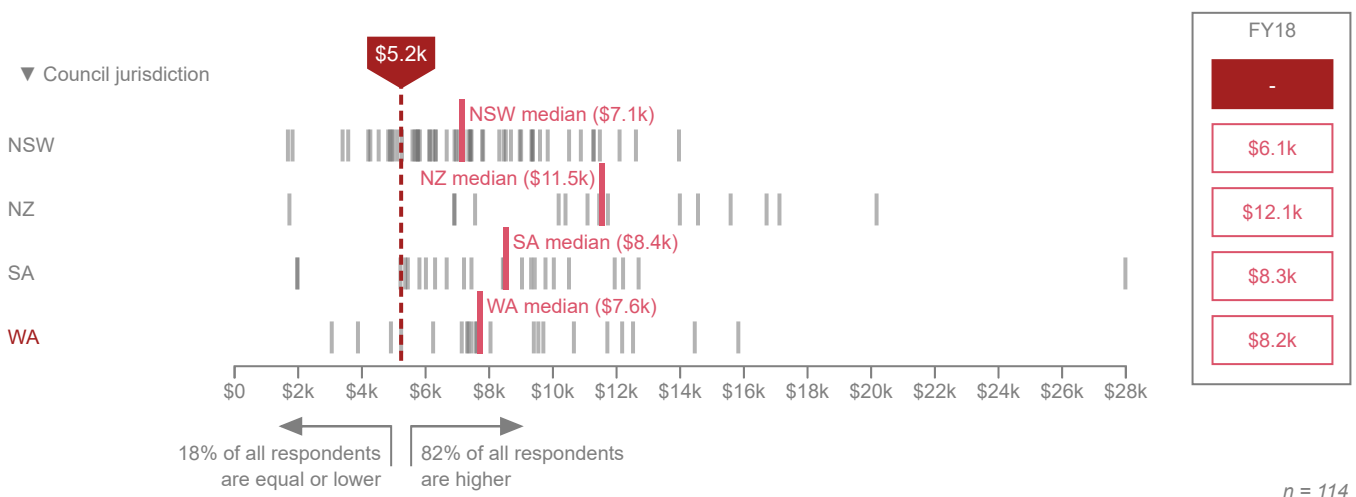


Figure 3.6: IT spend (A\$) per employee (council jurisdiction)



Survey population | Median | City of Vincent

Managing your IT projects

IT priorities

All organisations across all industries are faced with the opportunities that stem from digital transformation. Employee and customer experience and workplace transformation are often high on the list when it comes to digitisation. The identification and management of new risks is an important by-product associated with operating in a digital world.

Digitisation for councils means creating opportunities to serve communities more effectively by digitising internal and external channels. When it comes to IT and digitisation, there is an almost endless list of things that could be done, and a finite investment that can be made. Achieving effective change is therefore more likely to come down to making good decisions around prioritisation, to get the best return for your council at its current stage.

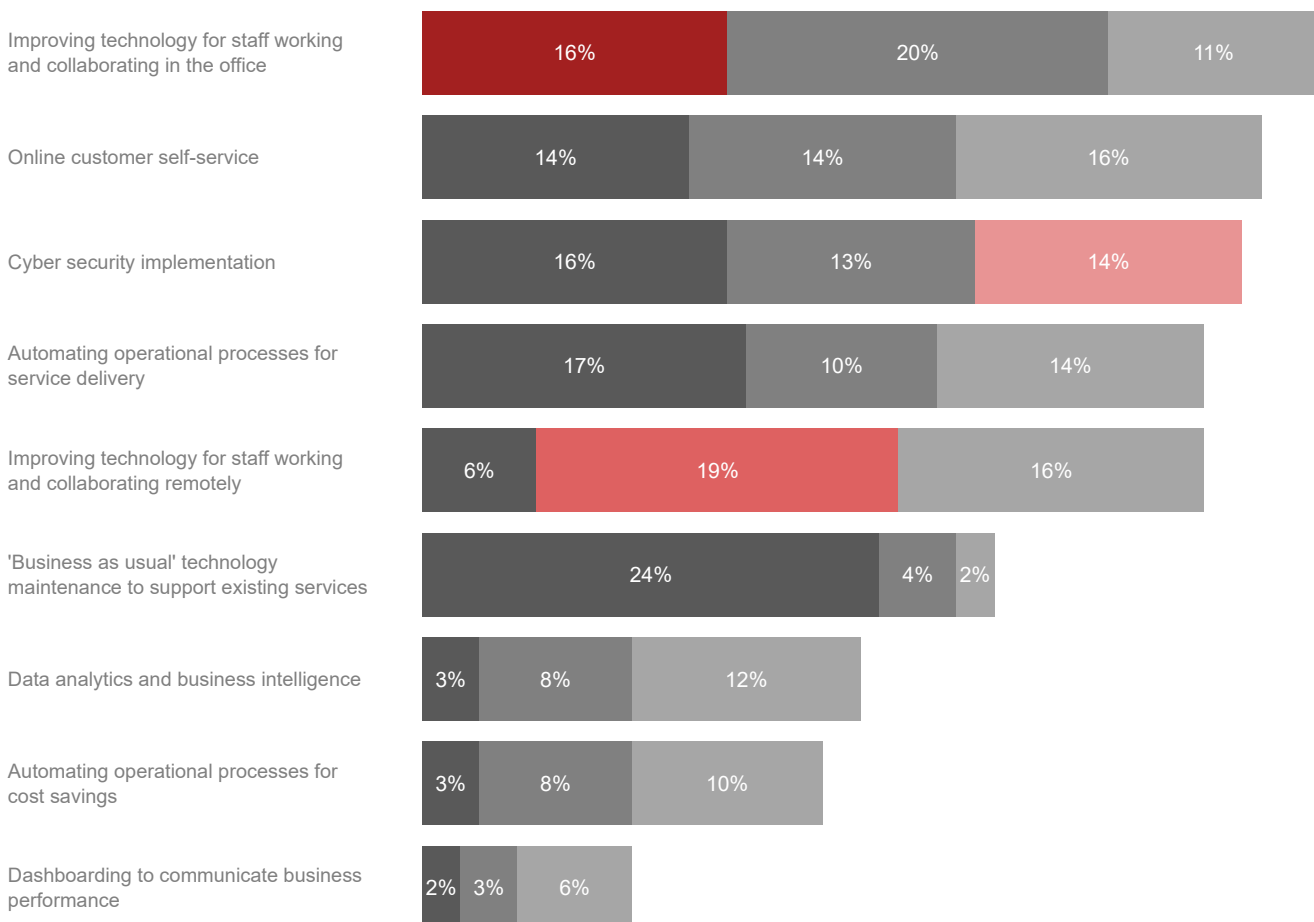
Our program asks councils to rank a selection of IT priorities. We observe an uplift in the proportion of councils ranking 'cyber security implementation' within their top three IT priorities, suggesting that councils are realising the importance of being proactive in developing their cyber resilience. This is most pronounced in NZ councils, with 60% ranking cyber security in their top three priorities. We explore cyber security, a new area in FY19, further in this chapter.

A wider variety of responses was observed across councils of different sizes, with large councils more likely to rank online customer self-service (21%) as their top priority. In comparison, 47% of small councils rank 'business as usual technology maintenance' as the top IT priority. This response rate is almost six times higher than that of large councils, where just 8% rank this as their top priority.

Key considerations

- Is your technology assisting the business to be efficient as well as meeting and supporting changing customer needs in service delivery?
- How are you managing information security and protocol around cyber attacks and data breaches?
- How are you managing digital transformation as well as 'business as usual' IT?

Figure 3.7: What are your top three IT priorities over the next three years?



n = 115

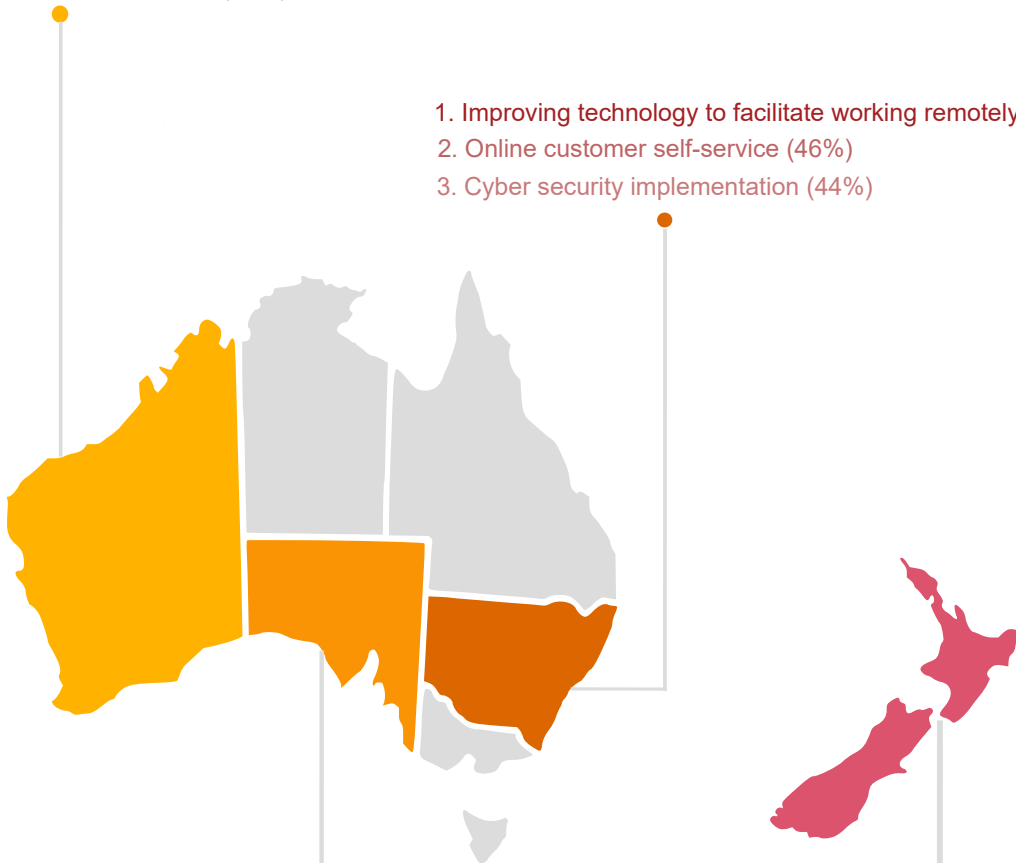
1 2 3 Survey population priorities
 1 2 3 City of Vincent

Managing your IT projects

Top IT priorities by council jurisdiction

- 1. Cyber security implementation (52%)
- 2. Automating operational processes for service delivery (48%)
- 3. Online customer self-service (43%)

- 1. Improving technology to facilitate working remotely (52%)
- 2. Online customer self-service (46%)
- 3. Cyber security implementation (44%)



- 1. Improving technology to facilitate working locally (52%)
- 2. Automating operational processes for service delivery (43%)
- 3. Improving technology to facilitate working remotely (39%)

- 1. Cyber security implementation (60%)
- 2. Online customer self-service (47%)
- 3. 'Business as usual' technology maintenance to support existing services (34%) & Improving technology for staff collaborating in the office (34%)

Protecting your council from cyber security threats

Planning for cyber security

In an increasingly digital world, organisations need to be more proactive in developing their cyber resilience and taking measures to prevent cyber attacks from exploiting sensitive data and critical systems.

Findings from PwC’s 2018 Global Economic Crime & Fraud Survey of more than 7,200 respondents across 123 different territories (including 158 respondents from Australia), indicated that of all the external threats faced by Australian organisations, cybercrime is firmly at the top of the list. In the last two years, almost half (43%) of Australian organisations surveyed said they had suffered a cyber attack.³³

As detection capabilities continue to mature across the industry and more resourcing is dedicated to this critical function, there is every likelihood that a greater breadth and volume of cyber incidents will be identified.

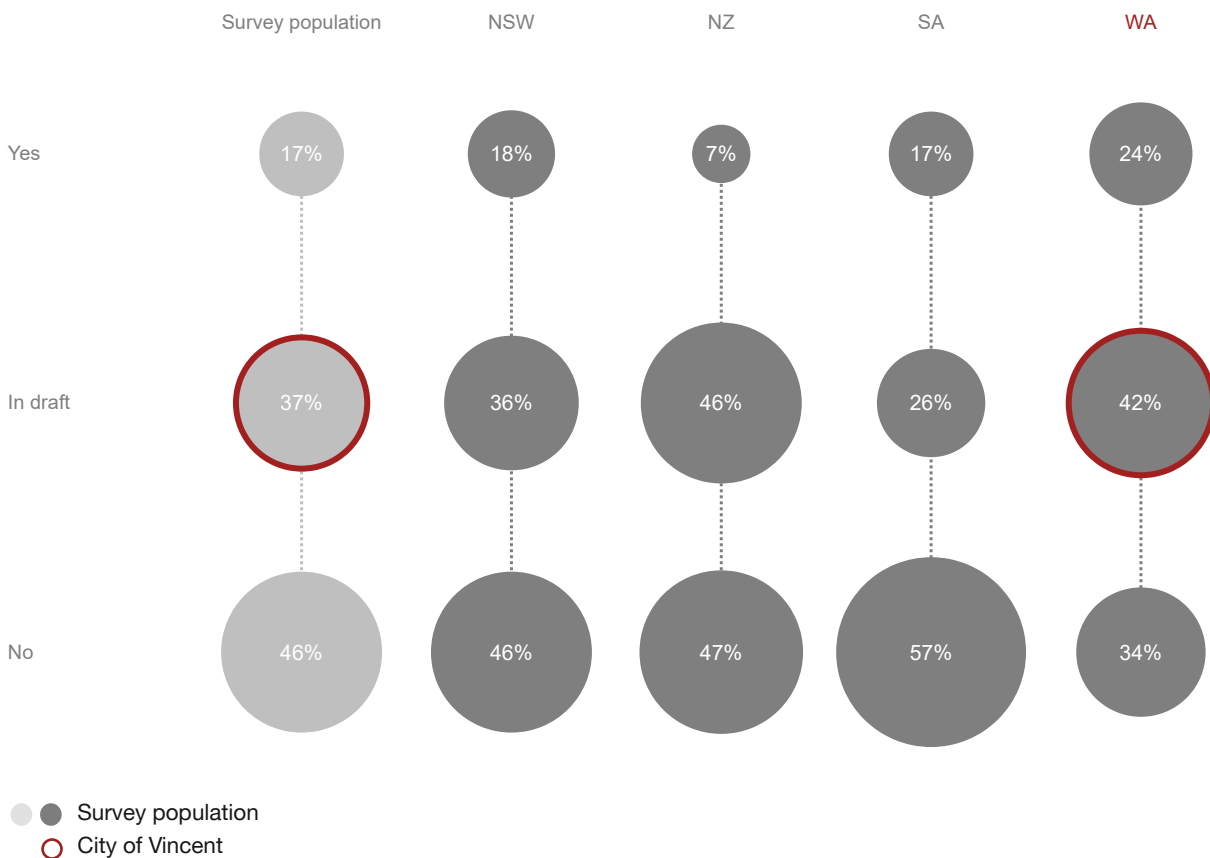
When asked about the existence of a formal cyber security strategy, just 17% of councils are currently operating with a formal cyber strategy. We observe over a third of councils in the stages of drafting a formal cyber strategy (37%), suggesting that cyber security is a relatively new risk area being addressed by councils.

WA is the jurisdiction with the largest proportion of councils to have already implemented a formal cyber security strategy (24%), compared to just 7% of NZ councils. However, NZ has the highest proportion of councils who are in the process of drafting a cyber security strategy (46%), perhaps reflective of another emerging observation that 93% of NZ councils acknowledged having experienced a phishing attack (fraudulent communications that appear to be from a reputable source). It is interesting to note that over half of SA councils (57%) are yet to prepare a formal strategy on cyber security.

What is cyber security?

Cyber security refers to the protection of computers, servers, mobile devices, electronic systems and networks from malicious attacks³⁴, theft or damage to their hardware, software or electronic data, as well as from disruption or misdirection of the services they provide.

Figure 3.8: Does your council have a formal cyber security strategy?



33 PwC’s 2018, *Global Economic Crime & Fraud Survey: Australian Report*

34 Kaspersky, “What is cyber security?”, accessed 31 Oct 2019, <<https://www.kaspersky.com.au/resource-center/definitions/what-is-cyber-security>>

Protecting your council from cyber security threats

Cyber security responsibility

Our results indicate that most large (92%) and medium-sized (94%) councils have a Head of IT or Chief Information Officer (CIO) who assumes primary responsibility for managing cyber security, while in smaller councils this is likely to be managed by a staff member with other responsibilities (70% Other).

Increasingly, organisations now have a Chief Information Security Officer (CISO), recognising the need for a dedicated and knowledgeable executive to maintain oversight over the implementation of cyber security measures.

As cyber attacks continue to become more frequent, malicious, and less discriminate in nature, it will be important for councils to look at implementing a CISO (or equivalent) role to ensure there is an adequate level of focus on preventing or detecting digital disruptions to the business, including (but not limited to) operational disruptions, reputational damage, financial losses, response or repair costs, fines and judgements.

In today's world, there can be conflicting challenges of delivering IT quickly and affordably, as well as managing cyber risk. Separating the role of IT and cyber security can lead to improved governance.

Where a dedicated specialist role is deemed impractical or inefficient, councils may wish to engage alternative options for cyber risk management. We see this taking place in small councils, with 65% outsourcing this role, compared to 38% of large and 43% of medium-sized councils.

Key considerations when outsourcing cyber security management

- Use trusted and approved third party providers
- Risk assess the services being outsourced and any sensitive or critical data being shared
- Maintain an inventory of the service providers, and a description of the services being provided
- Clearly define what cyber security services are being outsourced, and the corresponding roles and responsibilities for each party
- Perform ongoing due diligence of the third party against those roles and responsibilities

What is a CISO & what value can they add to the business?

A **Chief Information Security Officer (CISO)** holds an executive-level role within an organisation, and is focused on enterprise-wide strategies to identify, manage, monitor and report on cyber risks.

In recognition of the whole-of-business impact that this position has, globally there is a shift away from the CISO (or equivalent) reporting into the CIO (or IT executive), as they have differing and at times opposite responsibilities and functions. A CIO often acts as a generalist, with their main objective being the availability of the IT systems, and supporting the business functionality and usability requirements. In comparison, a CISO is a specialist role, responsible for ensuring the confidentiality, integrity, availability and safety of 'connected' systems from cyber risks.

To reduce the cost burden of hiring a top-level executive on a full-time basis, local councils can consider implementing a virtual CISO, or leveraging a CISO who can advise across council clusters.

Figure 3.9: Who is responsible for cyber security within your council?

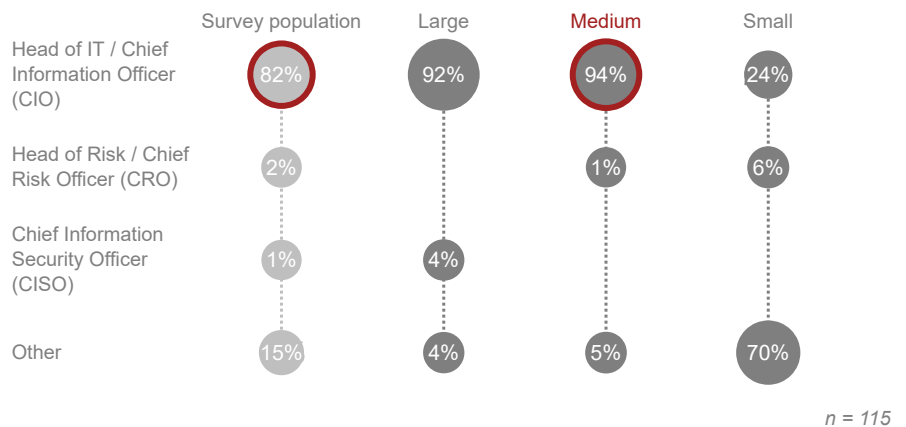
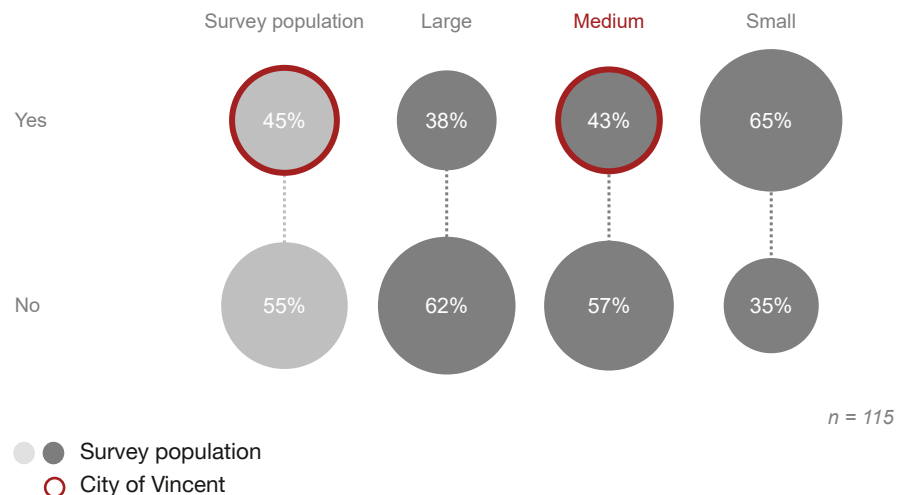


Figure 3.10: Does your council use an outsourced provider to manage cyber security?



Identifying cyber security breaches and risks

A phishy problem

Over half of all councils (58%) confirmed they have experienced a successful phishing attack, with this being extremely prevalent in 93% of our surveyed NZ councils. Successful malware attacks, including spyware, ransomware and viruses, have been experienced by just under half (48%) of all councils.

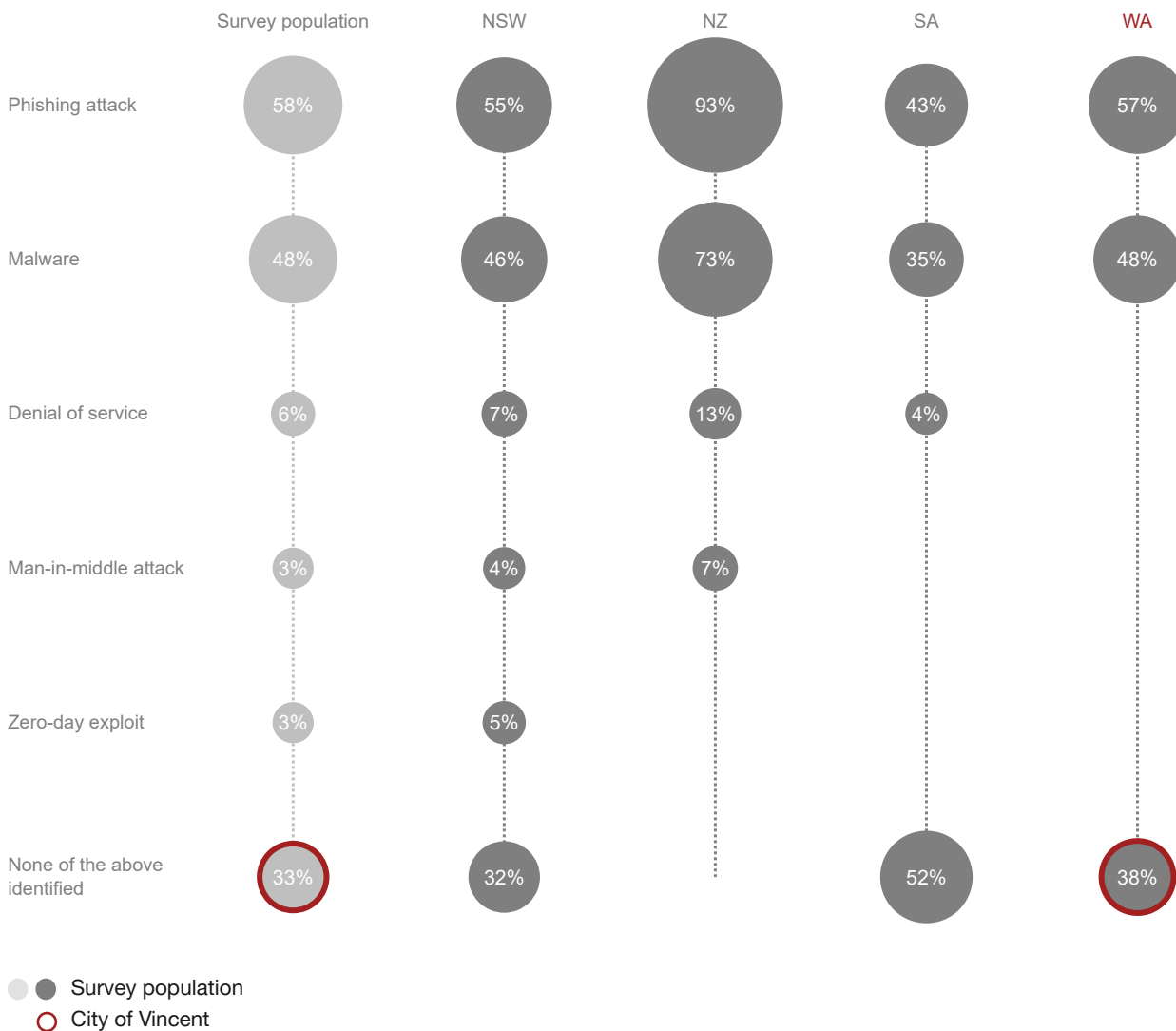
This trend is consistent with the findings from PwC's 2018 Global Economic Crime & Fraud Survey, which indicated that phishing attacks were the most prevalent type of cyber attack being experienced by organisations, followed closely by malware attacks.³⁵

At the other end of the spectrum, a third of the survey population reported no successful cyber security breaches during the year, especially prevalent in over half of small councils (53%) and over a third of medium-sized councils (35%).

On first glance this appears to suggest that a third of all councils have robust security measures in place, but it may also indicate the opposite - that the measures in place are not sophisticated enough to detect certain cyber attacks on a timely basis. The latter option draws parallels to the results presented in the latest Telstra Security Report, which

indicated that only 52% of Australian organisations are able to detect data breaches within minutes or hours³⁶, suggesting that such breaches may go undetected for weeks, months or longer.

Figure 3.11: What types of successful cyber security breaches has your council experienced?



n = 115

³⁵ PwC's 2018 Global Economic Crime & Fraud Survey: Australian Report

³⁶ Telstra Security Report 2019, accessed 13 Nov 2019, <<https://www.telstra.com.au/content/dam/shared-component-assets/tecom/campaigns/security-report/Telstra-Security-Report-2019-LR.pdf>>

Identifying cyber security breaches and risks

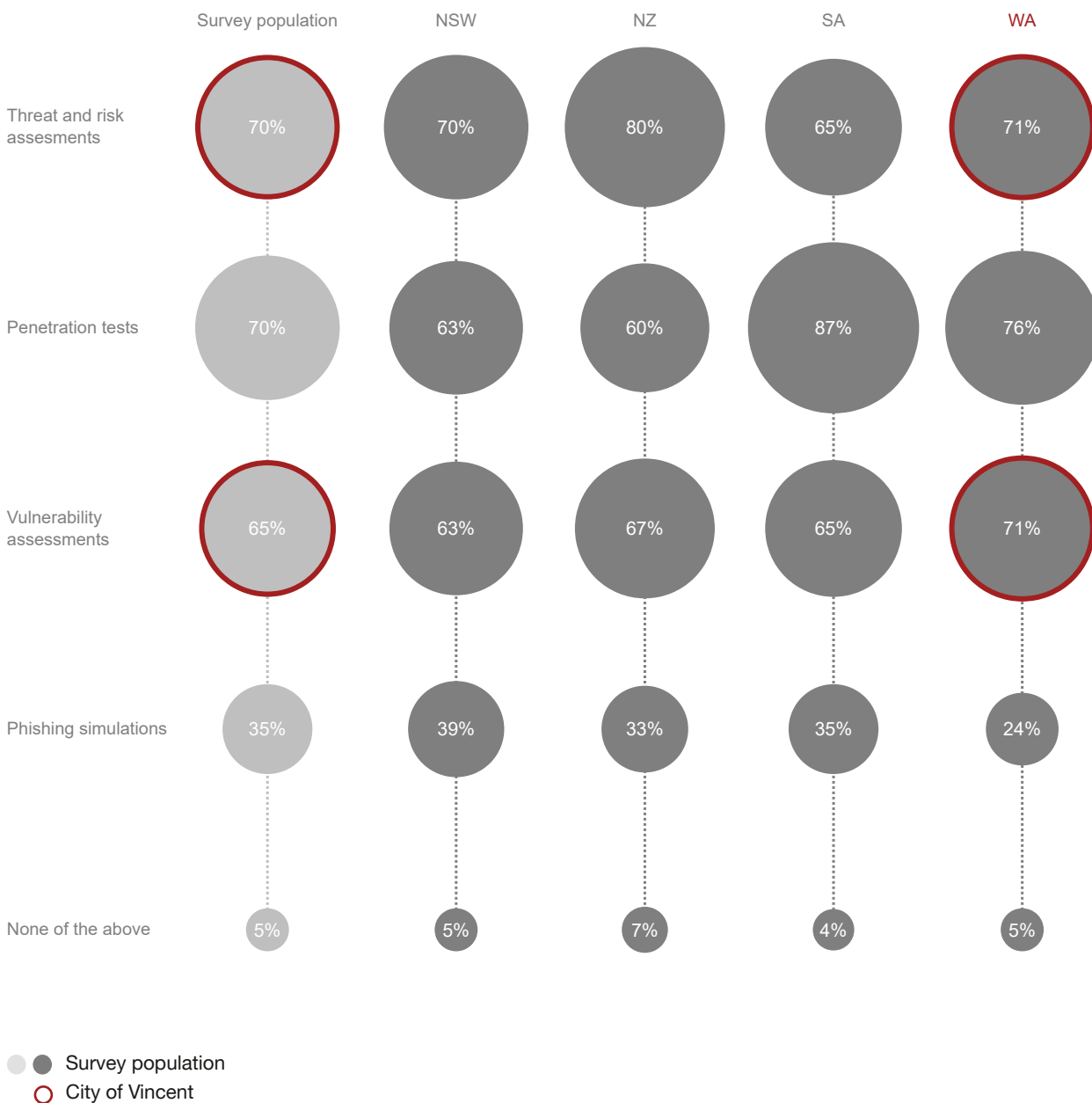
A phishy problem (continued)

Around a third of councils (35%) perform phishing simulations to help raise awareness of this significant cyber threat to businesses. These simulations recognise that employees also play a crucial role in detecting and reporting potential attacks, often acting as the first and last defence. Ongoing training is required to create more awareness and alert employees on how to detect suspicious emails, and the subsequent reporting mechanisms available to them.

In comparison, we found that councils are twice as likely to conduct threat and risk assessments and penetration tests, with 70% of councils performing both. This suggests that despite the absence of a formalised cyber security strategy, most councils are still taking steps to try and address the risk of cyber attacks. However, we recommend that a formal strategy be designed and implemented to ensure that key systems are covered by a well-defined testing plan.

As a next step, councils can conduct testing and formally review, document and discuss the findings along with providing recommendations to the senior leadership team. The recommendations should be prioritised, actioned and remediated in an appropriate and timely manner.

Figure 3.12: Does your council perform any of the following processes to identify cyber security risks?



n = 115

The importance of a cyber security incident response plan

Incident management

As the adoption rate for customer-facing systems gains momentum, it becomes an important citizen service measure as to whether council systems are up and available. In the event of some of these systems going offline, the impact may be the inability for the council to perform critical services. Given the generational change taking place in councils, the knowledge and skills to "go back to doing things the old way" are leaving the organisation, suggesting that preparing a cyber security incident response becomes a strategic priority.

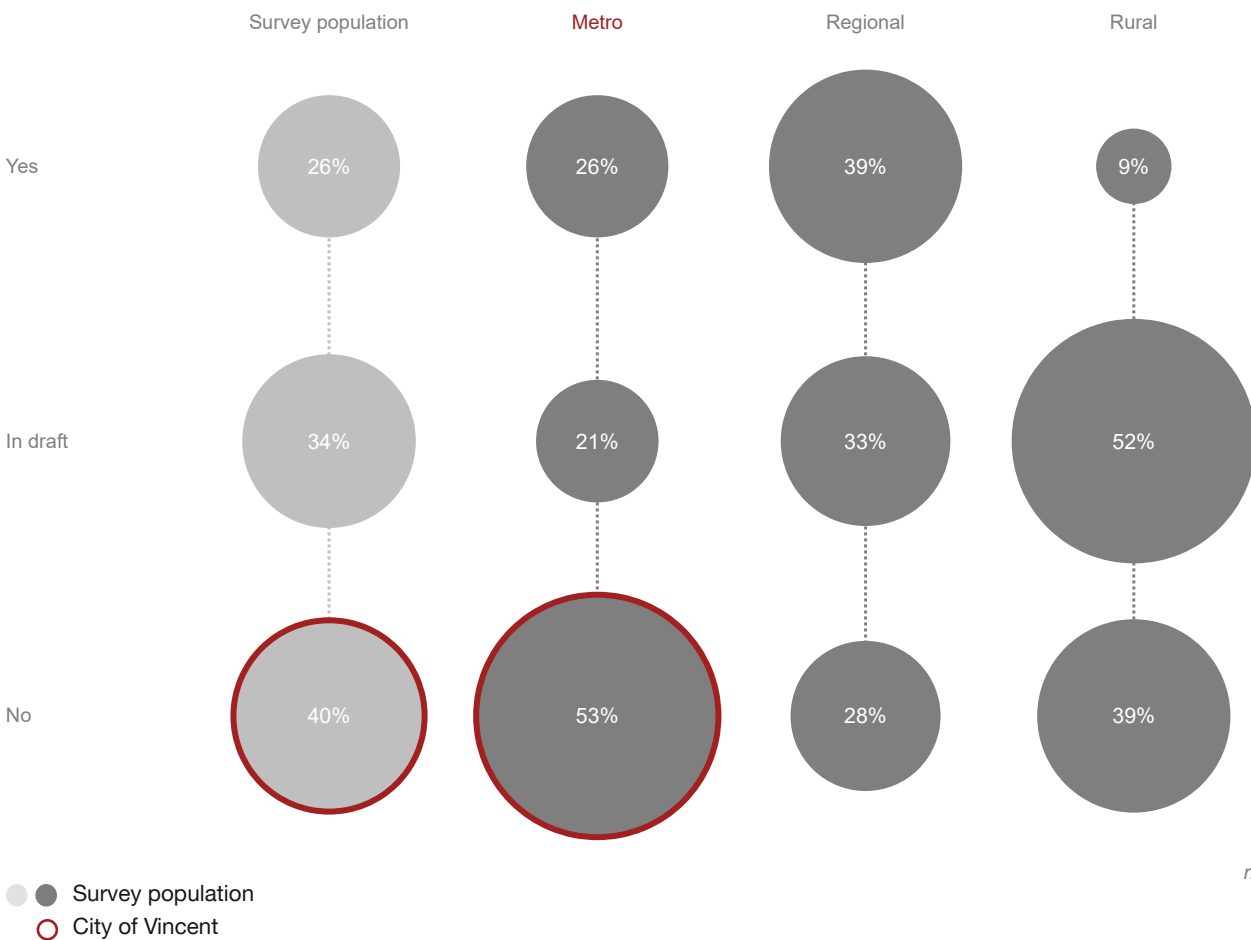
Our findings indicate that a large proportion of councils do not have a cyber security incident response plan in place (40%), suggesting that councils may be ill-equipped to respond swiftly and appropriately in the event of a successful cyber attack.

Interestingly, regional councils are 1.5 times more likely to have an active cyber security incident response plan (39%), compared to 26% of metro councils. We also observe more than half of rural councils (52%) identifying this as an important action and drafting a cyber security incident response plan.

What is a cyber security incident response plan?

This refers to a set of pre-established instructions to help staff detect, respond to, and recover from cyber security incidents. These types of plans address issues like cybercrime, data loss, and service outages that threaten daily work. Having a plan in place will ensure appropriate handling of an incident, including who should be notified and involved.

Figure 3.13: Does your council have a cyber security incident response plan?



The importance of a cyber security incident response plan

Incident management (continued)

There are many useful resources available which can assist councils as they frame their thinking around approaches to cyber security. In Australia, two commonly adopted guidelines are the US National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF) and the Australian Cyber Security Centre (ACSC) Essential 8. It is important to note that any cyber security strategy should leverage a risk-based approach and be fit for purpose.

Findings released by the Office of the Australian Information Commissioner (OAIC), as part of the Notifiable Data Breaches (NDB) Scheme 12-month insights report, found that 60% of reported data breaches were the result of criminal or malicious actions, and 35% were the result of human error.³⁷



Being vulnerable to cyber attacks has the potential to put the entire community at risk, as residents have a growing volume of online interactions with councils. The overall proportion of digital transactions between residents and councils has increased across the board, primarily for online payments (87%), library services (83%), and service requests (78%), as discussed in this section of our report.

All of the surveyed NZ and WA councils have now enabled online payments (up from 81% and 93% in the prior year respectively), and 100% of NZ councils have also digitised their service requests (up from 90% in the prior year), yet just ~20% of NZ and WA councils have an incident response plan in place.

What is the NIST cybersecurity framework (CSF)?

The NIST CSF is a voluntary guidance, based on existing standards, guidelines, and practices for organisations to better manage and reduce cybersecurity risk.³⁸ There are five Framework Core Functions below, which can be used to as a starting point for councils to consider as part of developing their cyber security strategy:

- **Identify:** Develop an organisational understanding to manage cybersecurity risk to systems, people, assets, data, and capabilities.
- **Protect:** Develop and implement appropriate safeguards to ensure delivery of critical services.
- **Detect:** Develop and implement appropriate activities to identify the occurrence of a cybersecurity event.
- **Respond:** Develop and implement appropriate activities to take action regarding a detected cybersecurity incident.
- **Recover:** Develop and implement appropriate activities to maintain plans for resilience and to restore any capabilities or services that were impaired due to a cybersecurity incident.³⁹



³⁷ Notifiable Data Breaches scheme 12-month insights report, <https://www.oaic.gov.au/privacy/notifiable-data-breaches/notifiable-data-breaches-statistics/notifiable-data-breaches-scheme-12month-insights-report/>, accessed 13 Nov 2019

³⁸ Framework for Improving Critical Infrastructure Cybersecurity (Version 1.1) 2018, National Institute of Standards and Technology, <https://nvlpubs.nist.gov/nistpubs/CSWP/NIST.CSWP.04162018.pdf>, accessed 28 Oct 2019

³⁹ Ibid

Consequences associated with cyber security attacks

Potential consequences of an attack

When it comes to potential consequences following a cyber security attack, 50% of councils rank *loss or compromise of sensitive data* as their top concern. This is closely followed by disruption of operations/services, with another 43% ranking this as their top concern.

Across Australian councils, we observe around half of NSW, SA and WA councils are most concerned about *loss or compromise of sensitive data*, compared to almost three quarters of the surveyed NZ councils ranking *disruption of operations/services* as the primary consequence.

Councils that are yet to formulate a cyber security incident response plan and/or strategy should be cognisant of the potential consequences that could arise from a cyber attack. These types of attacks can be devastating for an organisation. However, with formal strategy and planning at the organisational level, supplemented by an investment in developing employees' awareness through regular training, your organisation can start to identify, analyse and evaluate cyber risks on a timely basis.

A spotlight on cyber security: City of Joondalup case study

The City of Joondalup has formed strategic partnerships to create its own Joondalup Learning Precinct, comprised of the City of Joondalup, Edith Cowan University, North Metropolitan TAFE and the Western Australian Police Academy.

Says CEO Garry Hunt:

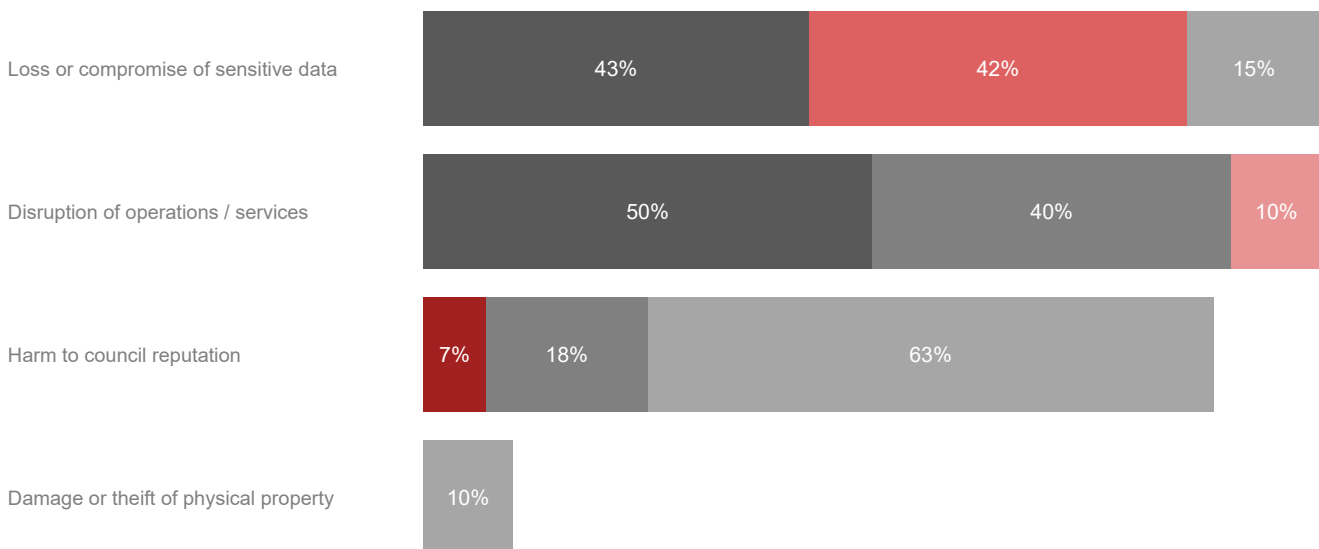
"We've worked hard with Edith Cowan University to become an innovation hub and the state government has recognised the city for this.

*We've also been very lucky in that the university has attracted federal and state government funds for the Australian Cyber Security Cooperative Research Centre (CSCRC). The whole of Joondalup is now seen as an innovation precinct."*⁴⁰

Officially launched by the Government in April 2018, the CSCRC works with participants across industry, government and research organisations to develop products and services to improve the cyber security of Australia. The CSCRC has been granted \$50m of funding over 7 years from the Australian Government's Cooperative Research Centres Program⁴¹ and will focus on three key areas:

- Ensuring the security of critical infrastructure by developing innovative approaches, tools and techniques to predict, prevent, detect, and respond to cyber threats;
- Enabling Australian individuals, businesses and industries to access cyber security solutions which build national and international confidence in Australia as a safe and trusted place to do business and access cyberspace; and
- Building the next generation of industry, government and research cyber security leaders, and increasing maturity, capability and collaboration in the sector.⁴²

Figure 3.14: How would your council rank the following potential consequences of a cyber attack?



n = 115

1 2 3 Survey population priorities
1 2 3 City of Vincent

40 *Future focused: Garry Hunt*, accessed 1 October 2019, <<https://www.theceomagazine.com/executive-interviews/hospitality-tourism/garry-hunt/>>

41 'About', accessed 1 October 2019, <<https://www.cybersecuritycrc.org.au/>>

42 'Cooperative Research Centre to strengthen cyber security', accessed 20 November 2019, <<https://www.minister.industry.gov.au/ministers/cash/media-releases/cooperative-research-centre-strengthen-cyber-security>>

Customer service scorecard

Automating the customer experience

As more organisations offer online and self-service options, customer expectations have shifted towards an automated, online approach that suits their needs and schedule. The community expects their council interactions to be convenient, flexible and simple. The customer service function is often the first point of interaction with residents and businesses, whether it be via website, phone or face-to-face, and is therefore a key determinant in overall community satisfaction.

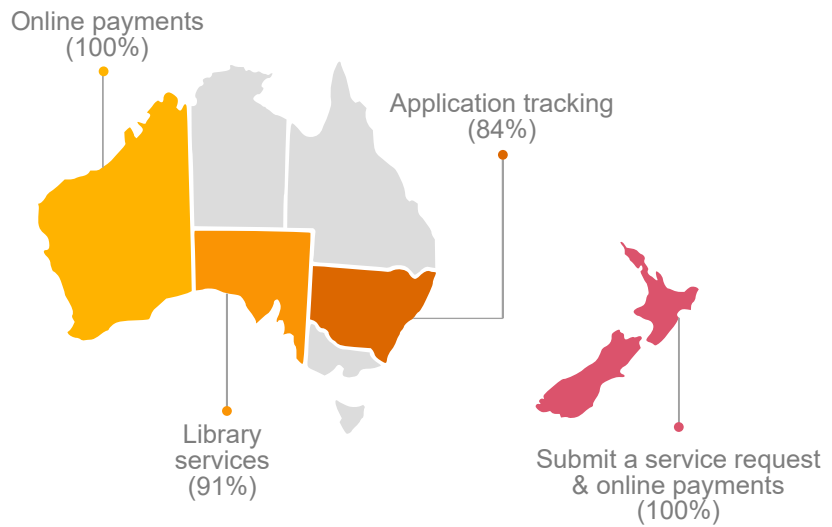
Embracing new technology can enable customer service enquiries to be dealt with more efficiently and at a time more convenient to the resident or business. This can alleviate the associated resourcing and cost pressures often faced by customer service departments and can also provide an enhanced service experience to members of the community.

In saying this, digital and traditional methods don't have to be mutually exclusive. As explored in the 2019 PwC Global Consumer Insights Survey, a blended experience can be created by augmenting an in-person (or over the phone) interaction with digital content before, during, and after that interaction.⁴³

The desire for a blended experience is supported by the PwC Future of Customer Experience Survey 2017/18, where 15,000 people from 12 countries were surveyed, and 59% of consumers said companies are relying too much on technology. This was even greater in Australia at 65% of those surveyed.

Hence, while it's important to take advantage of automation, councils should make sure a blended approach is provided, to cater to the needs of different community demographics and allow customers to reach a human when one is needed.⁴⁴

Top online customer self-service areas



⁴³ PwC Global Consumer Insights Survey 2019, "It's time for a consumer-centred metric: introducing 'return on experience'"

⁴⁴ PwC Future of Customer Experience Survey 2017/18, "Experience is everything: Here's how to get it right"

Customer service scorecard

Automating the customer experience (continued)

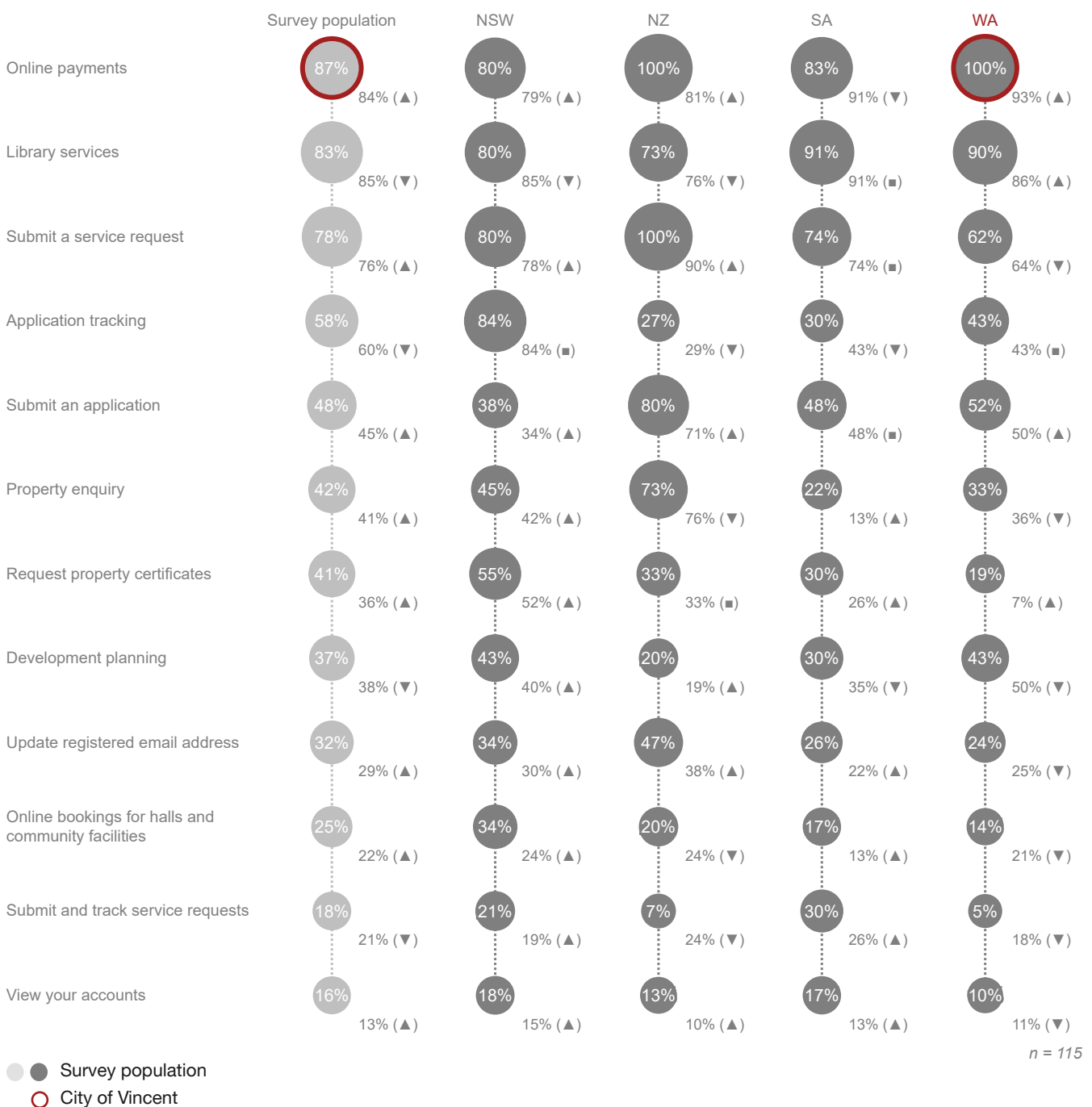
We continue to observe a focused effort on digitising the customer service experience in core service areas where the community will benefit the most.

We now observe 100% of NZ councils providing online payment services and allowing service requests to be made online. Likewise, 100% of WA councils have shifted to enabling online payments.

We continue to see a much lower proportion of NSW councils allowing applications to be lodged online (38%), compared to around half of WA and SA councils and an even higher 80% of NZ councils. Conversely, NSW councils are more likely to allow online application tracking (84%), compared to the other jurisdictions that hover between ~30% and ~45%.

There is a clear opportunity here for councils to start providing online application services for both submission and tracking purposes, and we encourage councils to investigate how these processes can be oriented more toward a self-service model.

Figure 3.15: Percentage of councils offering online customer self-service



Customer service scorecard

Servicing the community

In FY18, our overall results reached a low of a median 2.0 customer service full-time equivalent staff members (FTEs) per 10,000 residents. In FY19 the median has risen by 10%, now at 2.2.

For small councils, the median customer service FTEs per 10,000 residents rose slightly to 4 (up from 3.8 in FY18) but continues to be a much lower result compared to 7.3 FTEs back in FY15. Medium and large councils have maintained a lower median, remaining consistent year on year at 1.2 and 2.5 FTEs per 10,000 residents respectively.

Medium and large-sized councils are embracing a self-service online customer experience more so than their small-sized counterparts. This could perhaps be a result of a slightly different way of life in small council LGAs, with communities continuing to demand face-to-face and over the phone interactions. It seems small councils have moved some way to re-defining the customer service function over the past four years, and are trying to provide an optimal blended experience to the community.

In any case, all councils will need to weigh up the benefits of having customer service staff available to their communities, against the longer-term issue of higher costs when compared to self-service options. As such, community consultation and feedback will be crucial in enabling councils to determine their priorities in this area and will ultimately allow councils to make informed decisions regarding the services that can be digitised and to what extent human interaction is still required.

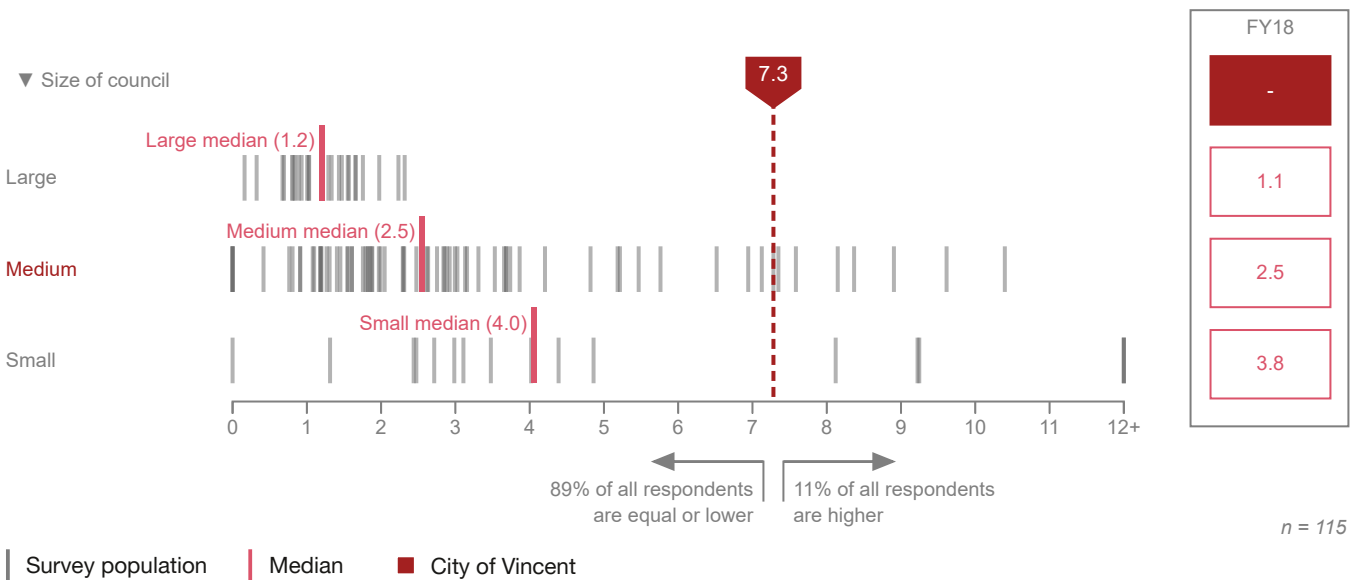
The PwC Future of Customer Experience Survey 2017/18 asked consumers what it takes to deliver the kind of experience that keeps them satisfied, and identified that the elements that matter most to customers sit at the intersection of people and technology:

- Efficiency
- Ease of payment
- Knowledgeable employees
- Convenience
- Friendly service
- Up to date technology
- Human interaction⁴⁵

Key considerations

- Is your customer profile mix changing and do you understand how your customers will prefer to interact with your council in the future?
- Have you assessed whether the benefits to the community of personal interaction with customer service staff outweigh the increased cost?
- Have you investigated how other councils are delivering online customer services effectively and the impact this has had on customer satisfaction?
- Are you exploring new ways to engage and interact with your customers via online self-service options?
- Are your staff encouraged to innovate and seek out new ways to enhance the customer service experience?

Figure 3.16: Customer service full-time equivalents per 10,000 residents



45 PwC Future of Customer Experience Survey 2017/18, "Experience is everything: Here's how to get it right"

Looking at different ways to deliver corporate services

Outsourcing or sharing corporate services

There are a variety of ways to optimise operational effectiveness in delivering corporate services, including outsourcing or sharing services. In building a sustainable operating model, any form of outsourcing or sharing should enable councils to achieve high-quality service levels, deliver better value directly to users and generate cost savings that can be invested into other services or new initiatives, and develop enhanced capability among staff members.

Our findings continue to show legal services to be the most likely candidate for either outsourcing or sharing, but we also see a natural progression towards the outsourcing or sharing of IT hosting and support of systems, with 76% of all councils now choosing this option, up from 66% a year ago.

In third place this year is customer service call centre services, rather than recruitment services, with half of all councils operating with an outsourcing or shared model.

Interestingly, both NSW and SA councils in the past year have shifted more towards the outsourcing or sharing of the IT hosting and support of systems. We now see a higher proportion of councils in all jurisdictions outsourcing or sharing the customer service call centre, especially in

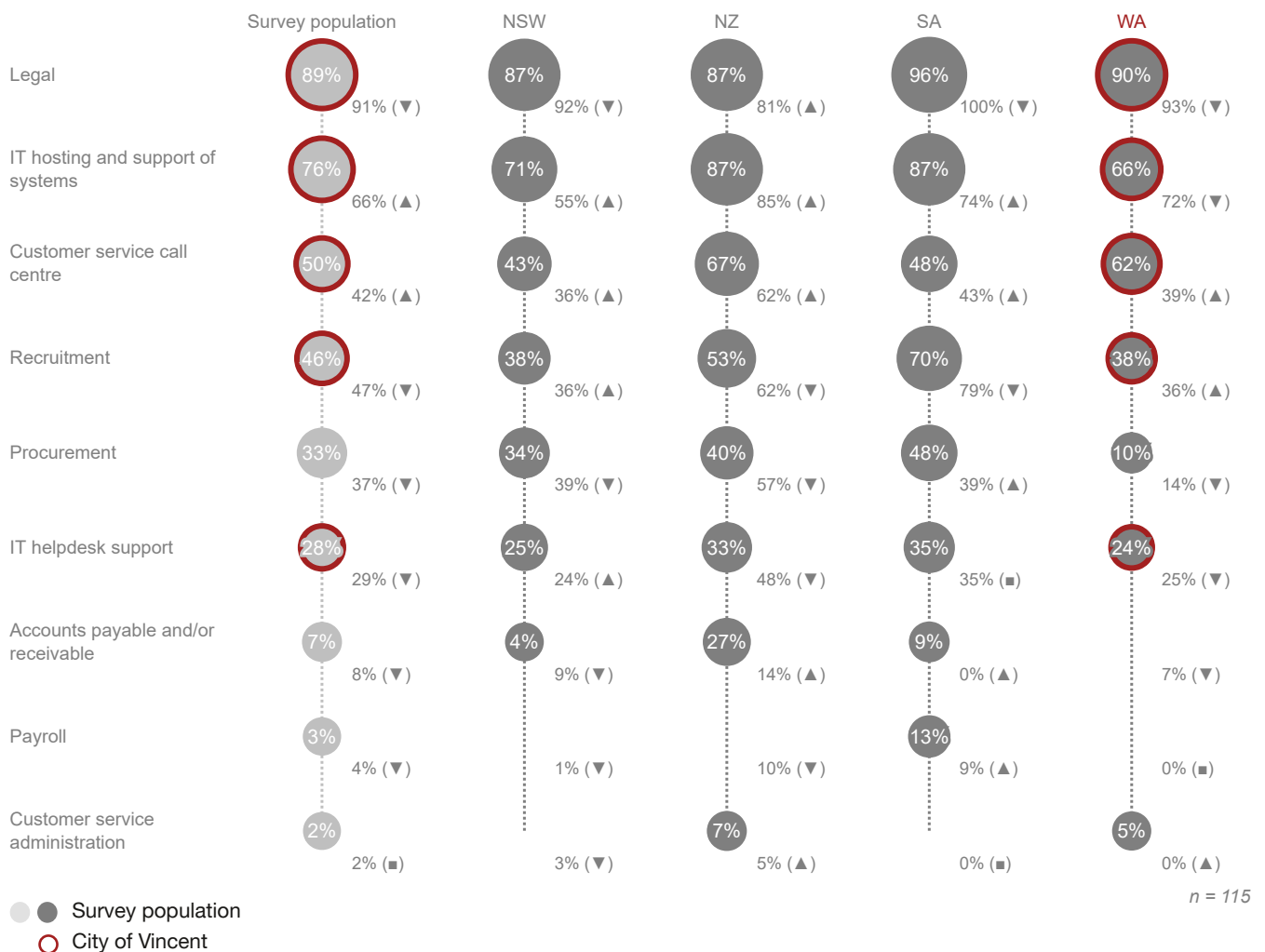
WA having the largest year on year increase in this area.

It is important for councils to continually assess whether their in-house skills are at a level to deliver an array of services to a high standard of quality for an appropriate cost. Equally important is sharing success stories with your neighbouring councils and considering whether an optimal approach is to share certain services by blending the skill base of the current workforce.

Key considerations

- Have you stopped to critically evaluate your current model for delivering transaction-based services?
- Have you discussed the cost and service model of your council's corporate services with neighbouring councils, including options that might allow you to review your approach together, either as a learning exercise or as a consideration for co-delivery?

Figure 3.17: Percentage of councils outsourcing or sharing corporate service areas



Looking at different ways to deliver corporate services

The future of outsourcing or sharing corporate services

Outsourcing services has the added benefit of freeing up council staff capacity and allowing those staff to focus on their core strengths and strategies. Successful outsourcing requires a clear vision and formal service-level agreements to be established between councils and service providers. Councils should consider whether these outsourcing agreements can include a number of councils, this could not only provide cost savings but improve the quality of service. An example of this the outsourcing of legal services.

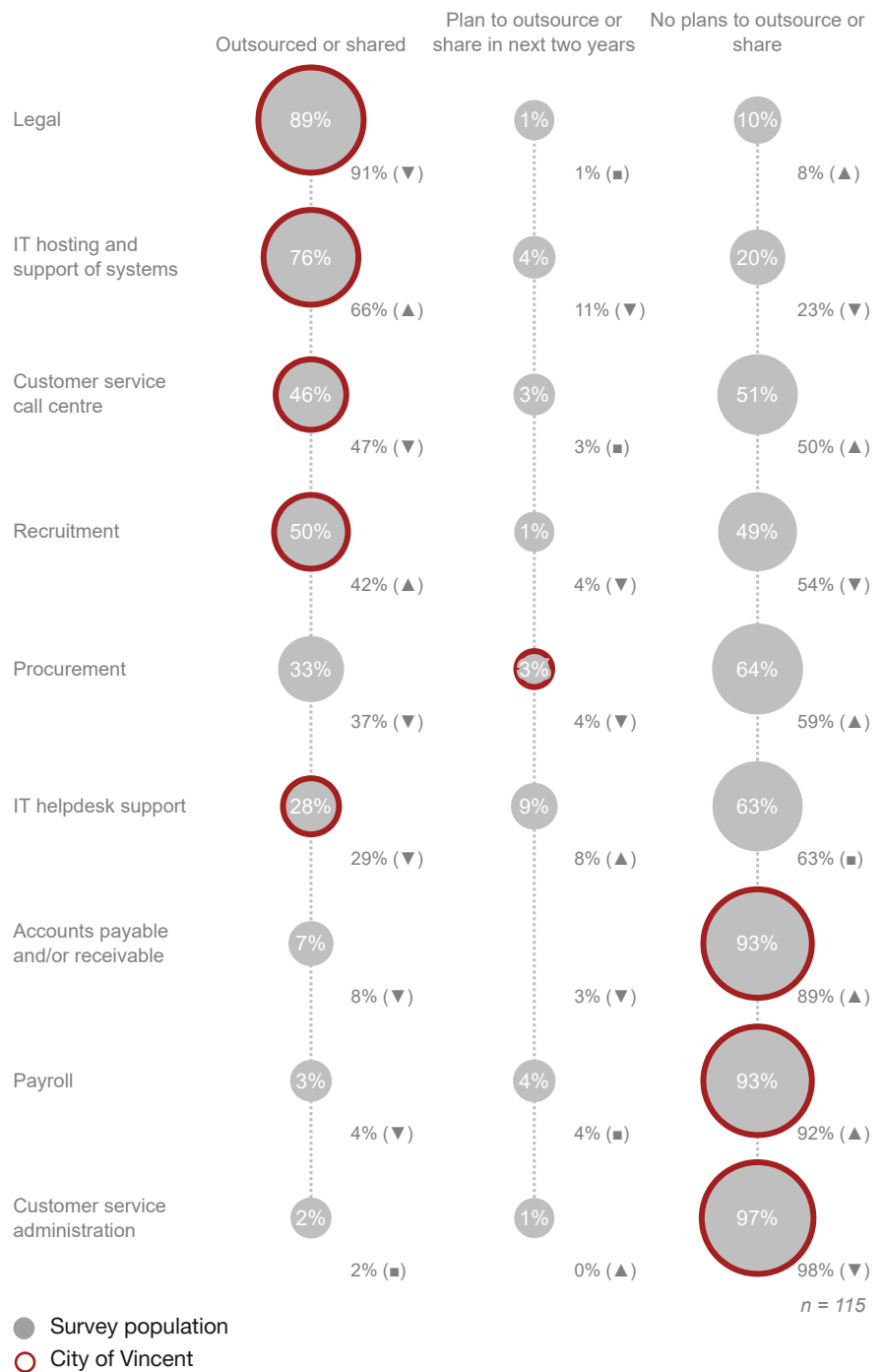
If outsourcing isn't the right solution, then where feasible, councils should continue to consider the benefits of sharing resources in regional areas, especially with the network of regional clusters growing and thereby enabling a consistent regional approach on important matters for employees and/or residents.

In this section, we compare the percentage of councils that currently outsource or share corporate services to those that have plans to adjust the way they deliver corporate services. Overall our results indicate limited demand for shifting the way corporate services are delivered in the next two years.

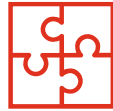
However, when assessed at the jurisdiction level, an interesting insight is the rise in the proportion of NZ councils looking to outsource or share the high transaction based area of payroll (27%, up from 10% in FY18), with minimal and in most cases no interest from other jurisdictions.

While outsourcing and sharing services can improve service delivery and financial outcomes, councils may have legitimate reasons to keep some services in house, including where they seek to provide employment opportunities in their areas. Sharing services with councils in close proximity may achieve additional efficiencies and still offer local employment opportunities. Ultimately, the opportunity still exists for increased collaboration with nearby councils to determine how corporate services may best be shared with each other or outsourced to service providers with specific expertise.

Figure 3.18: Current and future outsourcing or sharing of corporate service



Service Delivery



54%

of total solid waste management operating expense relates to outsourcing



32%

of councils completed service reviews and formally reported outcomes



12%



















median staff turnover rate in town planning

Industry Snapshot

Top Services



Councils provided information about their operating expenses for the services they deliver. Below are the top six services by the average operating cost per resident.

| | | Number of councils* | Average operating expense per resident* | Range of operating expense per resident^ |
|---|-------------------------------|---|--|--|
|  | Governance & Administration** |  109 councils |  A\$337 | A\$36 - \$637 |
|  | Roads & Bridges |  103 councils |  A\$238 | A\$30 - \$793 |
|  | Water Supplies |  46 councils |  A\$216 | A\$9 - \$441 |
|  | Sewerage Services |  54 councils |  A\$185 | A\$11 - \$341 |
|  | Town Planning |  102 councils |  A\$157 | A\$7 - \$179 |
|  | Solid Waste Management |  99 councils |  A\$132 | A\$16 - \$255 |

* where service is provided

^ middle 80% of councils by operating expense per resident

** Governance & Administration operating expenses are a combination of Customer Service, Finance, Information Technology, Human Resources, merger transition and other governance and administration costs

Jurisdiction Snapshot

WA Top Services



Councils provided information about their operating expenses for the services they deliver. Below are the top six services in WA by the average operating cost per resident.

| | Number of councils* | Average operating expense per resident* | Range of operating expense per resident^ |
|---|---|--|--|
|  Governance & Administration** |  20 councils |  A\$220 | A\$25 - \$416 |
|  Roads & Bridges |  20 councils |  A\$174 | A\$28 - \$279 |
|  Solid Waste Management |  19 councils |  A\$142 | A\$14 - \$227 |
|  Parks and Gardens |  20 councils |  A\$119 | A\$16 - \$195 |
|  Swimming Pools |  14 councils |  A\$65 | A\$20 - \$203 |
|  Sewerage Services |  2 councils |  A\$58 | A\$10 - \$84 |

* where service is provided

^ middle 80% of councils by operating expense per resident

** Governance & Administration operating expenses are a combination of Customer Service, Finance, Information Technology, Human Resources, merger transition and other governance and administration costs

Overview

Introduction

Communities are dynamic in nature, as populations rise and fall and demographics shift over time. By the same token, a community's needs are ever evolving, meaning councils are faced with the ongoing balancing act of appropriately allocating resources between direct service delivery and central administrative functions.

While each community has its own unique needs and demands, workforce costs are ubiquitous across councils and remain a major controllable component of total council expenditure (median of 37% of total costs). Therefore our analysis focuses on using workforce data as the anchor to identify insights regarding the service delivery profile of participating councils.

This section will benefit councils by providing a deeper understanding of:

- The profile and scope of their service delivery model;
- The way services are delivered across councils (in-house or outsourced);
- The associated costs in delivering these services; and
- The workforce composition of various services delivered by councils.

Methodology

Participating councils map their council cost centres to a defined set of 36 service areas (12 service areas in the case of New Zealand regional councils). As each employee is allocated to one or more of the council's cost centres (via their FTE status), this enables each employee to be allocated to one or more of the defined service areas.

Using the list of mapped service areas, participating councils then compile the specified financial data. FY19 costs are allocated to their mapped service areas across four sub-categories of expenses: outsourced contract cost (if any), insourced staff remuneration, depreciation expenses, and insourced other expenses.

Our approach focuses on linking the direct workforce to each service, without allocating overhead costs to any service areas. As a result, there is a service area called 'Governance and Administration' that captures all overhead costs and resources, i.e. non-direct workforce service costs. While 'Governance and Administration' is not technically a service area, the total cost of this area provides a useful comparison, so we have treated it as a standalone component.

Understanding this section

In the charts provided, each participating council will be able to view a variety of metrics for their top five service areas (displayed in red) either ranked by service cost or service FTE, as well as the 'governance and administration' area.

We have adjusted for the different scope of services a council provides, which means participating councils will compare their metrics by service area to other councils that also provide those same services. The number of councils that provided data for each of the service areas is shown on each chart, as well as at the end of this section.

When calculating FTE and headcount, we have used the closing balance at 30 June 2019 for fixed term and permanent staff. Given the seasonal nature of some casual employees in local government, we have analysed casual staff employed across the year and then included a casual FTE component based on casual hours worked throughout the year in the relevant service areas.

If your council did not provide service delivery cost or FTE data, the red indicator will be missing from the results for the survey population's top five service areas plus 'governance and administration'.

In FY19, we report the following service areas making up 56% of the total closing FTE:

1. Governance and administration (26% of workforce)
2. Roads and bridges (9%)
3. Parks and gardens (9%)
4. Library services (6%)
5. Town planning (6%)

In addition, if we look at the share of operating expenses, the following services areas represent 57% of the total service operating cost:

6. Governance and administration (23%)
7. Roads and bridges (11%)
8. Town planning (10%)
9. Solid waste management (8%)*
10. Parks and gardens (5%)

*As solid waste management is a service area that is primarily outsourced, it has a corresponding FTE of approx. 3% and does not feature in the top 5 service areas by FTE.

Serving the community - what's the cost?

Breakdown of service delivery by operating costs and FTE

Figure 4.1 presents your council's top five services (ranked by total service cost) as well as an additional category called Governance and Administration. The remaining services are consolidated into Other Services.

For ease of comparison, we have remodelled the survey population results to represent the same size as your council. This means you can view the average equivalent resources (by cost and FTE) for each service area, and compare your results against a survey population with the same number of residents as your council.

If your council did not provide a breakdown of service delivery costs, the red indicator will be missing from the results but you will continue to view results that have been adjusted to your council's number of residents.

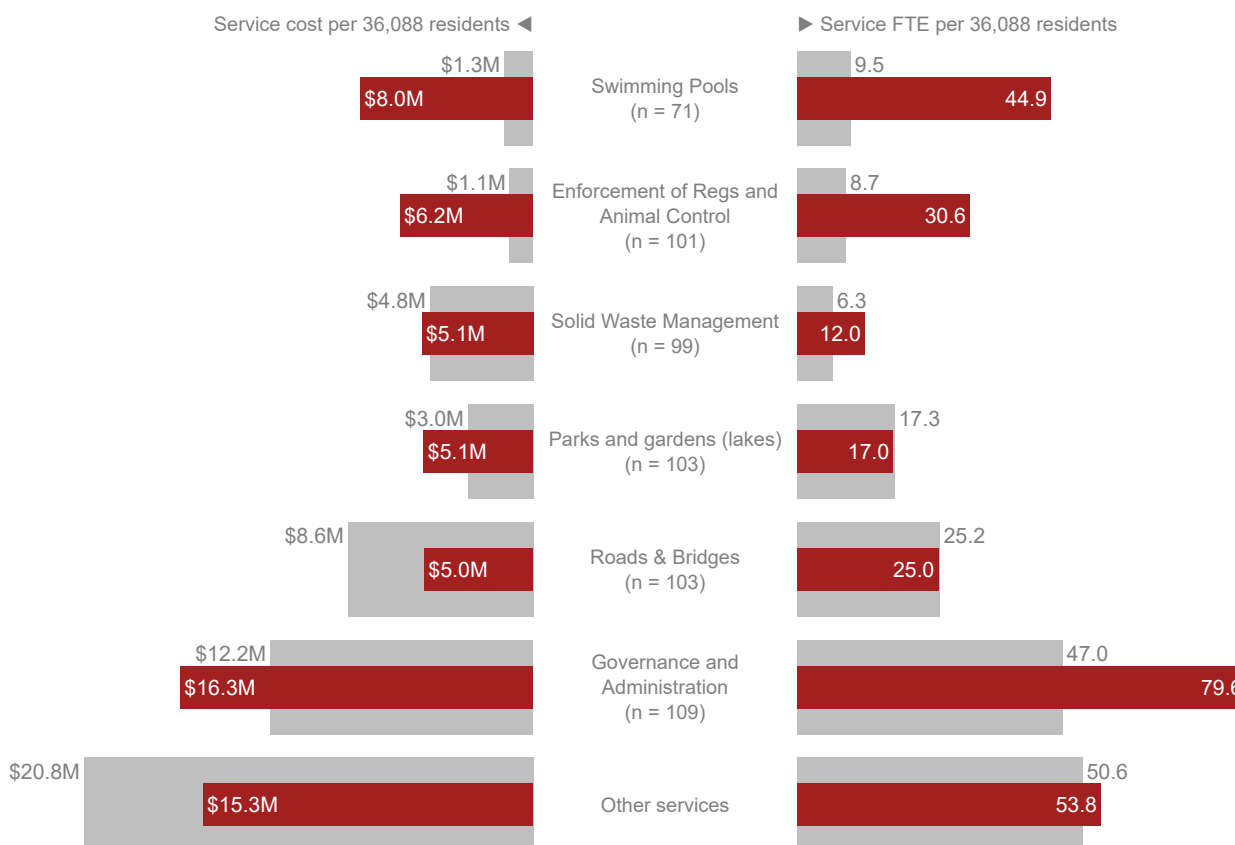
The underlying survey population in the figure is represented by other participating councils that also provide the same service. For example, a council may have 50,000 residents and spend \$10m on solid waste management, equating to a cost of \$200 per resident. The remodelled survey population result, using the total cost from the councils that also provide solid waste management, may result in an equivalent cost per resident of \$220, which equates to \$11m for all 50,000 residents.

This means the council in focus is spending less than the relative survey population to deliver this service to its 50,000 residents. How? Is it due to the way the service is delivered or the nature of the service provided? Is it due to a lower number of employed FTE? Is the mix of staff different? Have procurement agreements been negotiated recently for a better price and volume of materials? This section aims to provide some insight into how this kind of result may have been achieved.

Definition

FTE: Total number of full time equivalent employees at 30 June 2019, including a casual employee component based on casual hours worked throughout the financial year

Figure 4.1: FY19 operating expenses (A\$) and FTE by service[^]



[^] Your top 5 services ranked by operating expenses plus Governance & Administration and Other
The population top 5 services ranked by operating expense will be displayed if you have not provided us with any cost data

Note: We have remodelled the survey population result to be the same size as your resident population.

- Survey population
- City of Vincent

How is your council delivering its services?

Insourcing and outsourcing

Figure 4.2 below illustrates the cost split, in percentage terms, between insourcing and outsourcing expenses for the top 5 service areas (ranked by service operating expense) for your council, as well as the Governance and Administration category.

In line with prior years, solid waste management continues to operate predominantly as an outsourced model, growing this year to 54% of total solid waste management operating expenses (up from 48% in FY18) as all jurisdictions increased their level of outsourcing in this area.

Aerodromes is an area that has also seen greater outsourcing this year across all jurisdictions, reaching 46% in FY19 (up

from 32% in FY18). NZ was the primary driver of the increase, with 70% of total operating expenses relating to outsourcing (compared to 35% in FY18).

After solid waste management and aerodromes, the service areas of camping areas/caravan parks and town planning have the highest proportion of outsourcing, both at 33%. It is interesting to note that only NSW and SA have identified a proportion of their camping area/caravan park expenses as being outsourced, while in town planning NZ continues to outsource a substantial proportion of this activity, at 41% (compared to 11% NSW and 6% in SA and WA).

Outsourcing expenses as a percentage of total operating expenses

Your outsourcing expense is **14%** of your total operating expense

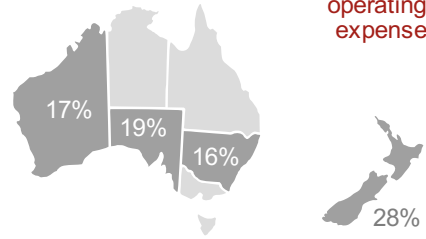
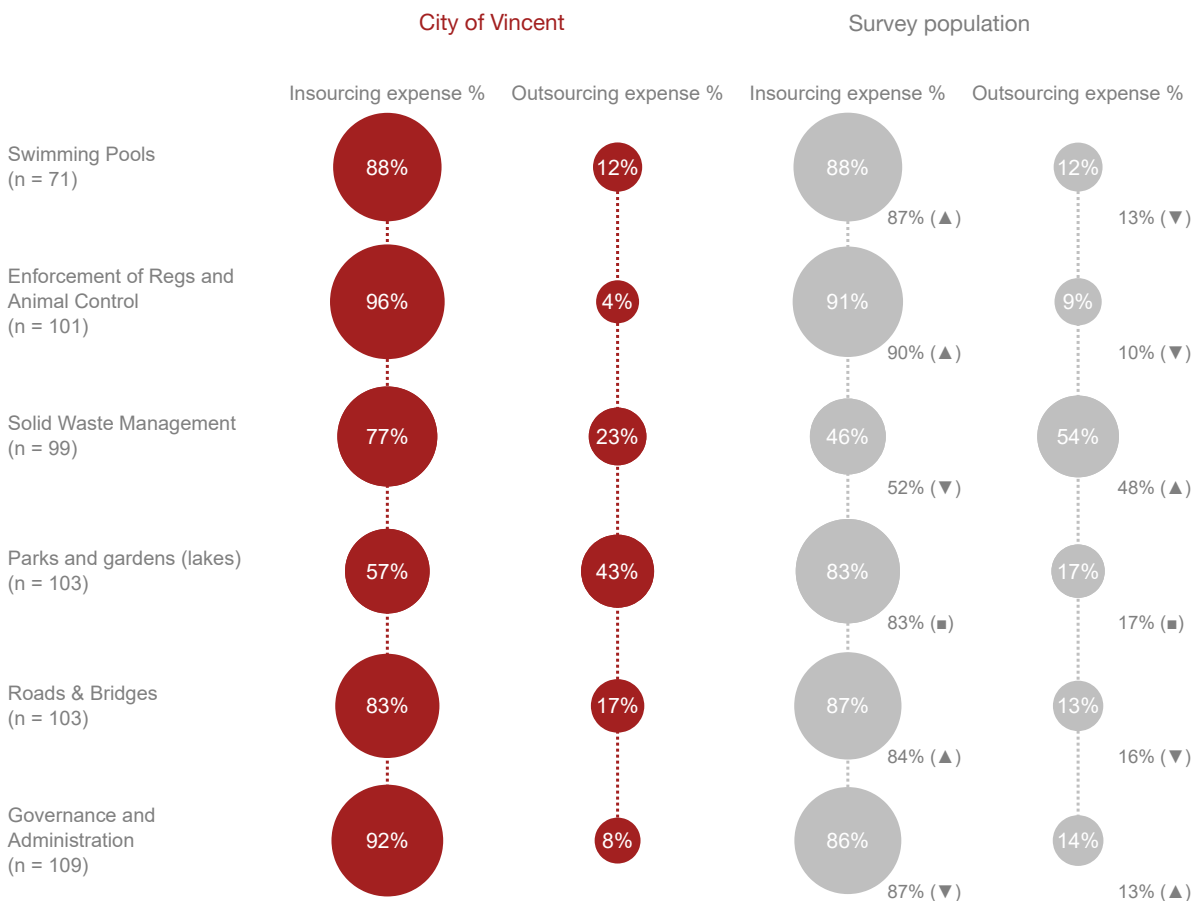


Figure 4.2: Council insourcing and outsourcing expense as a percentage of total operating expenses by service area[^]



[^] Your top 5 services ranked by operating expenses plus Governance & Administration

The population top 5 services ranked by operating expense will be displayed if you have not provided us with any cost data

• Insourced expenses are defined as "Insourced Total Remuneration" + "Depreciation" + "Insourced Other Expenses".

• Outsourced expenses are defined as "Outsourced Contract Value"

- Survey population
- City of Vincent

Are you conducting regular service reviews?

Service delivery reviews

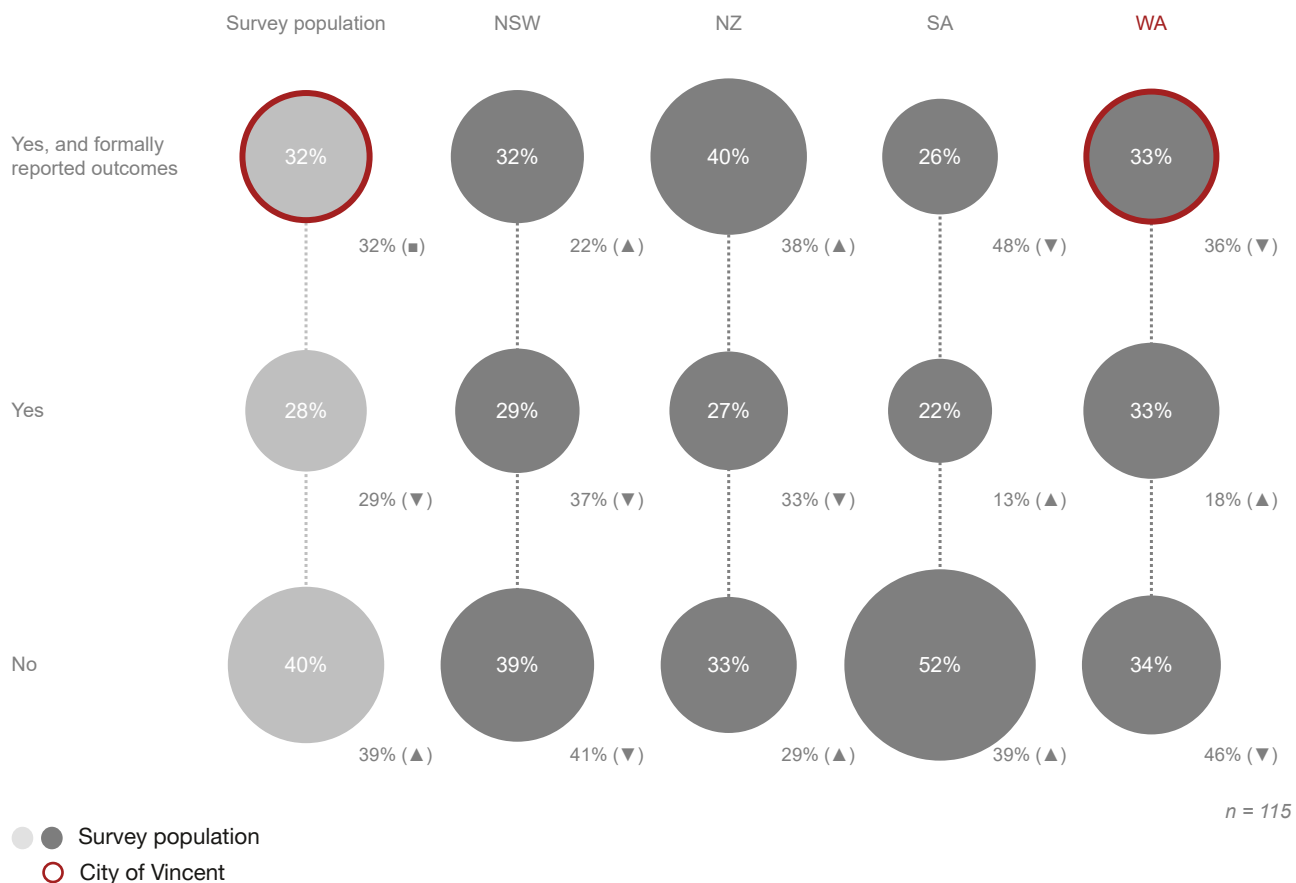
Remaining broadly consistent with the prior year, we observe 60% of councils indicating that they performed at least one service review during FY19, with just over half of these councils formally reporting their findings to senior management. NSW councils improved their level of reporting in FY19, while more than half of SA councils (52%) did not perform any service reviews at all in FY19.

In an increasingly busy working environment, councils should assess that the resources (both time and money) invested into conducting service reviews is providing appropriate returns in the form of operating efficiency gains or improved delivery of community services. Engaging senior management through a formalised reporting process may help provide a critical assessment of the review function and direct efforts into the service areas that need it most.

Why are service delivery reviews important?

They help councils clarify the needs of their communities, using an evidence-based approach to assess how efficiently and effectively the council is meeting those needs. Using this information, councils can determine and prioritise the changes required to provide enhanced benefits to both residents and businesses within the constraints of financial sustainability.⁴⁶

Figure 4.3: During FY19, did your council complete service reviews?



46 Hunting, S.A., Ryan, R. & Robinson, T.P. 2014, "Service delivery review: a how to manual for local government", 2nd edn, Australian Centre of Excellence for Local Government, University of Technology, Sydney

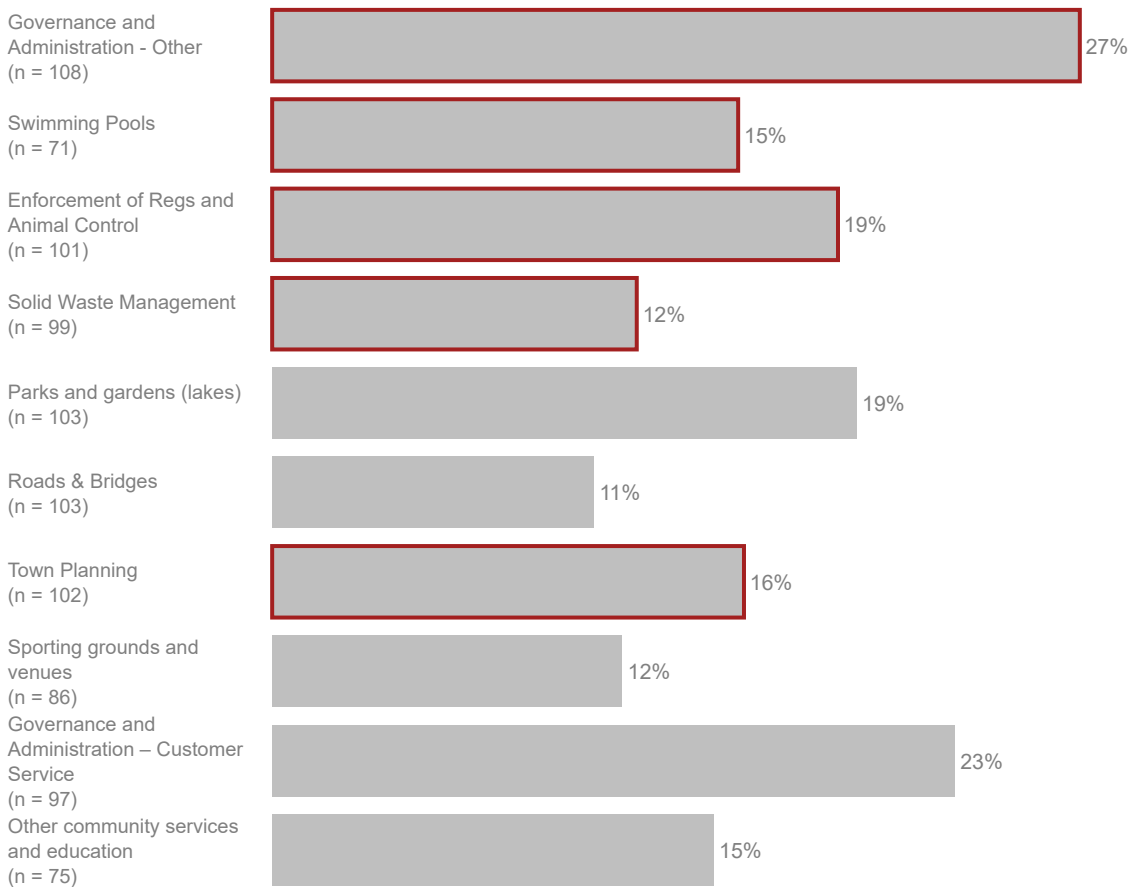
Are you conducting regular service reviews?

Which service areas are being reviewed?

Figure 4.4 presents your council's top 10 service areas based on reported operating expenses. If your council also indicated that a service review was performed during FY19, the corresponding service area is outlined in red.

Councils that did not provide a split of operating expenses by service area will see the top 10 service areas for the survey population only, along with the percentage of councils that performed reviews on those areas. We also note that the percentage figure is adjusted to represent only the councils that provide the particular service.

Figure 4.4: Percentage of councils performing service reviews[^]



[^] Your top 10 services ranked by operating expenses
 The population top 10 services ranked by operating expense will be displayed if you have not provided us with any cost data

- Survey population
- City of Vincent

Organisational design by service area

Span of control

As mentioned earlier in the workforce section of this report, understanding the span of control for a given area helps management determine whether there is an appropriate balance between the level of oversight and the level of autonomy for employees within that area. The overall median span of control for all council functions and activities is 3.5 'other staff' per supervisor and above, which remains relatively consistent with last year's result of 3.4.

Similarly, the span of control for the three service areas with the highest closing full time equivalent (FTE) headcount has also remained consistent year on year. Governance and Administration continues to hold a relatively narrow median span of control at 2.8 FTE (albeit up from 2.6 in FY18), while Roads & Bridges and Parks & Gardens maintain a wider median span of control at 3.6 and 4.2 FTE respectively (compared to 3.5 and 4.2 in FY18 respectively).

Why is this important?

Striking the right balance in the manager-to-staff ratio will ideally lead to optimum productivity and output, however this is a challenging task as individuals have different working styles. To some employees, a narrow span of control may feel like they are being micromanaged, whereas others may enjoy working in small, focused teams. Taking this into account, councils should regularly assess the structure of their workforce not only based on historical data, but also based on the operating style of managers and their staff where possible. Other factors to consider may include the nature and complexity of the work, and the extent of outsourcing.

Definition

Span of control: Total number of employees (defined as other staff) per manager (defined as supervisors and above).

Councils with no span of control metric for a particular service may find that this is due to an absence of staff above the supervisor level.

Figure 4.5: Span of control median by service area[^]

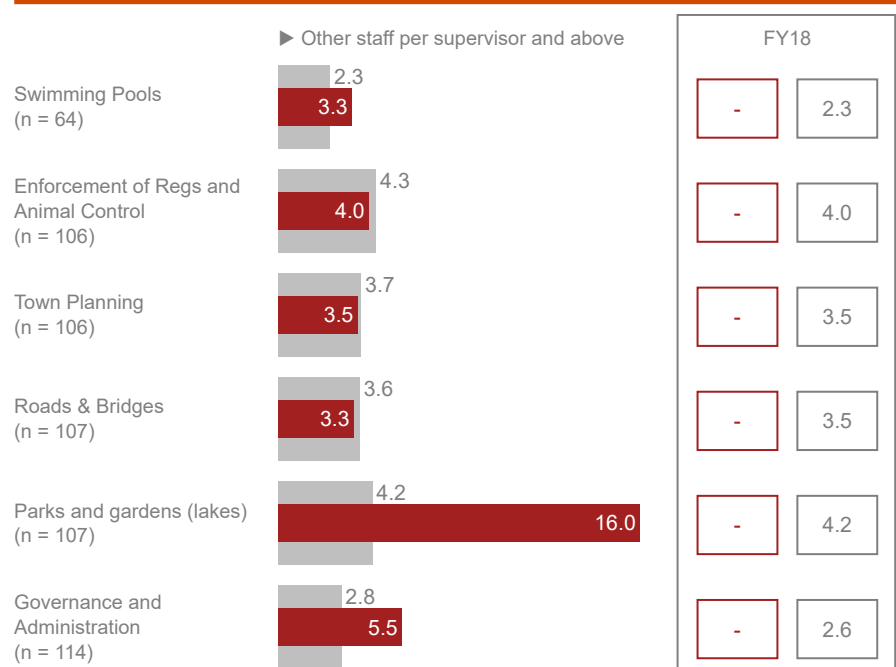
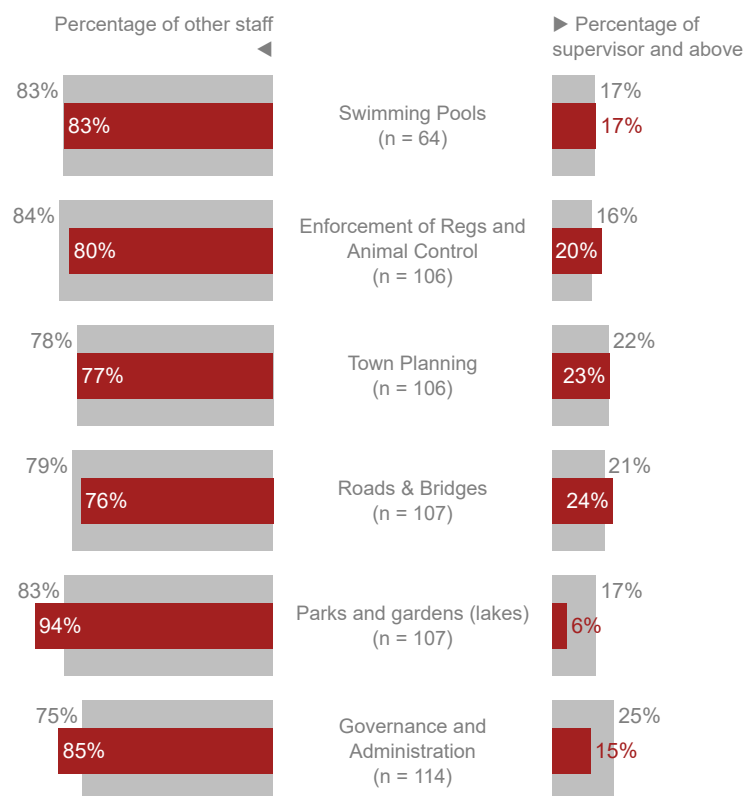


Figure 4.6: Closing full-time equivalents (FTEs) proportions by staff level[^]



[^] Your top 5 services ranked by FTE plus Governance & Administration
The population top 5 services ranked by FTE will be displayed if you have not provided us with any FTE data

■ Survey population
■ City of Vincent

Talent management

Gender diversity and staff turnover

Local government is often involved in delivering services with workforces where strong traditional gender roles exist. Gender segregation in councils often means there is a concentration of males in outdoor roles; compared to the caring, community services and education roles that are often skewed towards females.

In Figure 4.7 we present the gender split within the top five service areas for your council, plus Governance and Administration. While a council may present a well-balanced gender workforce at the overall level, a more detailed look indicates that ongoing imbalances exist in certain service areas.

Across the survey population, we observe a continuing trend of male-dominated areas in Street Cleaning (95%), Footpaths (93%), and Roads and Bridges (92%), while the highest proportion of female employees occurs in Children's Services (90% female workforce), Aged Persons and Disabled (81%), and Public Libraries (81%).

Conversely, the service areas with a balanced gender ratio (when averaged across all councils that provided service area breakdown) are Town Planning with a 51% female workforce, followed by Camping areas/Caravan parks and Health with 54% female representation.

We note that detailed commentary on the overall median staff turnover rate across the survey population has been discussed earlier in the workforce section of this report - meanwhile, Figure 4.8 illustrates the staff turnover for the top five service areas for your council.

When we look at the overall top five service areas that make up 56% of the total workforce, Town Planning has the highest median staff turnover rate of all service areas at 12% (up from 11.3% in FY18), followed by Governance and Administration (8.8%, consistent with FY18), Roads and Bridges (8.2%, down from 9.8% FY18), Parks and Gardens (7.8%, broadly consistent with FY18) and Public Libraries (5.5%, down from 6.7% FY19).

Definition

Staff turnover rate: Total number of leavers, divided by the headcount at the start of the year (excluding casuals and fixed term contract employees).

Figure 4.7: Gender split by service area[^]

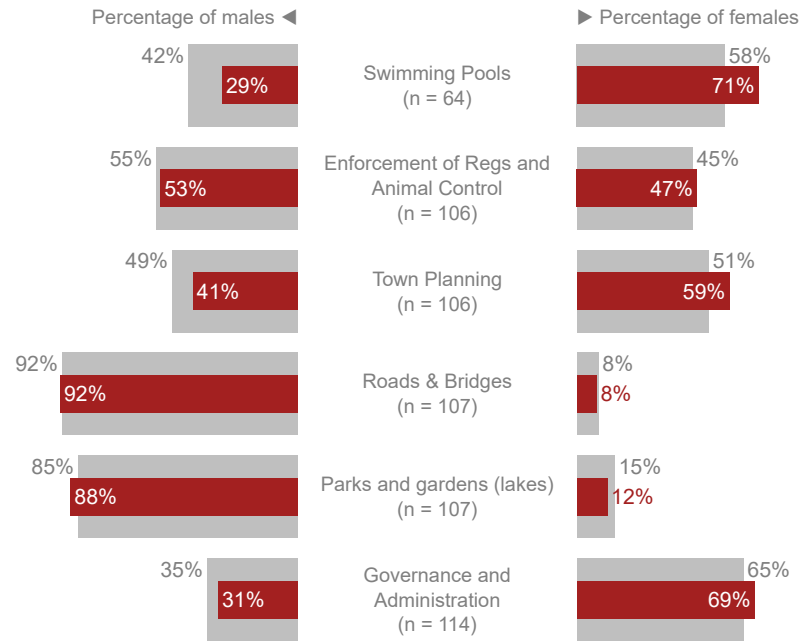
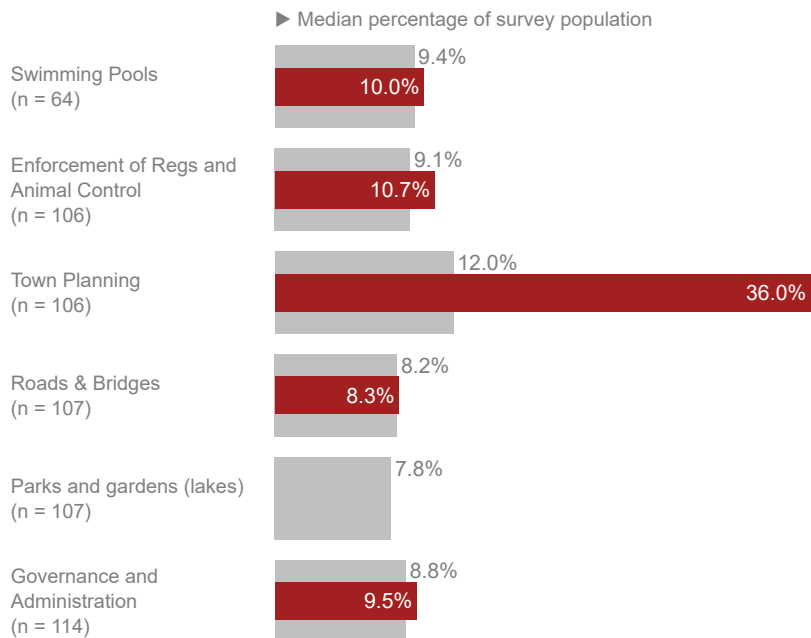


Figure 4.8: Staff turnover rate median by service area[^]



[^] Your top 5 services ranked by FTE plus Governance & Administration
The population top 5 services ranked by FTE will be displayed if you have not provided us with any FTE data

■ Survey population
■ City of Vincent

Talent management

Generational diversity

As noted earlier in the Workforce section, Gen X now dominates the workforce, surpassing the Baby boomer cohort, tipping the scale at 35% (compared to 33% Baby boomer, 32% Gen Y and 5% Gen Z).

Figure 4.9 presents a generational split for the top five service areas ranked by FTE. Service areas with a higher proportion of overall council FTE that also have a high proportion of baby boomer staff are library services (43% baby boomer), roads and bridges (42%) and parks and gardens (35%). Governance and administration is

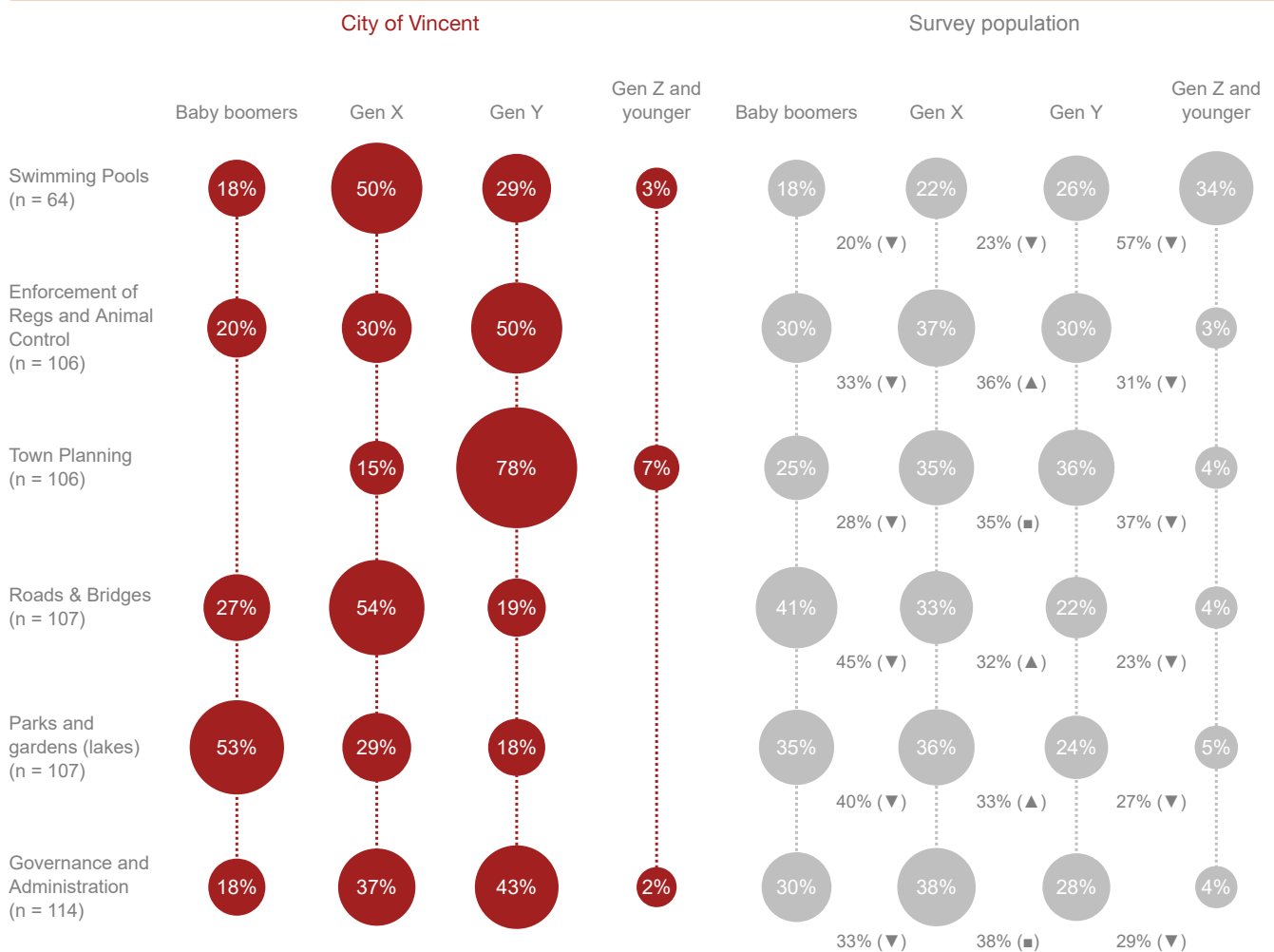
running with 30% of baby boomers but dominated by 38% of GenX, and in town planning the baby boomer cohort is slightly lower at 25%. These areas face a high level of potential retirements over the coming decade and in turn may indicate a need to ensure appropriate succession planning measures are in place.

Having a succession plan road map in place for staff at all levels can foster a culture of mentorship and smooth transitions as individuals are tasked with ensuring their knowledge and skills are transferred to the next generation. Other

complementary resourcing strategies can include the availability of flexible working arrangements, job sharing, or sharing resources with nearby councils.

We encourage councils to start planning now and engage with current employees in this planning process. Utilising their extensive knowledge of their service area is likely to lead to innovative ideas about how to shift the deep sector knowledge and expertise to enable a smooth transition process.

Figure 4.9: Generational mix by service area[^]



[^] Your top 5 services ranked by FTE plus Governance & Administration
 The population top 5 services ranked by FTE will be displayed if you have not provided us with any FTE data

- Survey population
- City of Vincent

Solid waste management deep dive

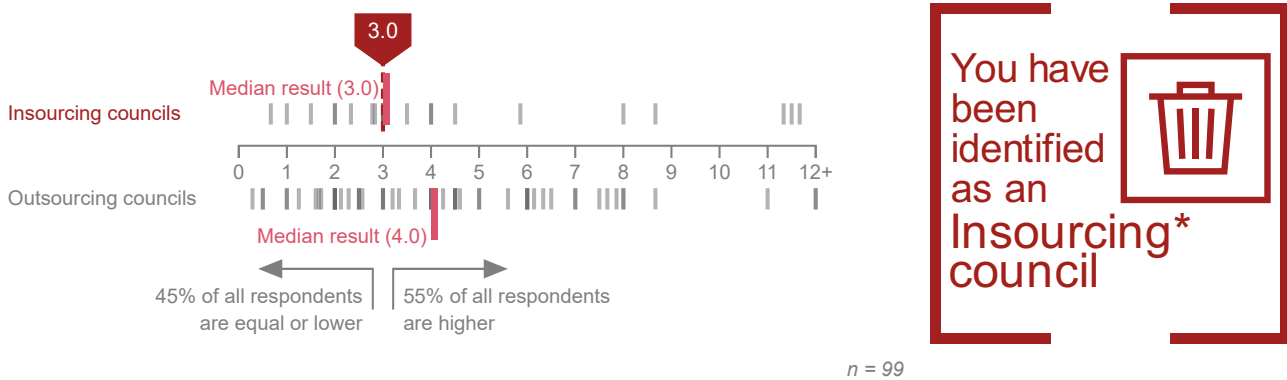
Workforce analysis

Councils can use this section of the report to further analyse and compare key workforce metrics across solid waste management (SWM). We have classified

councils as either 'outsourcing' or 'insourcing' to assist with comparisons. If the council's SWM outsourced contract value was more than 25% of the total

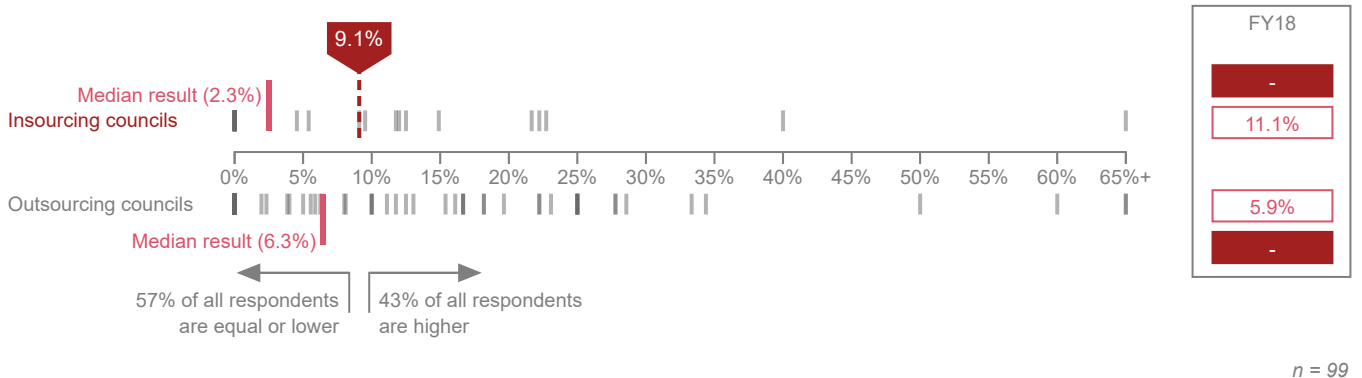
SWM cost, then it has been classified as an 'outsourcing' council. All other councils are classified as 'insourcing'.

Figure 4.10: Span of control ('other staff' per supervisor and above) - Solid waste management



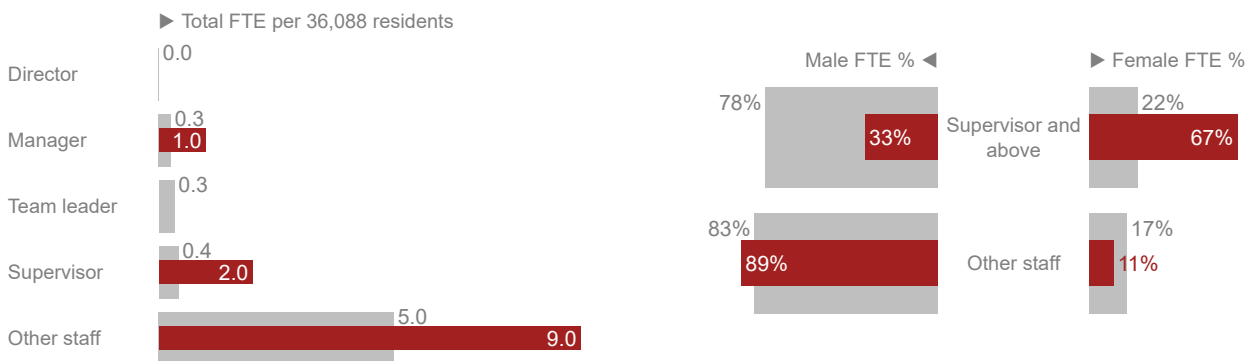
*Outsourcing councils are defined as the SWM outsourced contract value being more than 25% of the total SWM cost. All other councils are classified as insourcing. This will be "-" if you have not provided us with any cost data for this service.

Figure 4.11: Staff turnover rate - Solid waste management



Survey population | Median | City of Vincent

Figure 4.12: Staff level FTE breakdown and gender split - Solid waste management



Note: We have remodelled the council survey population result to be the same size as your resident population, depending on whether you are an outsourcing or insourcing council.

■ Insourcing councils
■ City of Vincent

Solid waste management deep dive

Waste allowance, volume collected and waste activity cost analysis

The cost involved in providing waste management services is comprised of a variety of influences such as the type and density of dwellings within a council region, and the breadth of services provided by the council. Government landfill waste levies also have an impact on cost and these vary widely by jurisdiction.

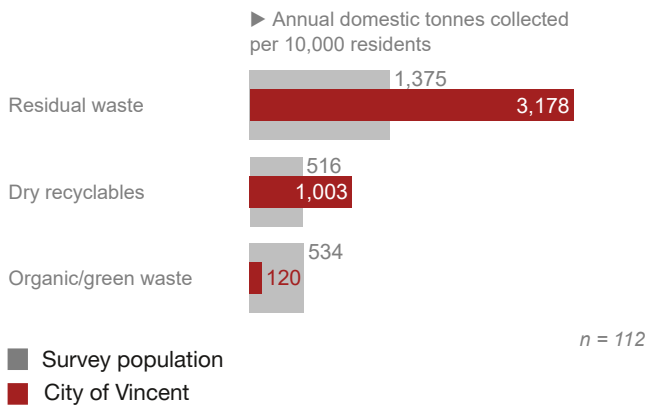
Councils can use this section of the report to further analyse and compare key cost metrics across solid waste management.



Your council
uses another
council's
landfill site

41%
of councils
uses another
council's
landfill site

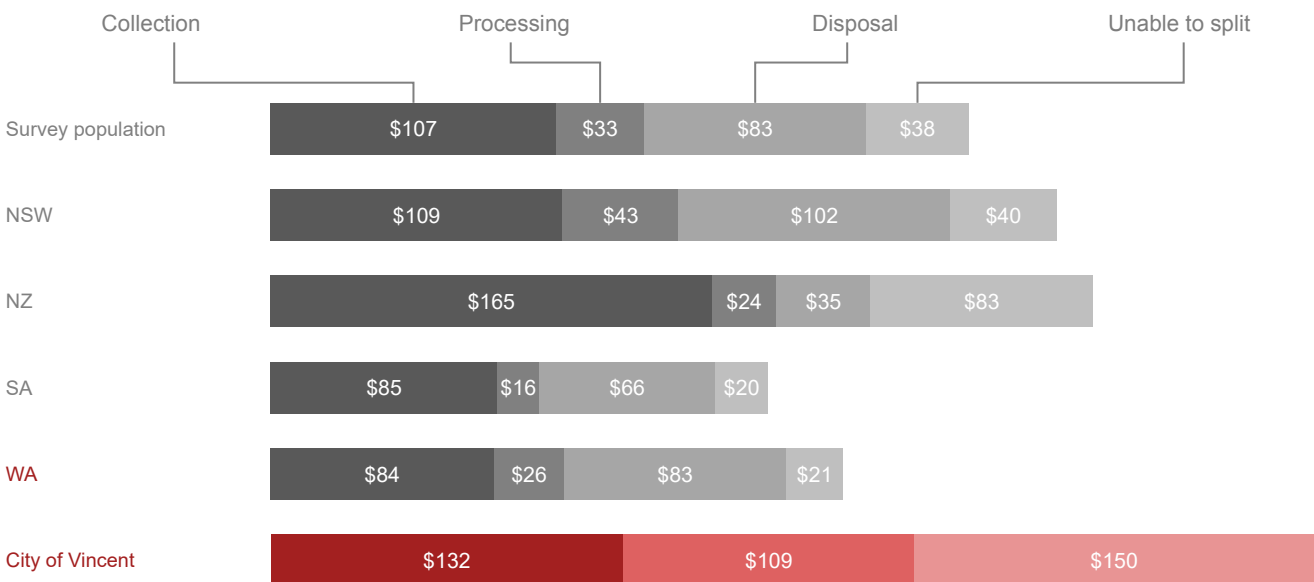
Figure 4.13: Annual domestic waste collected (tonnes per 10,000 residents)



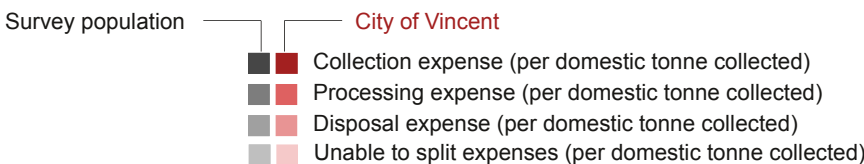
Waste disposal or landfill levy per tonne taken to landfill (\$)



Figure 4.14: Breakdown of waste annual operating cost (A\$) per tonne collected



n = 108



Solid waste management deep dive

Cost analysis (continued)

Figure 4.15 presents the annual median solid waste management cost per resident for your council, compared to the median by each jurisdiction. In addition, councils can further investigate the cost breakdown in Figure 4.16, taking into account outsourcing costs as well as insourcing costs per resident.



Figure 4.15: Solid waste management annual operating expense (A\$) per resident

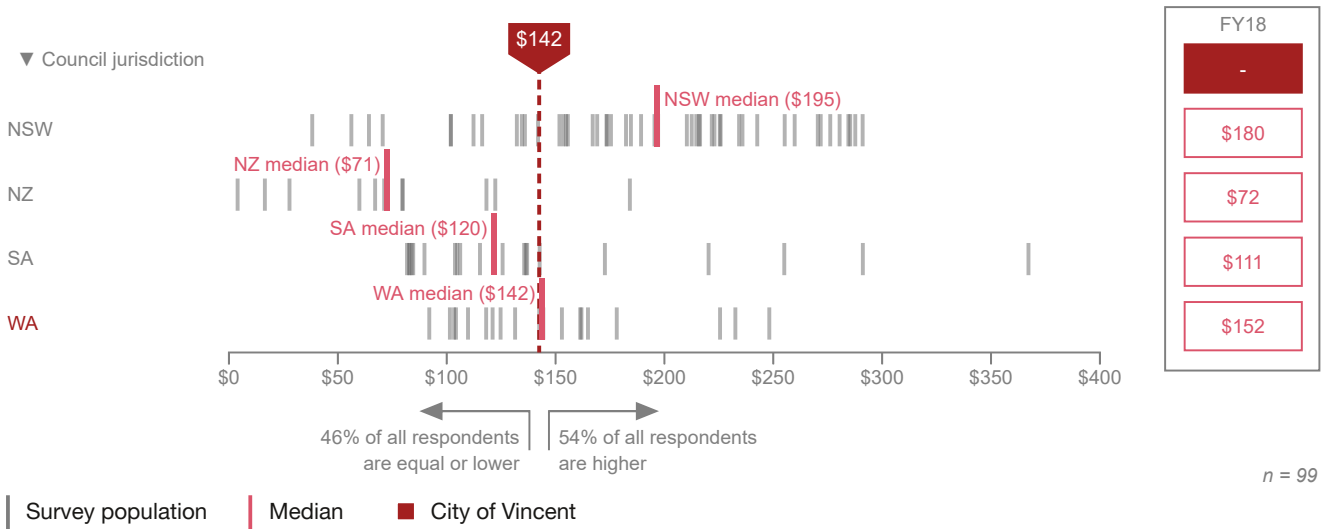
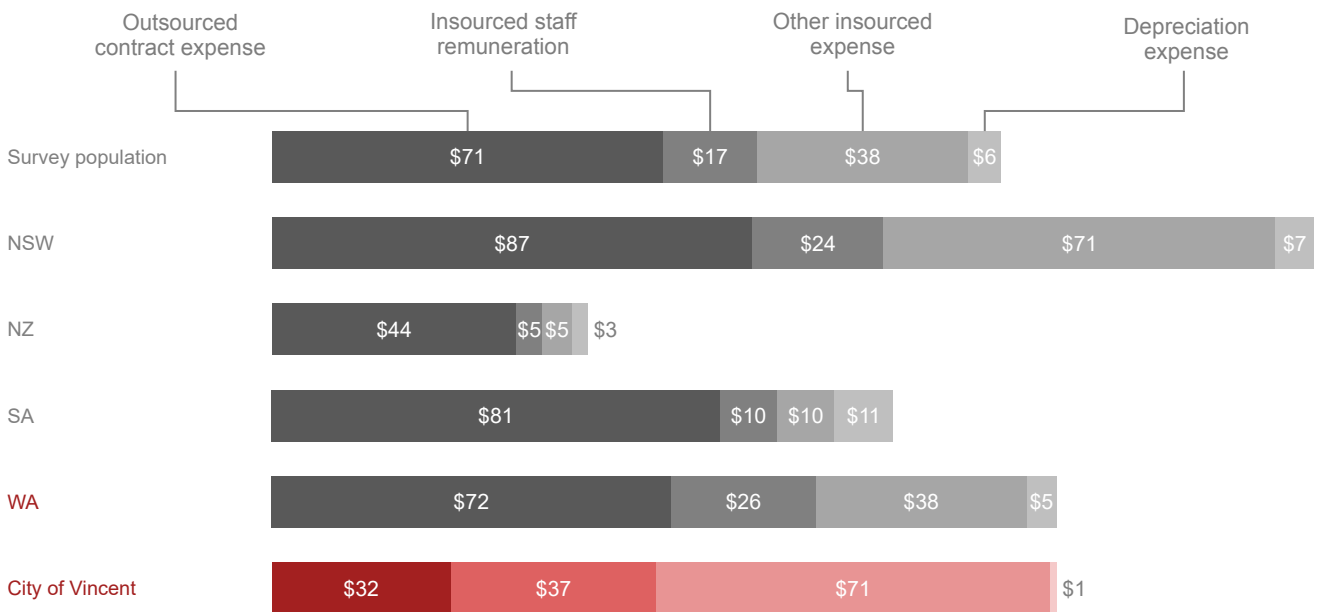


Figure 4.16: Breakdown of solid waste management annual operating expense (A\$) per resident



n = 99

Roads and bridges deep dive

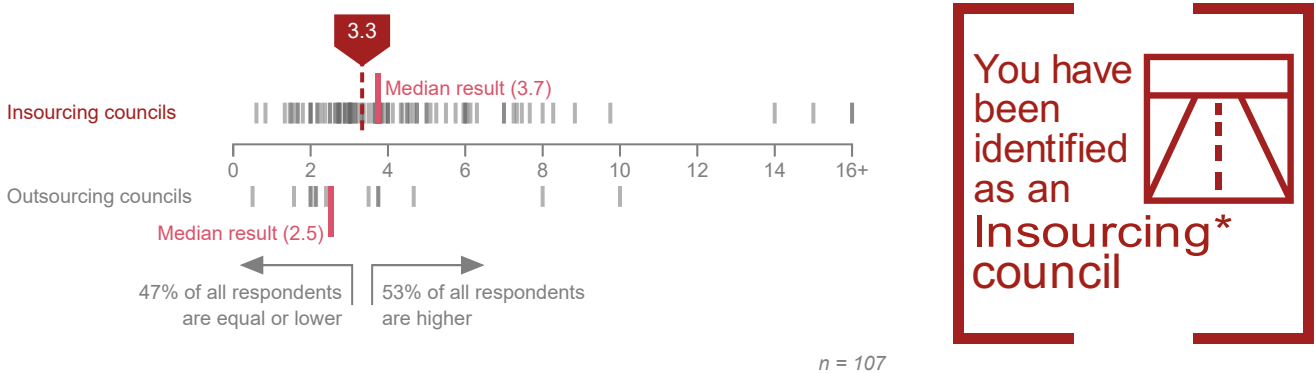
Workforce analysis

Councils can use this section of the report to further analyse and compare key workforce metrics across roads and bridges. We have classified councils as

either 'outsourcing' or 'insourcing' to assist with comparisons. If the council's road/bridge outsourced contract value was more than 25% of the total road/

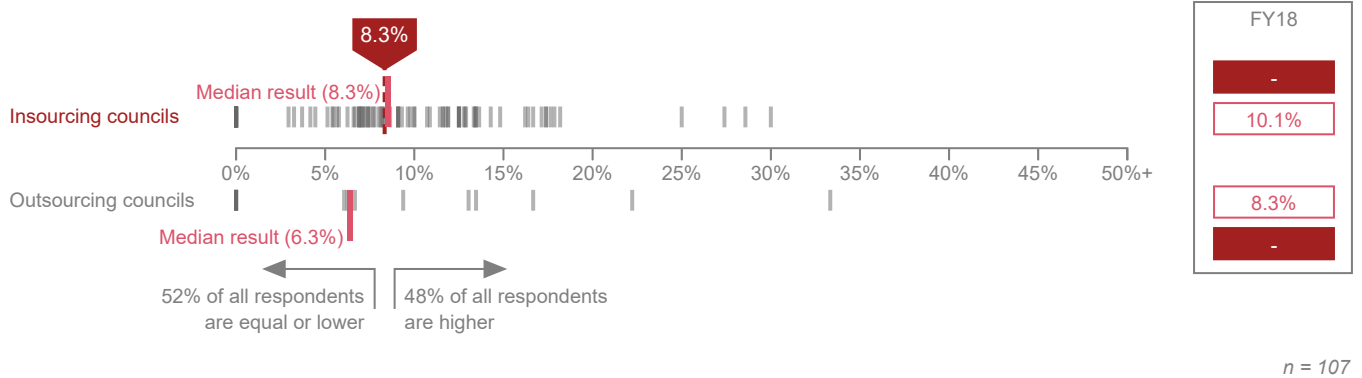
bridge cost then it was classified as 'outsourcing'. All other councils are classified as 'insourcing'.

Figure 4.17: Span of control ('other staff' per supervisor and above) - roads and bridges



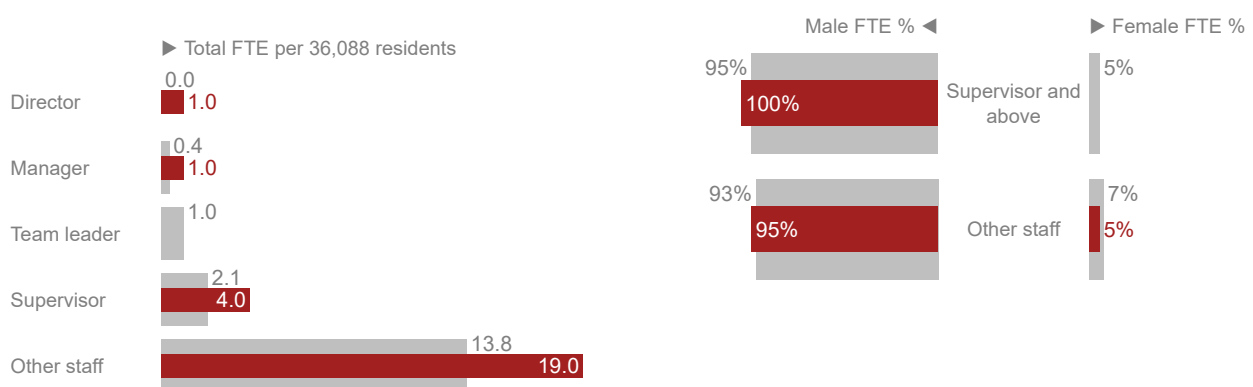
*Outsourcing councils are defined as the Road/Bridge outsourced contract value being more than 25% of the total Road/Bridge cost. All other councils are classified as insourcing. This will be "-" if you have not provided us with any cost data for this service.

Figure 4.18: Staff turnover rate - roads and bridges



Survey population | Median | City of Vincent

Figure 4.19: Staff level FTE breakdown and gender split - roads and bridges



Note: We have remodelled the council survey population result to be the same size as your resident population, depending on whether you are an outsourcing or insourcing council.


Insourcing councils population
City of Vincent

Roads and bridges deep dive

Cost analysis


This section of the report allows councils to analyse and compare cost per kilometre across roads and bridges. Figure 4.20 shows that metro councils continue to maintain a higher median cost per km due to the higher proportion of sealed roads requiring ongoing maintenance due to traffic volumes.

Figure 4.21 illustrates the relationship between the extent of unsealed to sealed roads in a council's road network, and the associated operating cost. As sealed roads typically bear higher volumes of traffic, the operating expense comprises not only the cost of construction, but the cost of maintaining appropriate road quality. Councils below the curved line have a higher than expected cost per km, given the mix of sealed and unsealed roads in the network.



Your roads roads and bridges expense per kilometre is

A\$26.7k



WA median roads and bridges expense per kilometre is

A\$19.5k

Figure 4.20: Roads and bridges annual operating expense (A\$) per kilometre

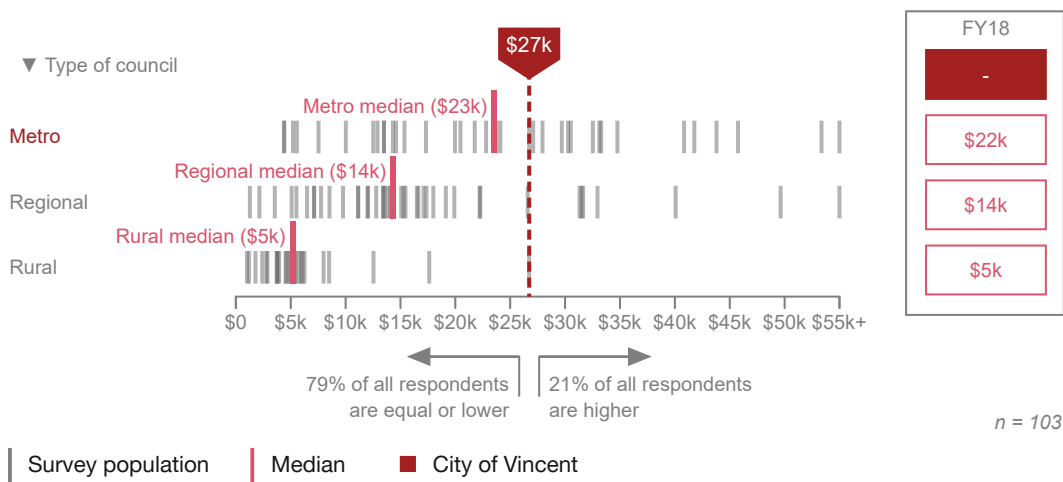
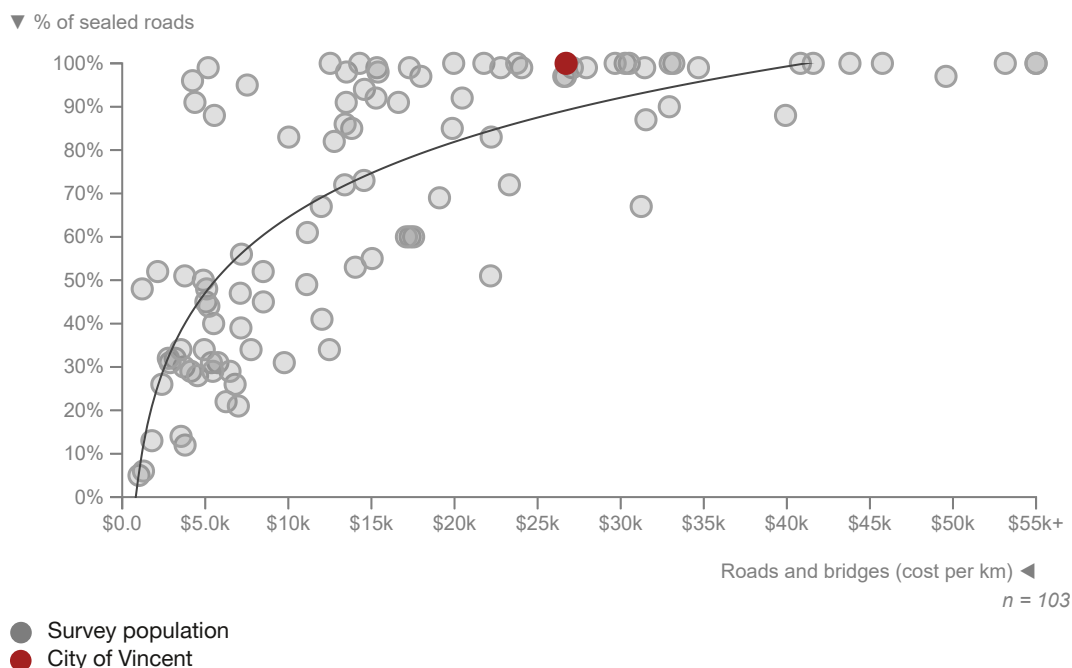


Figure 4.21: Relationship between percentage of sealed roads (by length) and road and bridges annual operating expense (A\$) per kilometre



Parks, gardens and sporting grounds deep dive

Workforce analysis

This section combines parks and gardens data with the sporting grounds data to present a holistic view of the primarily outdoor-based workforce. In Figure 4.22, we observe an increase in the span of

control across metro and rural councils, while regional councils have narrowed their span of control year on year. In Figure 4.23, rural councils continue to have a higher median staff turnover rate,

at 12.5% (albeit consistent with FY18), while regional councils have seen a slowing down in staff turnover year on year.

Figure 4.22: Span of control ('other staff' per supervisor and above) - parks, gardens and sporting grounds

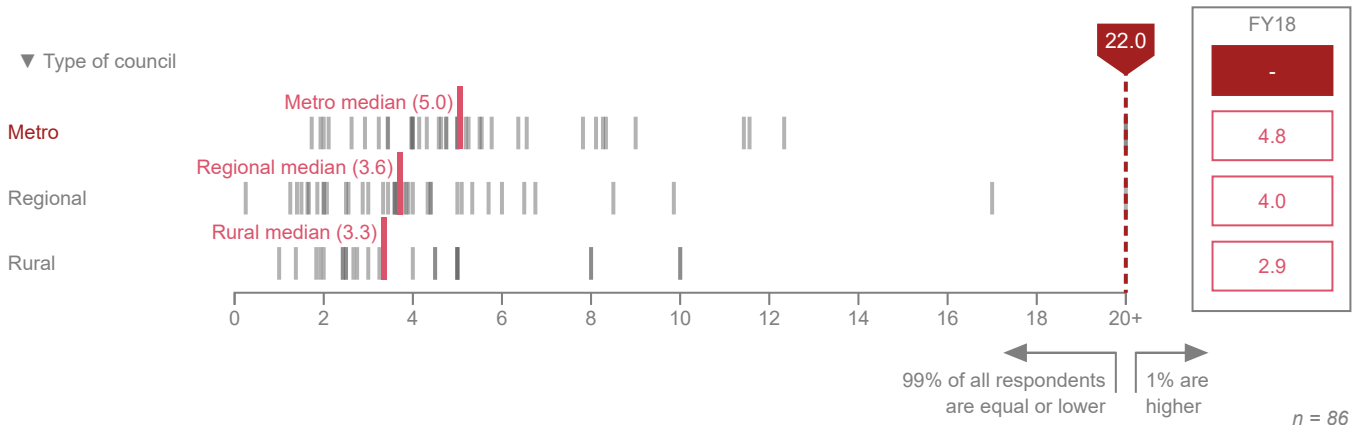
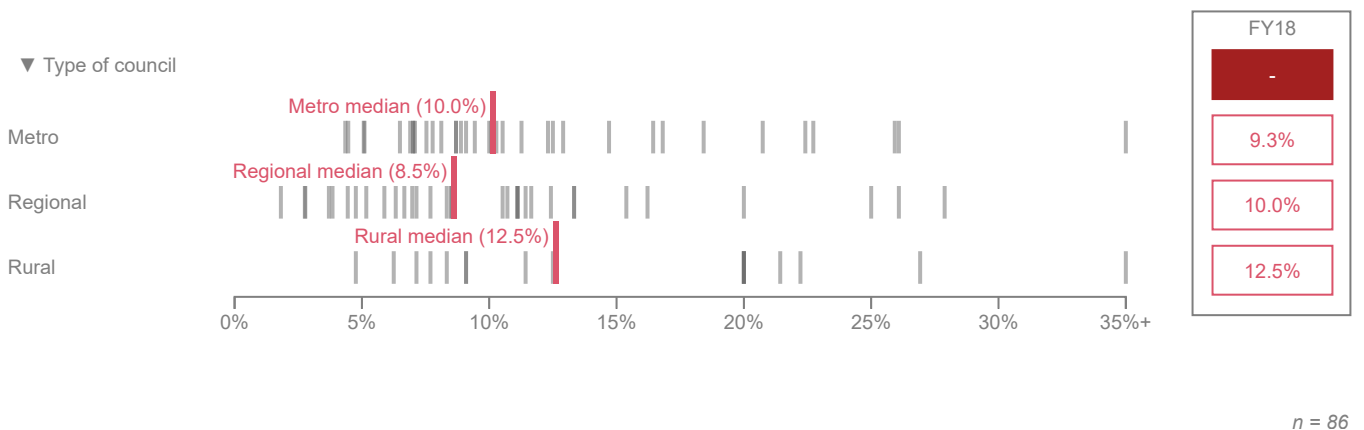
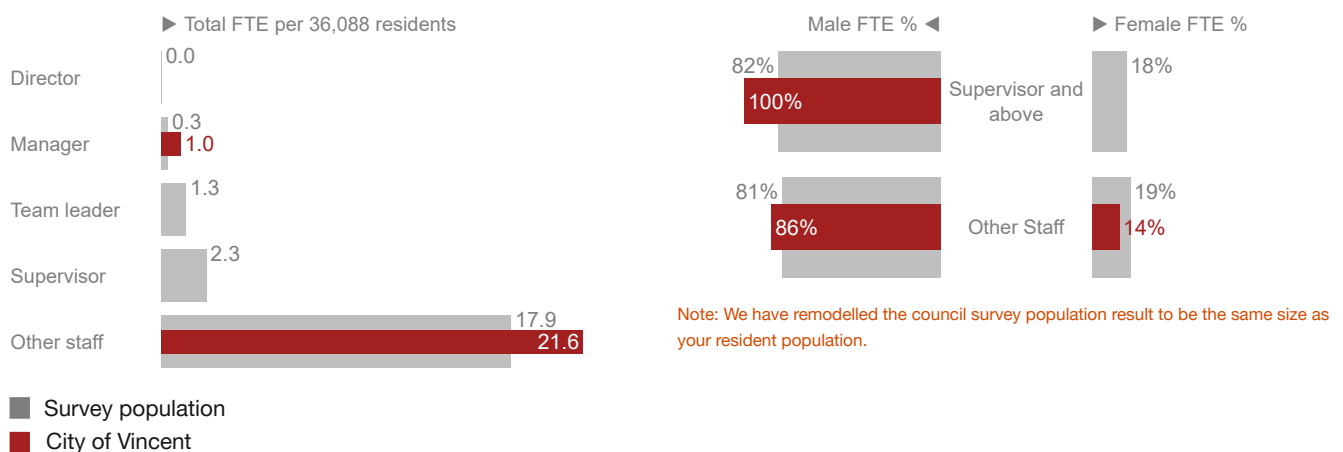


Figure 4.23: Staff turnover rate - parks, gardens and sporting grounds



Survey population | Median | City of Vincent

Figure 4.24: Staff level FTE breakdown and gender split - parks and sporting grounds



Parks, gardens and sporting grounds deep dive

Categorisation and cost breakdown of parks, gardens, and sporting grounds

It is interesting to observe the variety of segmentation of outdoor recreational areas across types of councils. In Figure 4.25 we see that rural councils have a greater proportion of active space compared to the rest of the survey population. On the other hand, metro councils have a significantly larger segment of land dedicated to

conservation and utility, perhaps reflective of the greater demand for utility infrastructure or providing drainage and stormwater networks in a higher density living space.

Figure 4.26 illustrates that regional councils have the largest per-resident area of parks, gardens and sporting

grounds, at 189.6ha per 10,000 residents, followed by metro councils (165.4ha per 10,000 residents) and then rural councils (139.6ha). Perhaps benefiting from economies of scale, regional councils also reported the lowest cost per hectare (\$5,419) when compared to its metro and rural counterparts.

Figure 4.25: Park and sporting grounds breakdown by category (hectares)

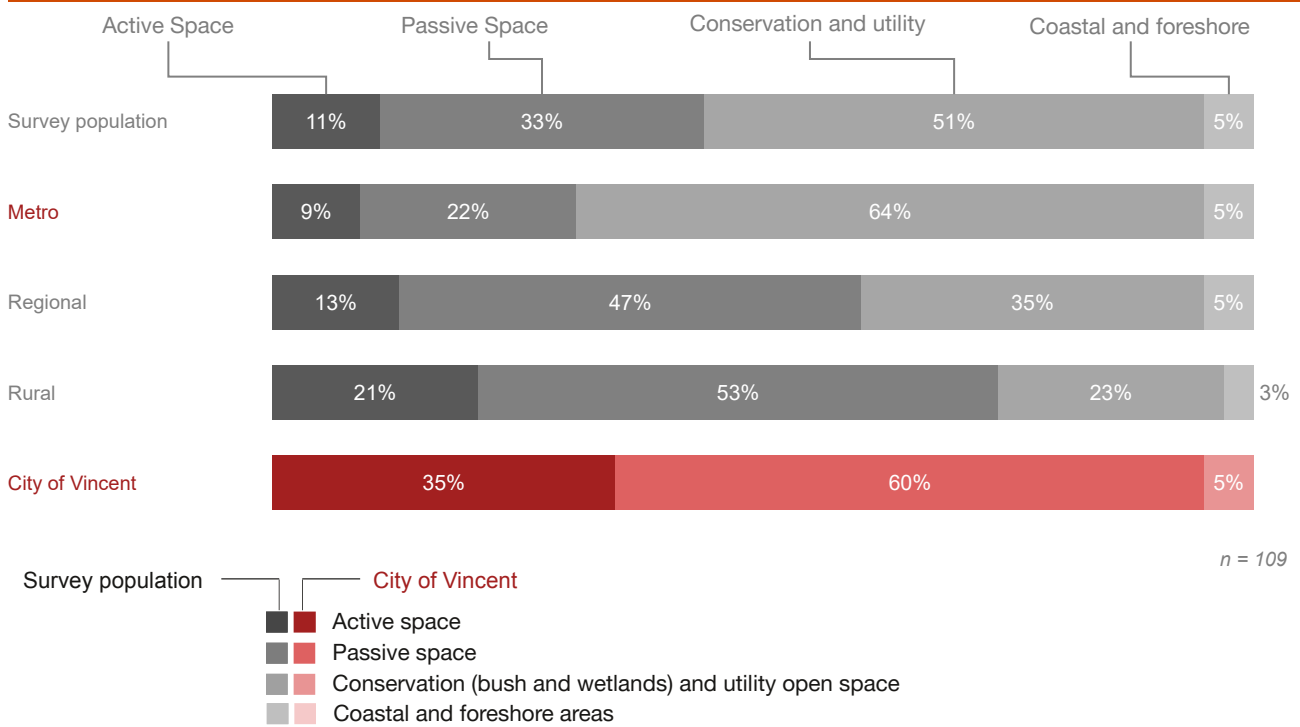
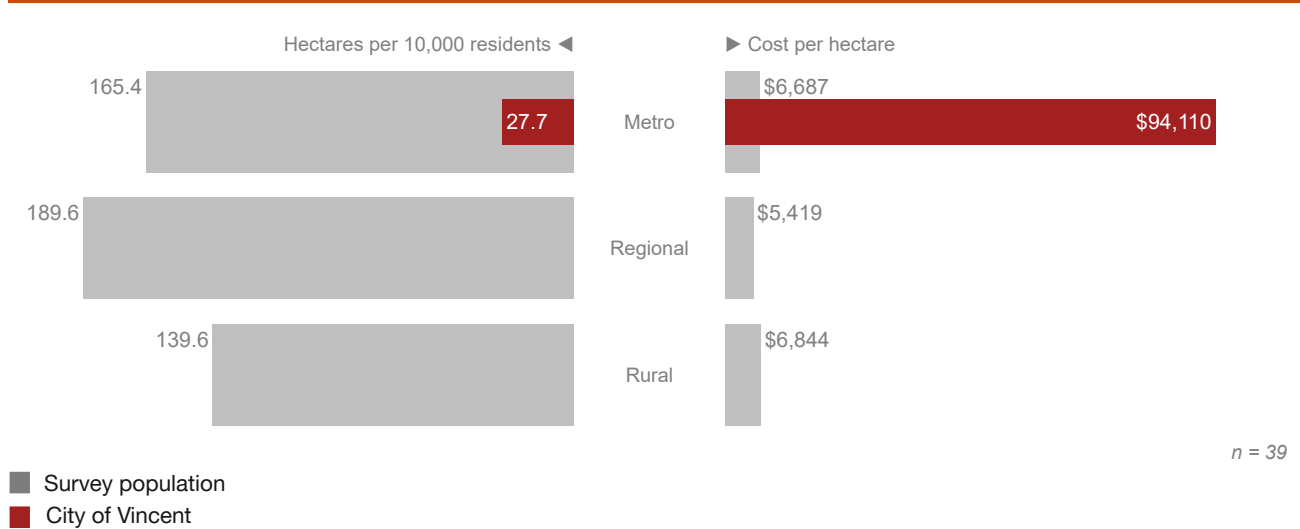


Figure 4.26: Park and sporting grounds area and cost breakdown (type of council)



Parks, gardens and sporting grounds deep dive

Cost analysis

Councils can use this section of the report to further analyse and compare key cost metrics across parks, gardens and sporting grounds. Figure 4.27 presents the median operating expense for your council on a per resident basis, compared to the corresponding median for your jurisdiction and by type of council. Figure 4.28 illustrates the cost components involved in operating outdoor recreational areas, including the breakdown of costs attributed to outsourced services.

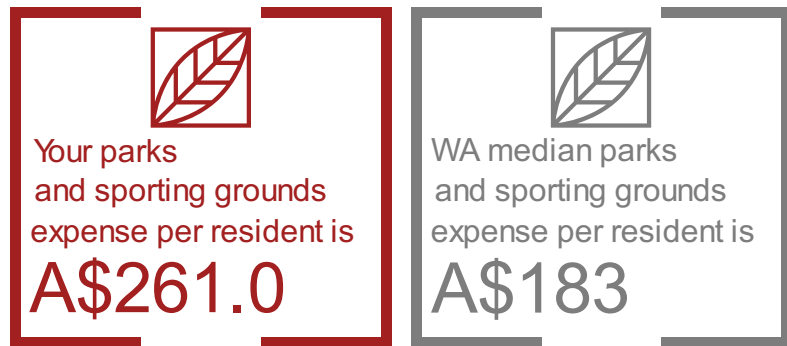


Figure 4.27: Parks, gardens and sporting grounds annual operating expense (A\$) per resident

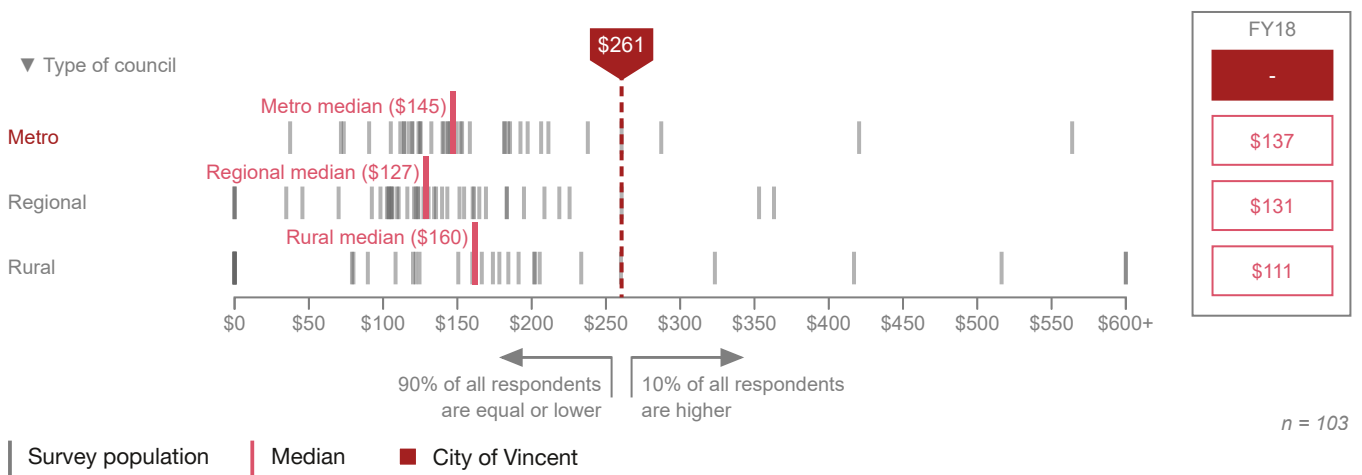
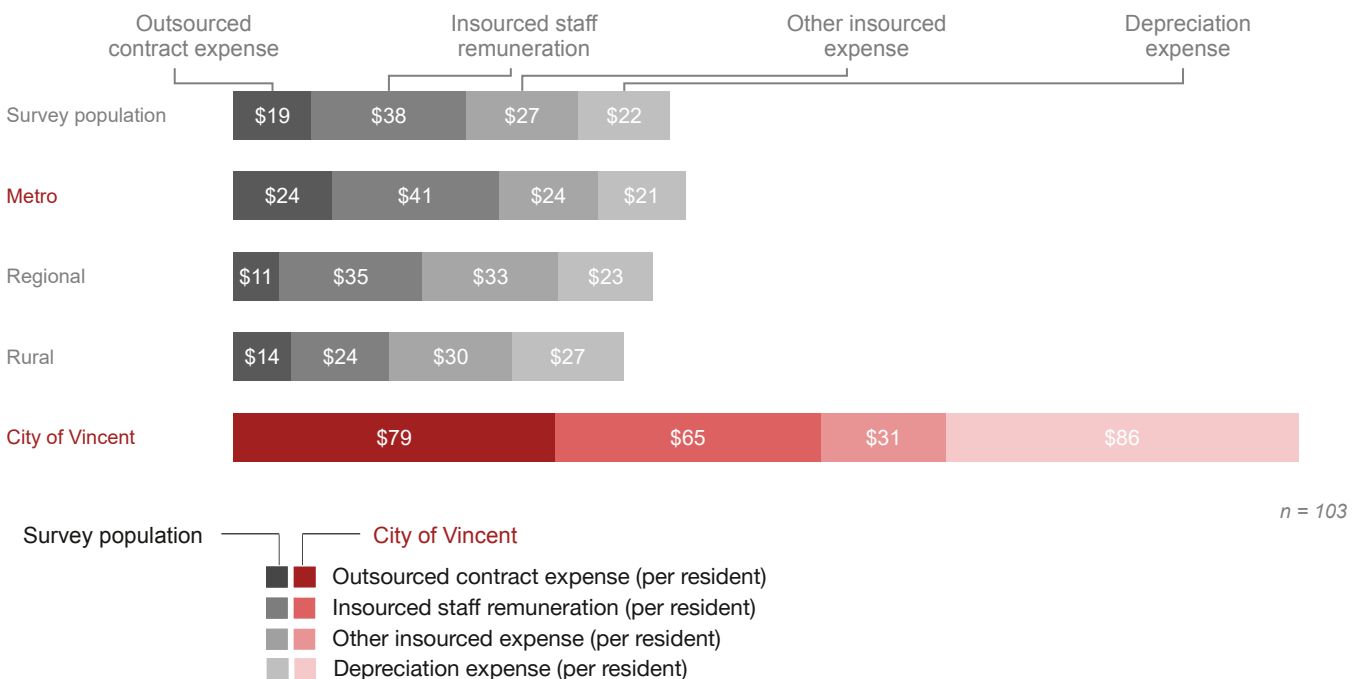


Figure 4.28: Breakdown of parks, gardens and sporting grounds annual operating expense (A\$) per resident



Swimming pools leisure centres deep dive

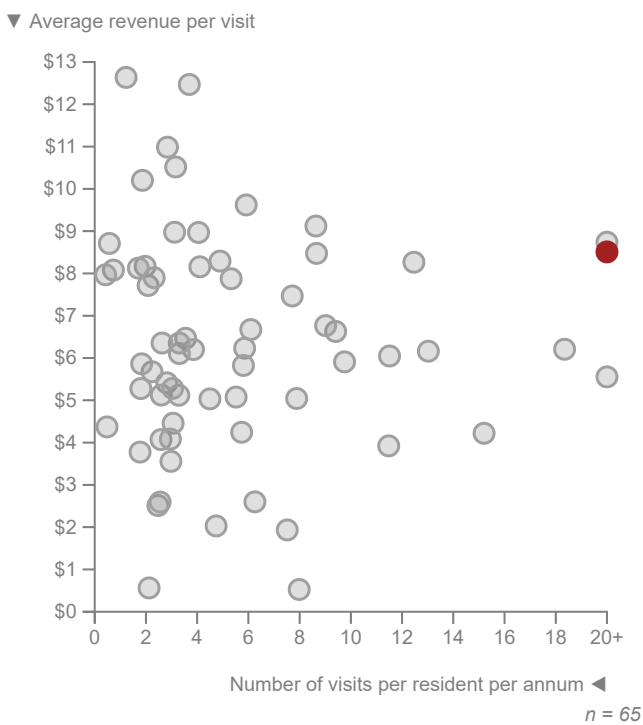
Analysis of operations

After running a pilot in FY18, we have now introduced a number of new questions in relation to swimming pool leisure centres.⁴⁷ These facilities are an important community resource, providing a variety of tangible benefits such as an increased sense of community/real social network, encouragement of a more active/healthier lifestyle, and reduced criminal/anti-social behaviour.

Your council reported
1 facilities

Your council reported
0% single-use facilities
100% multi-use facilities

Figure 4.29: Relationship between average revenue (A\$) per visit and annual visits per residents



● Survey population
● City of Vincent

Figure 4.30: Relationship between average operating cost (A\$) per visit and annual visits per resident

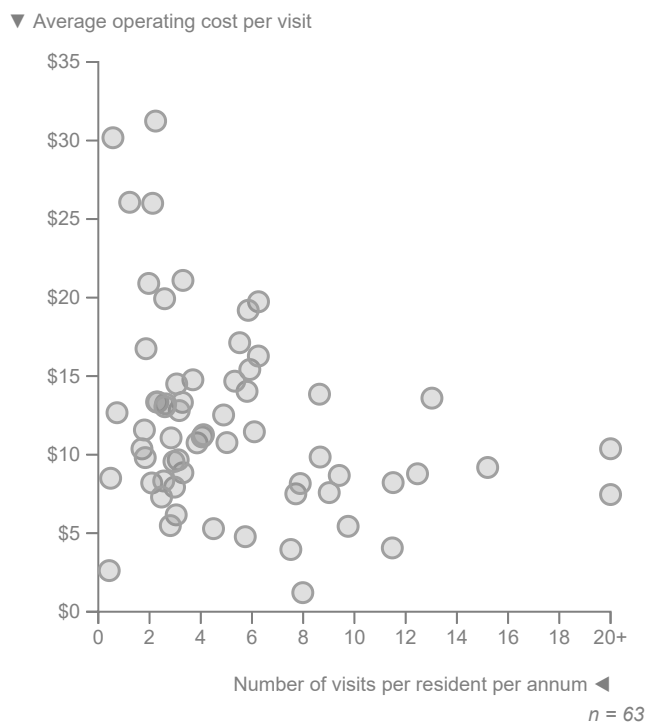
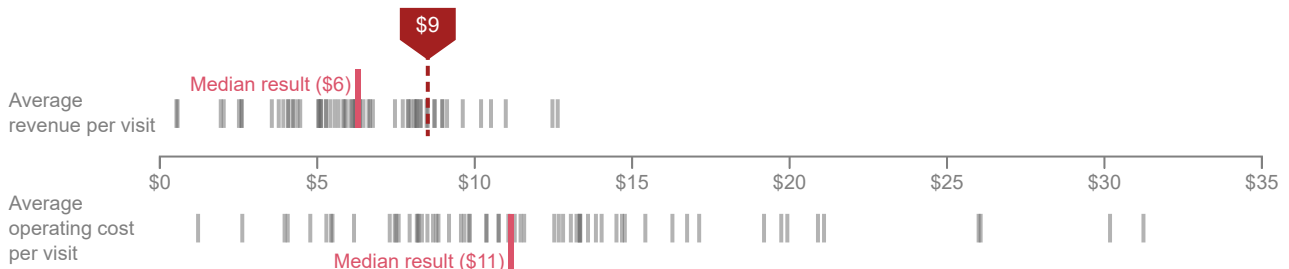


Figure 4.31: Swimming pool leisure centres - annual average revenue and operating cost (A\$) per visit



n = 65

Survey population | Median | City of Vincent

47 If you have not provided revenue, operating cost, and/or operating days data for a particular facility, that facility has been excluded from the relevant calculations to avoid any inflation or dilution of the results

Swimming pools leisure centres deep dive

Swim schools

The utilisation of swimming pool leisure centres hinges on seasonality changes, indoor versus outdoor pools, the presence of swim schools and other options including gym, courts, cafes and child minding. Across all jurisdictions, we observe a drain on council budgets for swimming pool leisure centres. On average, surveyed facilities achieve 81% cost recovery reflecting the cost-intensive nature of maintaining and running swimming pool leisure centres.

Over half of all facilities host a commercial swim school, with NSW facilities having the highest proportion of commercial swim schools. However, in WA there is a higher concentration of pools with a council run swim school (77% of WA facilities).

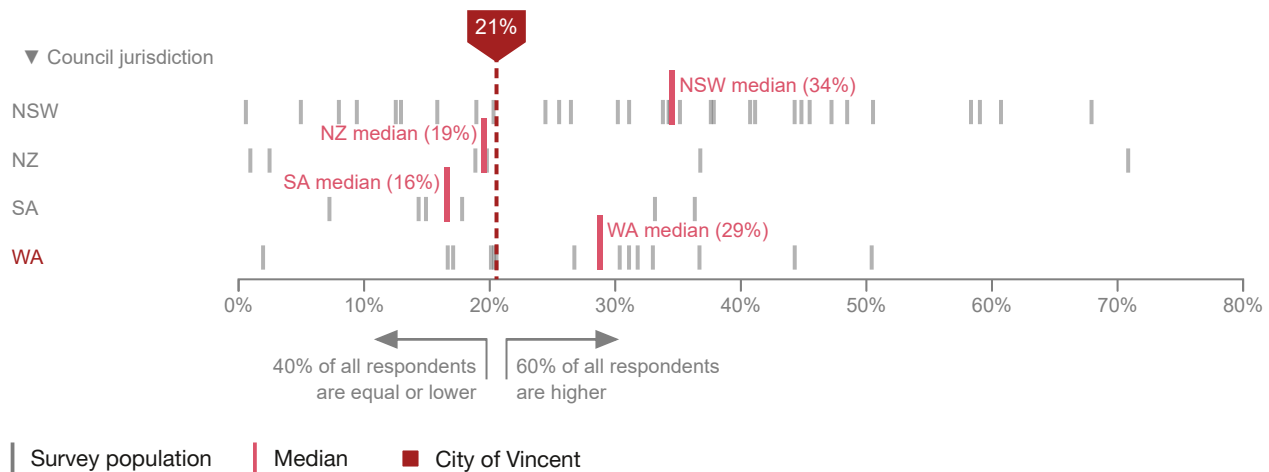
To delve into the results further, please access Datapoint and refer to the council comparative analysis tool (CCAT) for more analysis on swimming pool leisure centres.

Figure 4.33 shows the proportion of total swim school revenue as a percentage of total facility revenue and we see this revenue is more important to some councils than others.

Figure 4.32: Swimming pool leisure centres - percentage of facilities running council and/or commercial swim schools



Figure 4.33: Swimming pool leisure centres - total swim school revenue as a percentage of total facility revenue



Development applications deep dive

Analysis of activity

After running a pilot in FY18, we have now introduced a number of new questions in relation to development applications. The role local government plays in assessing proposed developments and ensuring compliance to statutory requirements is a vital one given the impact these decisions have on the community landscape and liveability conditions.

We have categorised development applications into planning/development applications and integrated/building permit applications, noting the different jurisdictional naming conventions,⁴⁸ and the varying emphasis placed on these two categories across the jurisdictions.

We observe NZ and WA councils with a different town planning profile to NSW, processing a higher proportion of integrated or building permits, compared to planning or development approvals. Meanwhile, SA councils typically process a similar proportion of both types of development applications reflecting the different regulations that exist across the jurisdictions.



Figure 4.34: Town planning operating cost (A\$) per determined application

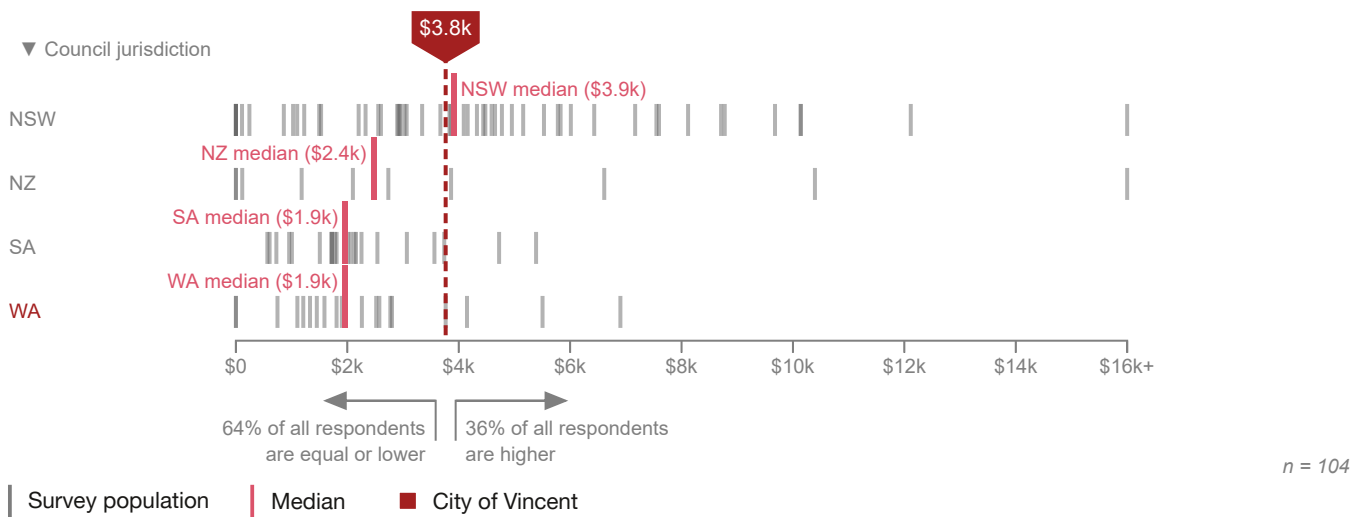


Figure 4.35: Percentage of determined development applications by type



48 **Planning or Development Approval** (NSW = Development Application, SA = development plan consent, WA = Development Approval and NZ = Resource Consent)
Integrated or Building Permit (NSW = Complying Development, SA = building rules consent, WA = Building Permit and NZ = Building Consent)

Development applications deep dive

Analysis of activity (continued)

We acknowledge that the degree of complexity, along with the volume of development applications, will impact the way the town planning function is resourced. In addition, councils need to consider any mandated or recommended processing deadlines. We expect high growth local government areas are more likely to invest in town planning resources

as will councils with more complex developments requiring a greater degree of skill and knowledge in building codes and regulations.

We observe a substantially higher average value of determined planning or development approval applications in NSW and WA, compared to SA and NZ

perhaps reflecting the relative scale of determined developments in NSW and WA.

To delve into the results further, please log on to Datapoint and refer to the council comparative analysis tool (CCAT) that is now available to explore.

Figure 4.36: Volume of determined development applications per 10,000 residents



Figure 4.37: Average value of determined development applications (A\$)

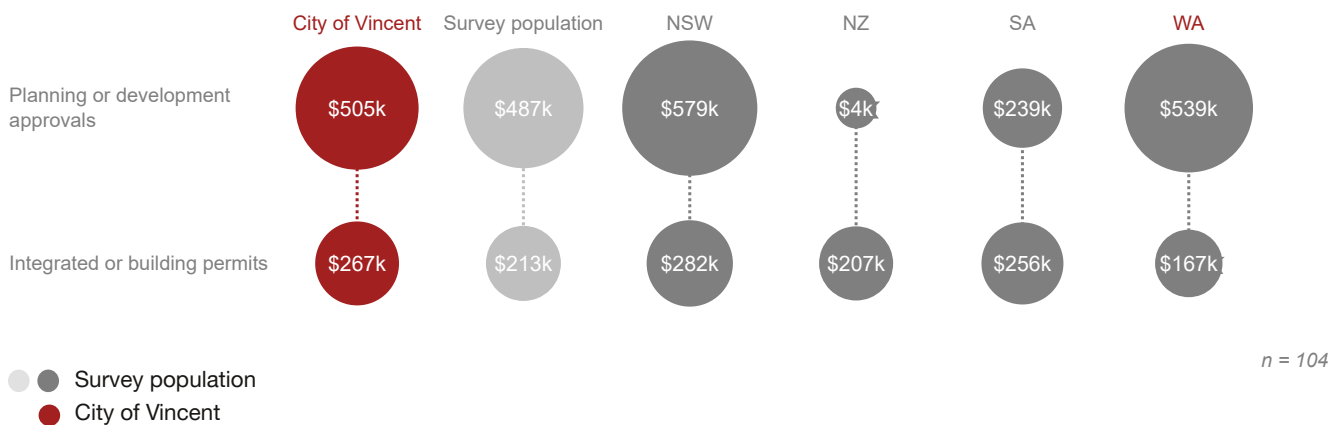
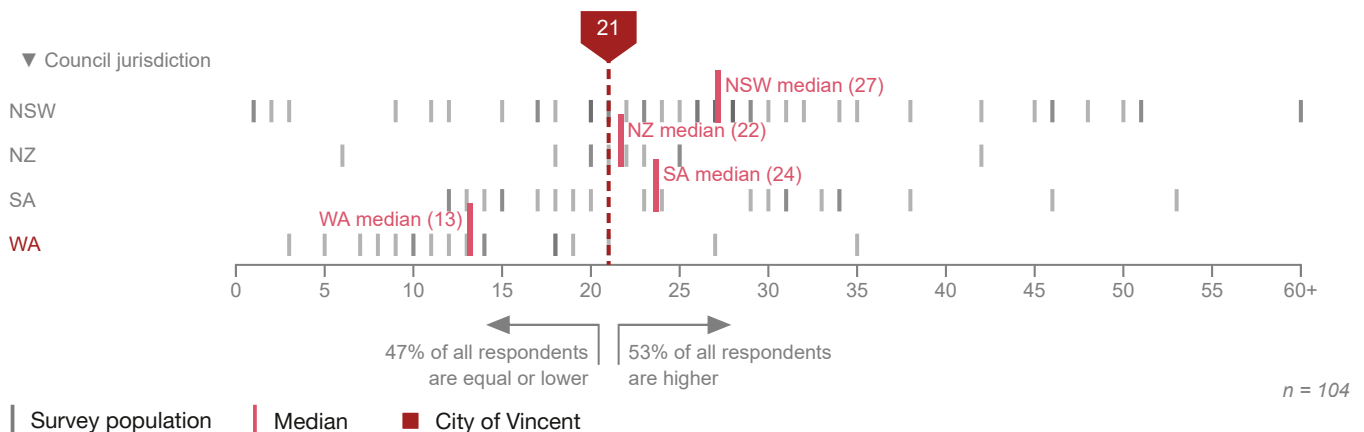
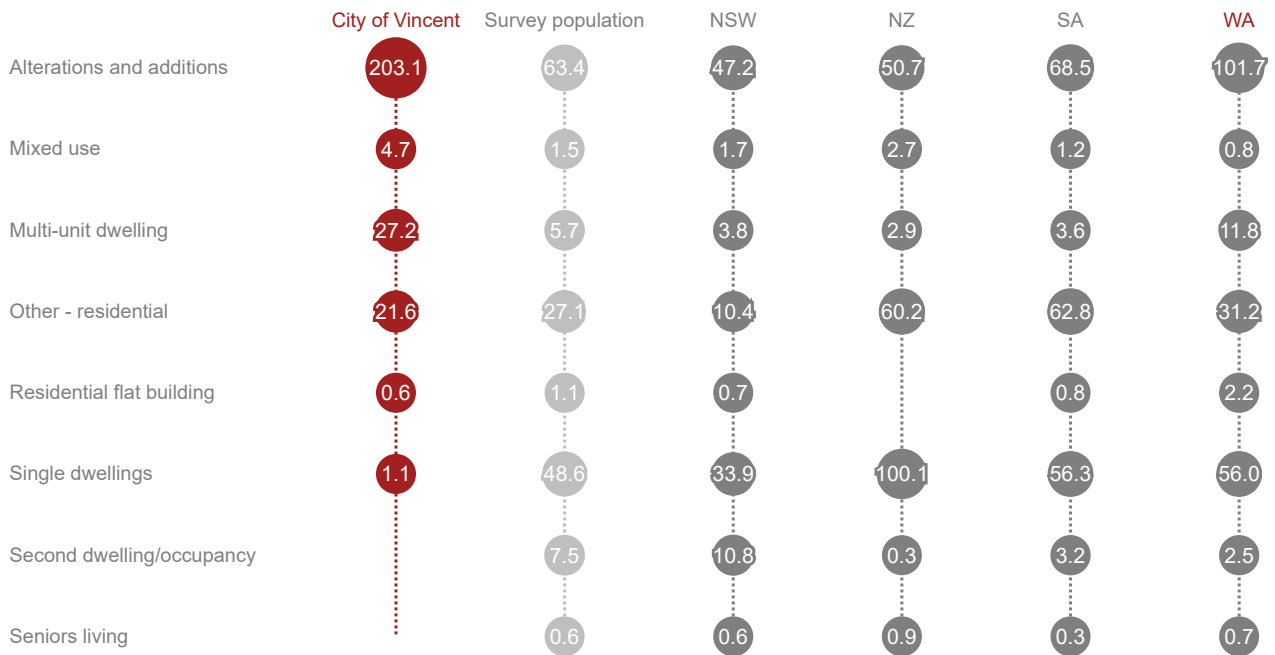


Figure 4.38: Median gross processing days for determined development applications



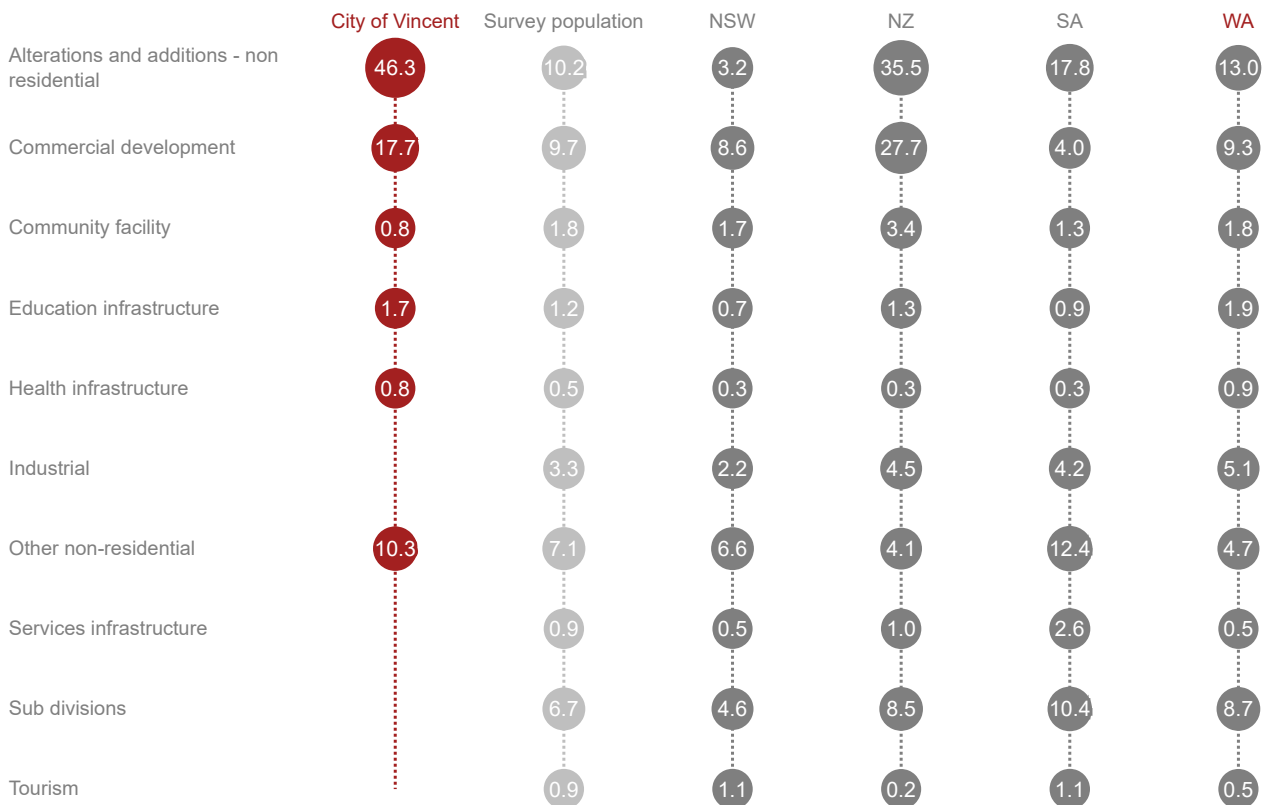
Development applications deep dive

Figure 4.39: Volume of residential determined development applications by subcategory per 10,000 residents



n = 102

Figure 4.40: Volume of non-residential determined development applications by subcategory per 10,000 residents



n = 102

● Survey population
● City of Vincent

Breakdown of participating councils by service area

The table below shows the number of councils that provided cost and FTE data for each individual service area.

| Service Area | Councils providing cost data | Councils providing FTE data |
|--|------------------------------|-----------------------------|
| | <i>n</i> count | <i>n</i> count |
| Aerodromes | 30 | 25 |
| Aged Persons and Disabled | 57 | 54 |
| Agriculture | 10 | 8 |
| Beach Control and Maritime activities | 19 | 11 |
| Camping Area and Caravan Parks | 33 | 22 |
| Children's Services | 42 | 36 |
| Cultural and Community Service Centres | 94 | 92 |
| Drainage and Stormwater Management | 73 | 68 |
| Emergency services, fire levy and protection | 56 | 36 |
| Enforcement of Regs and Animal Control | 101 | 106 |
| Footpaths | 61 | 53 |
| Fuel & Energy | 1 | 1 |
| Governance and Administration | 109 | 114 |
| Health | 49 | 47 |
| Mining, Manufacturing & Construction | 49 | 56 |
| Other community amenities | 86 | 82 |
| Other community services and education | 75 | 79 |
| Other economic affairs | 91 | 87 |
| Other environment | 89 | 85 |
| Other public order and safety | 44 | 41 |
| Other transport infrastructure | 76 | 83 |
| Parks and gardens (lakes) | 103 | 107 |
| Public libraries | 98 | 104 |
| Road & Bridges | 103 | 107 |
| Sewerage Services | 54 | 52 |
| Solid Waste Management | 99 | 99 |
| Sporting grounds and venues | 86 | 83 |
| Street cleaning | 59 | 55 |
| Street lighting | 45 | 15 |
| Swimming Pools | 71 | 64 |
| Town Planning | 102 | 106 |
| Water supplies | 46 | 44 |

Corporate Leadership



Workforce



Finance



Operations



Service Delivery



Corporate Leadership



Asset Management



131
minutes

is the median duration of a council meeting



78%

of councils have a documented and approved community engagement strategy

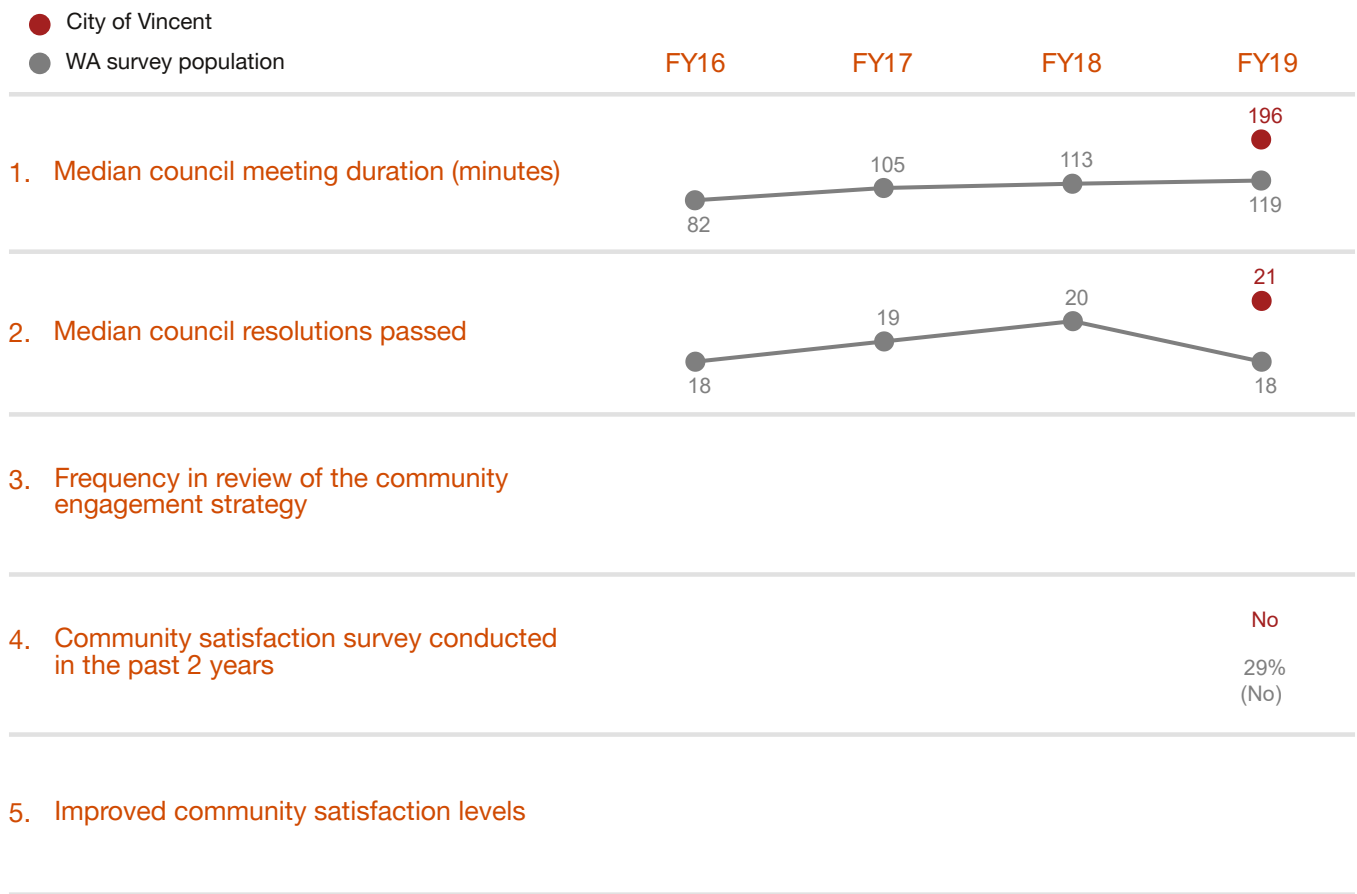


68%

of councils conducted a community satisfaction survey in the past two years

Corporate Leadership Trend Summary

City of Vincent



Approach to decision making

Council decision making

In their role, a councillor is expected to represent their community when it comes to policy setting and decision making, along with contributing to the ever evolving council strategy. To do this effectively, councillors require timely, relevant and reliable information to enable proper consideration of the issues to be discussed at a council meeting. During the meetings, following a clear agenda, along with succinct business papers, creates healthy debate and timely decision making as the councillors have been able to build a strong understanding of the broader picture and related consequences as motions are considered and debated, and resolutions made.

To better understand the council meeting process, we asked councils to provide meeting duration and resolutions passed for the final six council meetings conducted in FY19. Based on our current participating councils, the overall median length of council meetings sits at 131 minutes, while the median number of resolutions passed sits at 23 resolutions.

At the jurisdictional level, NZ councils recorded the largest change in meeting duration, with a median of 114 minutes (down from 165 in FY18, a 51 minute decrease). We also observed a decline in the number of resolutions passed across NZ councils, down to a median of 14 passed resolutions, compared to 17 in FY18.

NSW councils have reduced the median meeting duration by 16 minutes, with a median of 128 minutes in FY19, with the median number of resolutions passed actually increasing to 26 (up from 24 in FY18). As a result, NSW councils now

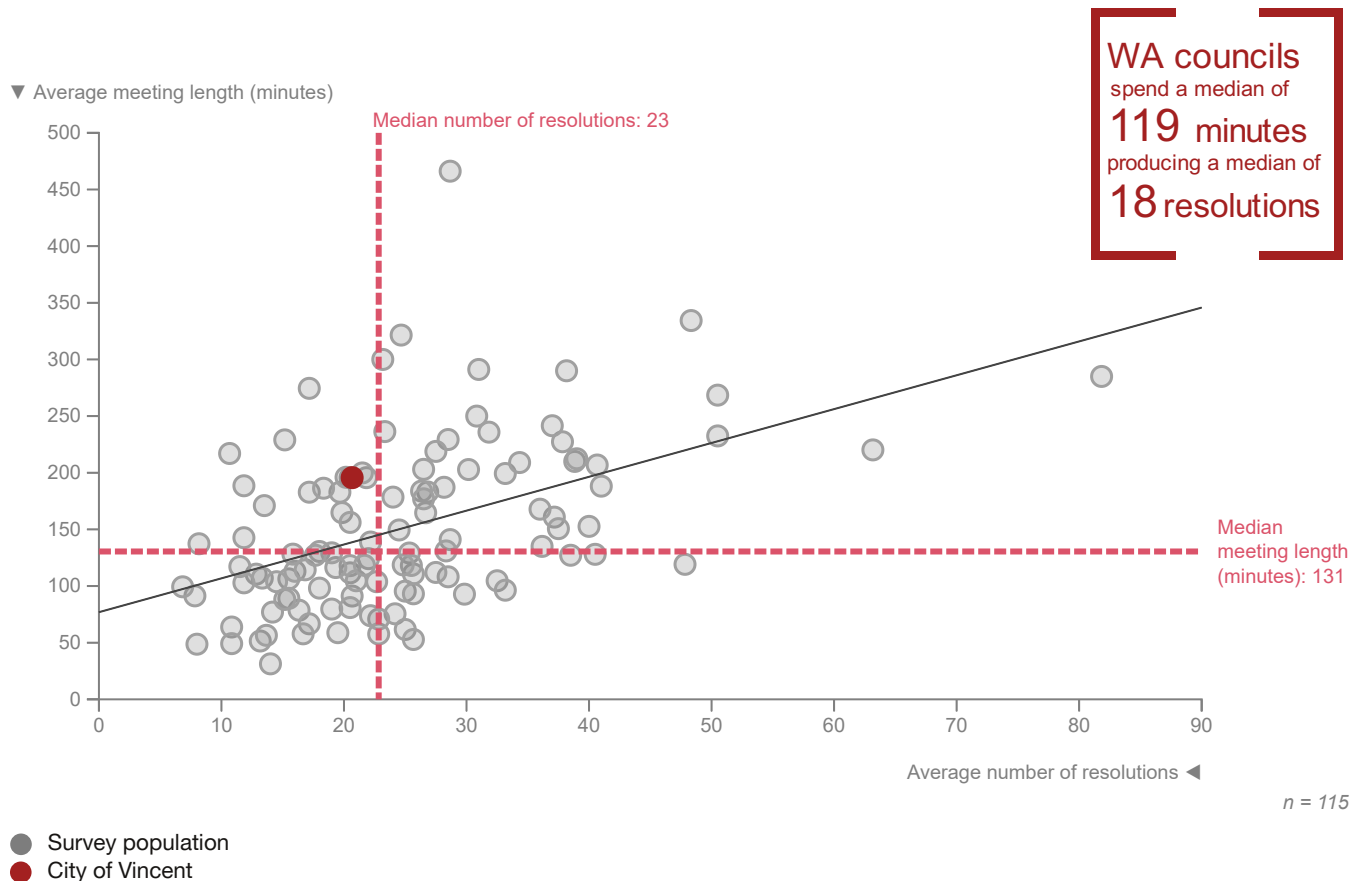
take the least amount of time to pass a resolution, with one resolution taking 4.9 minutes (down from ~6 minutes in FY18), followed by 6.2 minutes for WA councils.

Conversely, the median meeting duration for SA councils increased to 175 minutes, from 143 in FY18. This increase in median length occurred without a proportional increase in resolutions passed, with an average of 24 resolutions, compared to 23 in FY18. As such, SA councils take the most time to pass a resolution, at 7.3 minutes per resolution, with this increasing from ~6 minutes in FY18.

Key considerations

- Do you conduct annual reviews of council meeting performance? Are these results shared and discussed with the councillors?
- Do you understand the type of resolutions that may be taking longer to pass? Is this an opportunity to provide more analysis if there are any identifiable trends?
- Are your meeting agendas and papers appropriately structured with the right level of detail, allowing for timely review prior to the meeting and in line with your council's Code of Meeting Practice?

Figure 5.1: Relationship between council meeting duration and resolutions passed in the second half of FY19



Analysing council meetings and resolutions

Council meeting duration and number of resolutions

In Figure 5.2, we have converted our survey data into a matrix to show possible reasons for a variation, from meeting to meeting, in council meeting duration and number of resolutions. This analysis allows councils to explore the relationship between council meeting length and the number of resolutions passed at their last six council meetings during FY19.

We continue to observe almost a third of council meetings (32%) in the 'short and sharp' quadrant, followed by 27% of council meetings in the 'clearance of straightforward matters' quadrant.

During FY19, there has been a downward shift in the proportion of NZ council meetings within the 'complex issues' and 'long orders of business' quadrant, at 40% (down from 58% in FY18 and 69% in FY17). One possible explanation could be that during FY19, councillors were in their third year of office, giving rise to more experience with the operations of council meetings. To further support this theory, the spread of meetings across the quadrants observed in our FY16 program was similar to the FY19 result, with councillors also in their final year of their term.

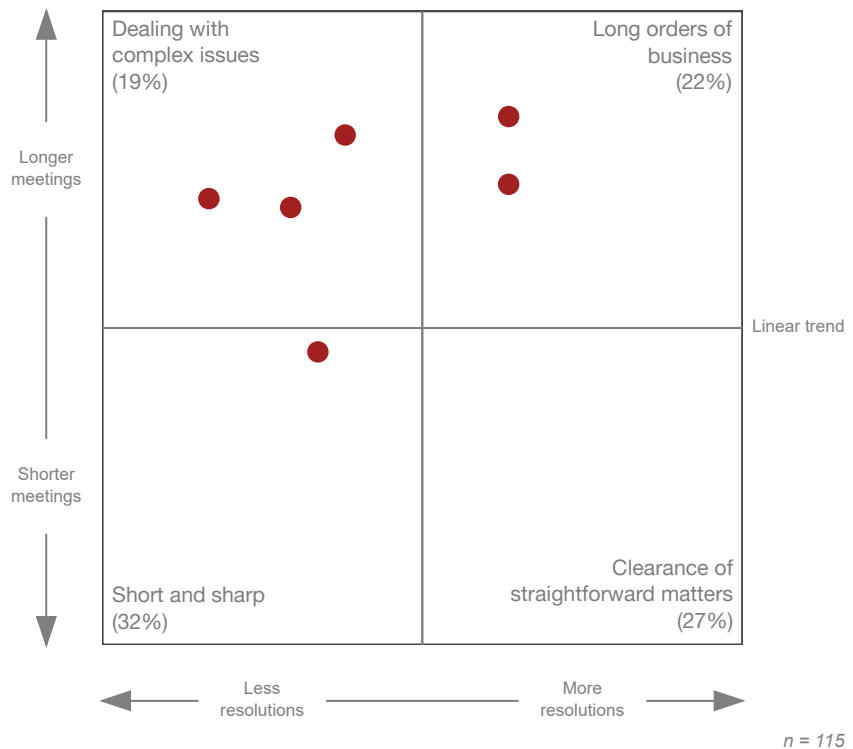
In comparison, across the Australian jurisdictions, we observe SA councils with half of their council meetings in the 'complex issues' and 'long orders of business' quadrants, compared to 38% in NSW and 42% in WA councils. Once again this may be explained by new councillors slowly assimilating to the operations of council meetings. This is especially prevalent in SA where council elections took place in November 2018, compared to NSW elected councillors having two years of experience and WA elected councillors being in their final year.

When reviewing your profile in the matrix, consider that there may be a logical reason for why your final six council meetings fall within certain quadrants. In fact, it may enhance council's productivity if a range of the identified meeting types exist across the year. Each council should assess their results against the complexity and associated risk profile of the issues discussed during these meetings.

Key considerations

- When did you last review the governance and approach to your council meetings?
- Is it clear to your councillors the required outcome of agenda items, e.g. informational only versus strategic decisions?
- Do your councillors have access to technology that supports them to be more effective in their role as councillor, e.g. online meeting and papers access?

Figure 5.2: Relationship between council meeting duration and resolutions passed in the second half of FY19



Consulting with the community

Community engagement strategy

One of the key council responsibilities is to represent its community and make informed and effective decisions on its behalf. It is therefore vital that a strong partnership exists between councils and their communities. By establishing a community engagement strategy, councils can develop this collaborative partnership with the community, building trust and confidence in local government.

It is encouraging to see 78% of all councils with a community engagement strategy in place, up from 74% in FY18. NSW councils continue to be more likely to have a strategy in place (87%, up from 83% in FY18), due to the requirement to do so under the Integrated Planning and Reporting Framework. We see an improvement across WA councils, with 81% having a strategy (compared to 71% in FY18) and 74% of NZ Councils following suit, up from 66%.

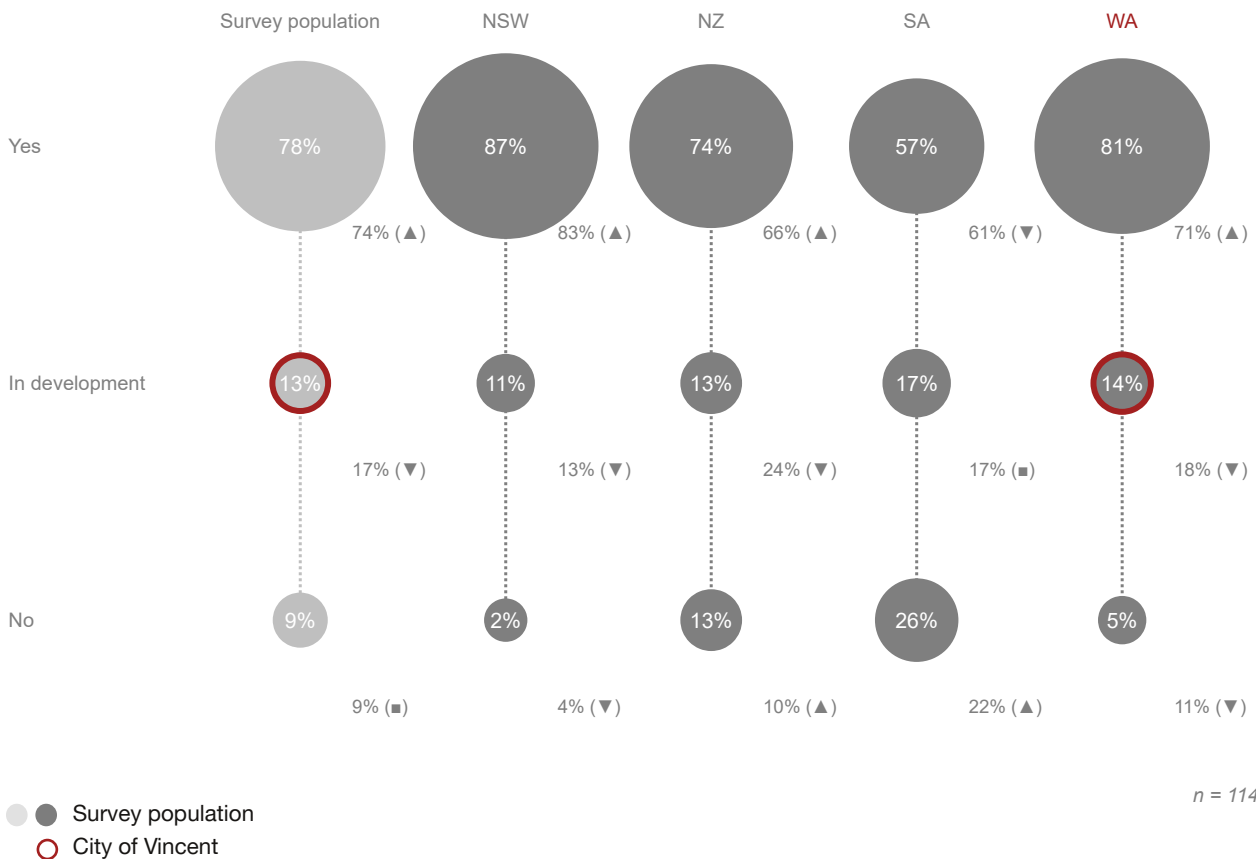
Just over half of SA councils (57%) reported having a strategy in place, indicating there is an opportunity for many councils to bring a community strategy to life in this jurisdiction.

The increase in the number of councils operating with a community engagement strategy suggests that councils are maturing in their approach, focusing on a more planned and detailed method of engaging with the community.

Key considerations

- Have you embedded a culture of community engagement across the council, or has responsibility been left to one function?
- Does your council have the required skills to enable a cohesive approach to community engagement, spanning all stakeholders?
- Do you engage with the community in a consistent manner on a wide range of matters, or does the method vary depending on the issue?
- Is your council adequately resourced such that the views of your community can be appropriately considered as part of the execution of the community engagement strategy?
- Do you have an adequate review process for your community engagement strategy? Is your strategy evolving as the community evolves?

Figure 5.3: Do you have a documented and approved community engagement strategy?



Consulting with the community

Review of the community engagement strategy

A community engagement strategy can only be effective if it appropriately addresses the needs of the community. As such, councils should frequently review their strategy, making updates where required so they continue to meet communities' evolving requirements.

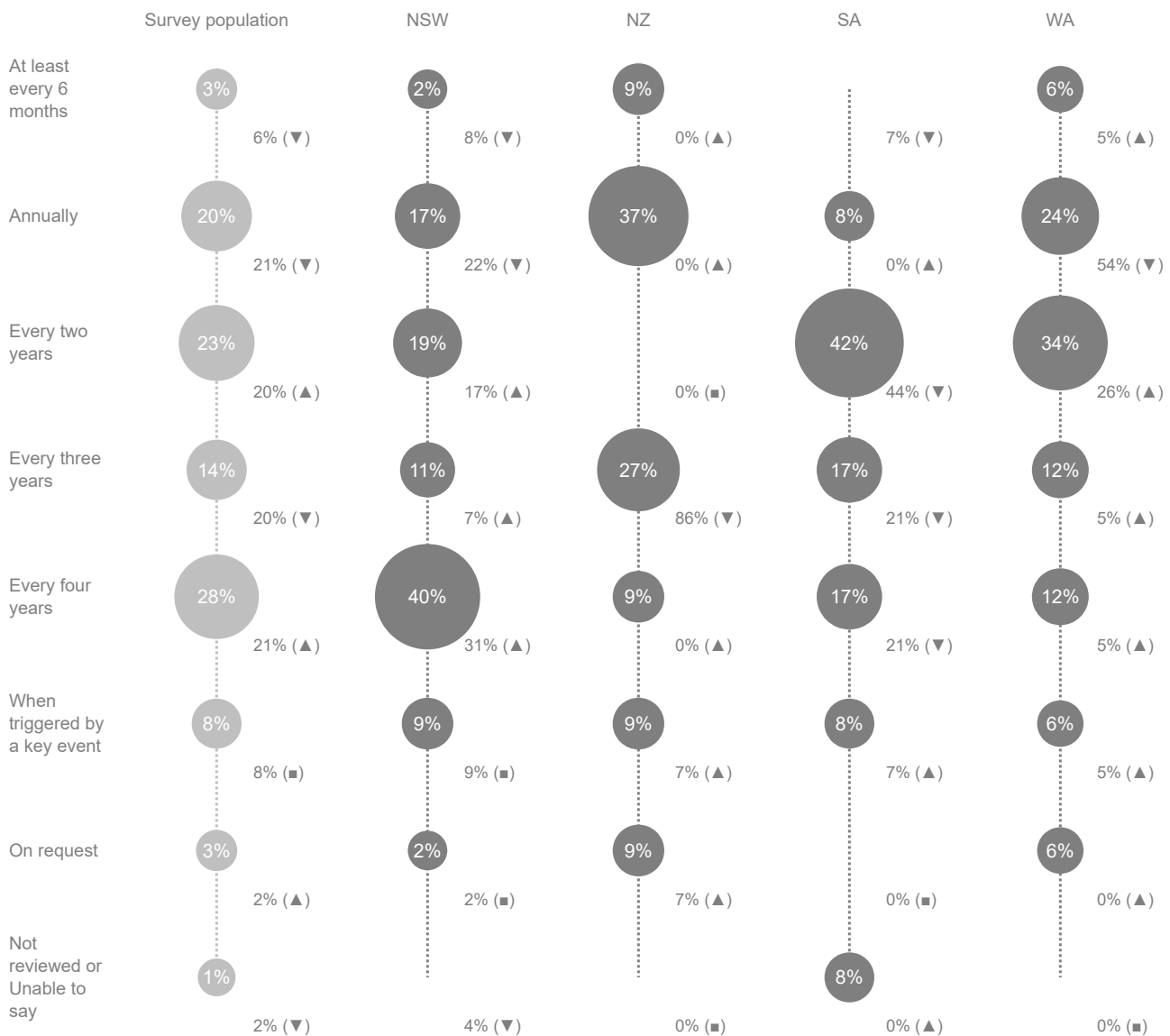
Our results show that the frequency with which councils review their community engagement strategy varies across jurisdictions, reflecting the various legislative requirements. The most common approach is to review the

strategy every four years (28% of councils), followed by 23% performing a review every two years.

NZ councils review their strategies more frequently than in other jurisdictions, with 46% reviewing at least annually. This is followed by 42% of SA and 34% of WA councils reviewing their community engagement strategy every two years, with NSW councils being most likely to review every four years (40%, up from 31% in FY18).

For the councils that review the community engagement strategy more regularly (9% of NZ and 6% of WA councils review at least every 6 months), it may make sense to question whether the community is evolving at such a fast pace to warrant this frequency of review, and if this provides sufficient time to implement new ideas before reviewing them again.

Figure 5.4: How frequently do you review your community engagement strategy?



● Survey population
○ City of Vincent

n = 87

Consulting with the community

Community satisfaction survey

Consistent with the prior year, a higher proportion of NZ and WA councils reported conducting a community satisfaction survey in the past two years, with 87% and 71% respectively, compared to NSW (64%) and SA (61%).

Despite the proportion of SA councils collecting community feedback being lower than other jurisdictions, we observe this as an area of focus by SA councils, given that two years ago just 29% were conducting these types of surveys, compared to 61% in FY19. With regard to reported satisfaction levels, 30% of councils reported improved community satisfaction, with another 31% reporting static results. It is important for each council to analyse and understand their overall result as well as delve deeper into any trends or patterns emerging as a

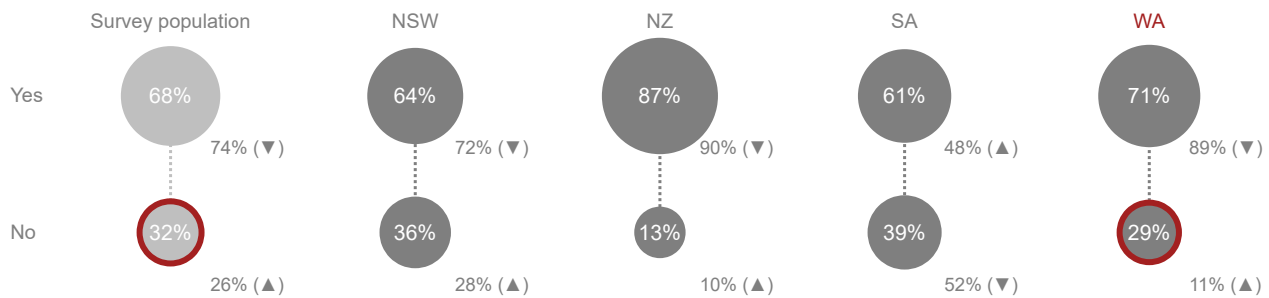
result of conducting similar community engagement surveys each year. The level of community satisfaction may differ year on year and can be influenced by the type of council projects and developments taking place at any point in time.

Where councils observe a diminishing result, it is vital to examine the changes in the demographics of the survey respondents as well as their changing needs and priorities.

Key considerations

- Does your council stress the importance of community feedback?
- Is there a review process to understand why there may be a decline and how it can be addressed?
- Does the level of satisfaction relate to service delivery or charges, or is it a matter of changes in community demographics, needs and priorities?
- Does your council visibly respond to and act on feedback? Do you demonstrate you are listening to the community and monitor and measure actions taken?

Figure 5.5: Did your council conduct a community satisfaction survey in the past two years?



n = 114

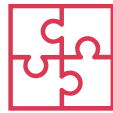
Figure 5.6: Did the overall community satisfaction levels improve since the last survey?



n = 114

● Survey population
○ City of Vincent

Asset Management



88%

of councils have an asset management system for their **roads and bridges**



43%

of councils use an asset management maturity rating model



72%

of councils have a strategic asset management plan that financially links to the long term financial plan

Asset Management Trend Summary

City of Vincent

| | FY16 | FY17 | FY18 | FY19 |
|---|------|------|------|---|
| <ul style="list-style-type: none"> ● City of Vincent ● WA survey population | | | | |
| 1. Dedicated asset management systems in road networks, bridges, footpaths and cycleways | | | | <p>Yes</p> <p>90% (Yes)</p> |
| 2. Does your council have an asset management maturity rating model that it applies to its assets? | | | | <p>In development</p> <p>43% (In development)</p> |
| 3. Frequency in reporting management of assets to council | | | | <p>As required</p> <p>38% (As required)</p> |
| 4. Strategic asset management plan linked to long term financial plan | | | | <p>In development</p> <p>33% (In development)</p> |

Asset management systems

Data storage

It is crucial that councils exercise good stewardship over the assets of the council. This includes effective management of asset maintenance, replacement planning, and future asset investment. Optimal asset management is supported by an asset management process that is integrated throughout the business, with detailed asset information gathered and collated from robust systems, and then presented in a way that enables effective and timely decision making.

As the management of council assets can be subject to stringent regulatory requirements, councils logically maintain a robust focus on the highest value asset categories, with the lower value asset categories receiving less scrutiny. As a result, data pertaining to these categories may not be fully captured, leaving councils without a fully-informed view of their total asset portfolio, negating their ability to manage in a holistic way, potentially affecting their ongoing financial performance and position.

As expected, due to the specific legislative requirements, all NZ councils reported having an asset management system (AMS) for all of the top three asset categories, as shown in the table. At the other end of the scale, just 40% of NZ councils reported having an AMS for Buildings and Other infrastructure.

When it comes to Road networks, we observe around 90% of SA and WA councils with advanced infrastructure management, compared to 82% of NSW councils. While this is an improvement for NSW councils, up from 77% in FY18, we continue to see 16% of NSW councils operating Road networks with an AMS in development, and 2% without an AMS.

SA councils (91%) continue to report strong asset management of Drainage networks, compared to just 62% of WA and 80% of NSW councils operating a Drainage network AMS. WA councils are exposed in this area, with almost a quarter of councils managing Drainage networks with a partially completed AMS, and a further 14% without an AMS.

There are two trends we observe this year, the first one is the fact that a growing proportion of rural councils have access to important asset management data in the two of the three top asset categories.

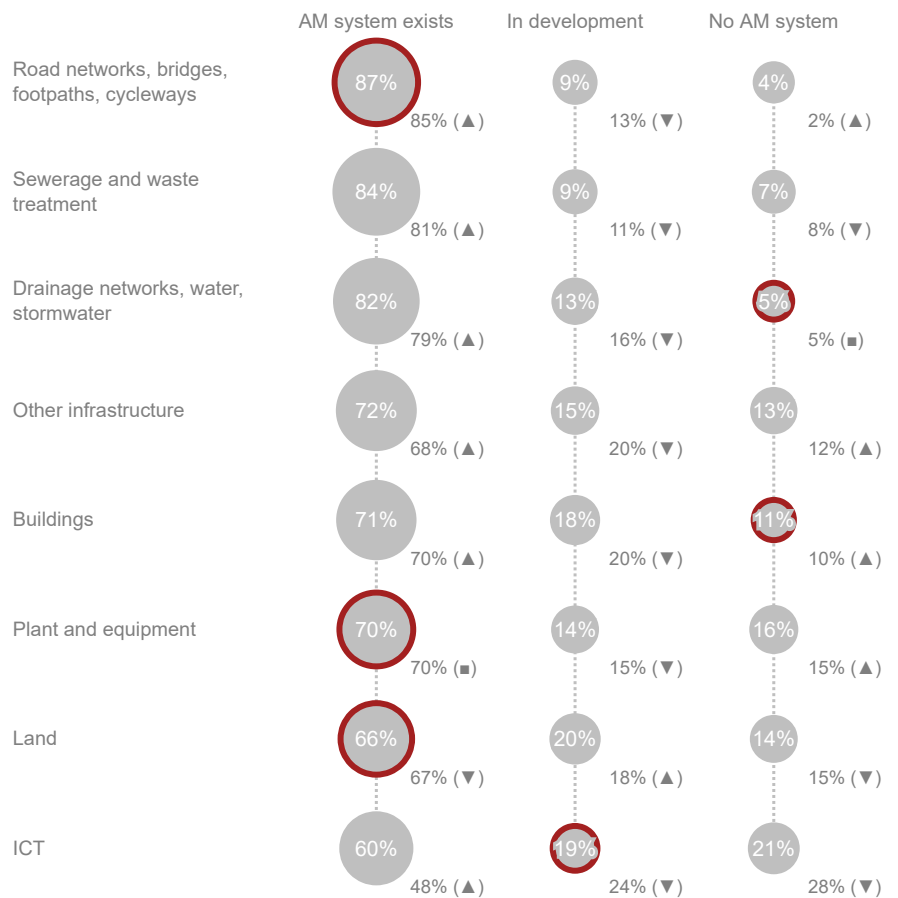
There are now 84% of rural councils operating an AMS across Road networks (up from 79% in FY18) and 81% across Drainage networks (up from 74% in FY18). An AMS for Sewerage exists across 80% of rural councils that have a responsibility for running this network.

Secondly, we see an upward trend for a greater proportion of councils having access to data in regards to ICT software licences and hardware, with 60% of councils now operating an AMS, up from 48% in FY18.

| Top 3 asset categories with councils operating a dedicated asset management system ⁴⁹ | | | | | |
|--|-------------------|-----|------|-----|-----|
| Asset category | Survey population | NSW | NZ | SA | WA |
| Road networks | 87% | 82% | 100% | 91% | 90% |
| Sewerage & waste treatment | 84% | 82% | 100% | 81% | – |
| Drainage networks | 82% | 80% | 100% | 91% | 62% |

- WA councils do not run sewerage and waste treatment

Figure 6.1: Percentage of councils with data stored in a dedicated asset management system by asset class



● Survey population
○ City of Vincent

n = 115
Percentage of survey population

49 The reported results, for each asset category, relate only to councils that have responsibility for an asset category

Asset ratings

Condition ratings

Assigning condition ratings to vital assets allows councils to more actively manage their asset portfolio and better plan for asset maintenance, renewal and future investment. Moreover, the process of assigning ratings itself can prompt councils to undertake maintenance before assets deteriorate to a level where they require more substantial remediation.

Fault-driven maintenance is often more costly, and less flexibly scheduled, which means that the service that the asset supports is disrupted. Having an AMS and assigning condition ratings provides the opportunity for assessment-driven maintenance, not just fault-driven maintenance.

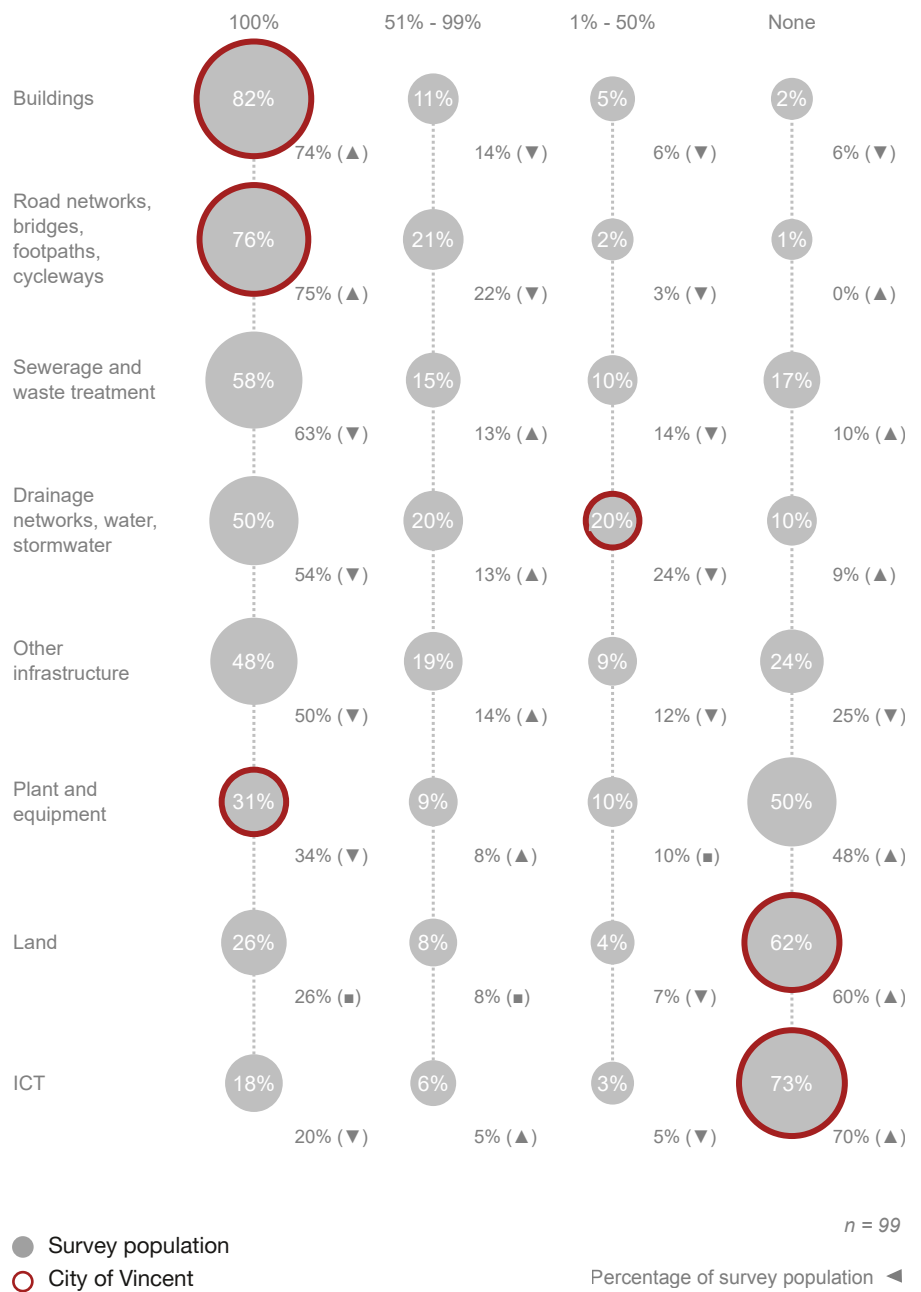
We observe a slight upward shift in FY19, with 96% of councils reporting the use of condition ratings for some or all assets, up from 94% in FY18.

Largely consistent with the prior year, approximately three-quarters of all councils assign condition ratings to Road network assets, while just over half of all councils did the same for Drainage networks.

The most important change at the asset level is the higher proportion of councils formally rating Building assets, with 82% of councils doing so, up from 74% in FY18. This was driven largely by SA and WA councils, with 100% of SA councils assigning ratings to all Buildings (up from 79% in FY18) and 85% of WA councils doing so (up from 73% in FY18).

This demonstrates a move towards a higher proportion of councils placing an emphasis on applying condition ratings to all of their Building assets (82%), which now exceeds those councils doing the same for their Road network assets (76%). Looking at figure 6.1, this appears to conflict with the fact that just 71% of councils operate an AMS for their Building assets so we encourage councils to review their current state asset portfolio reflecting on the risk management strategy and alignment of the management of all asset classes.

Figure 6.2: Percentage of assets with formal condition ratings in place



Asset ratings

Maturity rating model

An asset management maturity rating model is an empirically-driven tool that assists with optimising decisions regarding what is required to effectively manage assets. The model allows an asset to be rated based on its performance and service potential, rather than applying an assumed condition or useful life based on the asset's age. The latter approach is simpler to implement but is of more limited value in assisting councils to discharge their responsibilities efficiently and effectively.

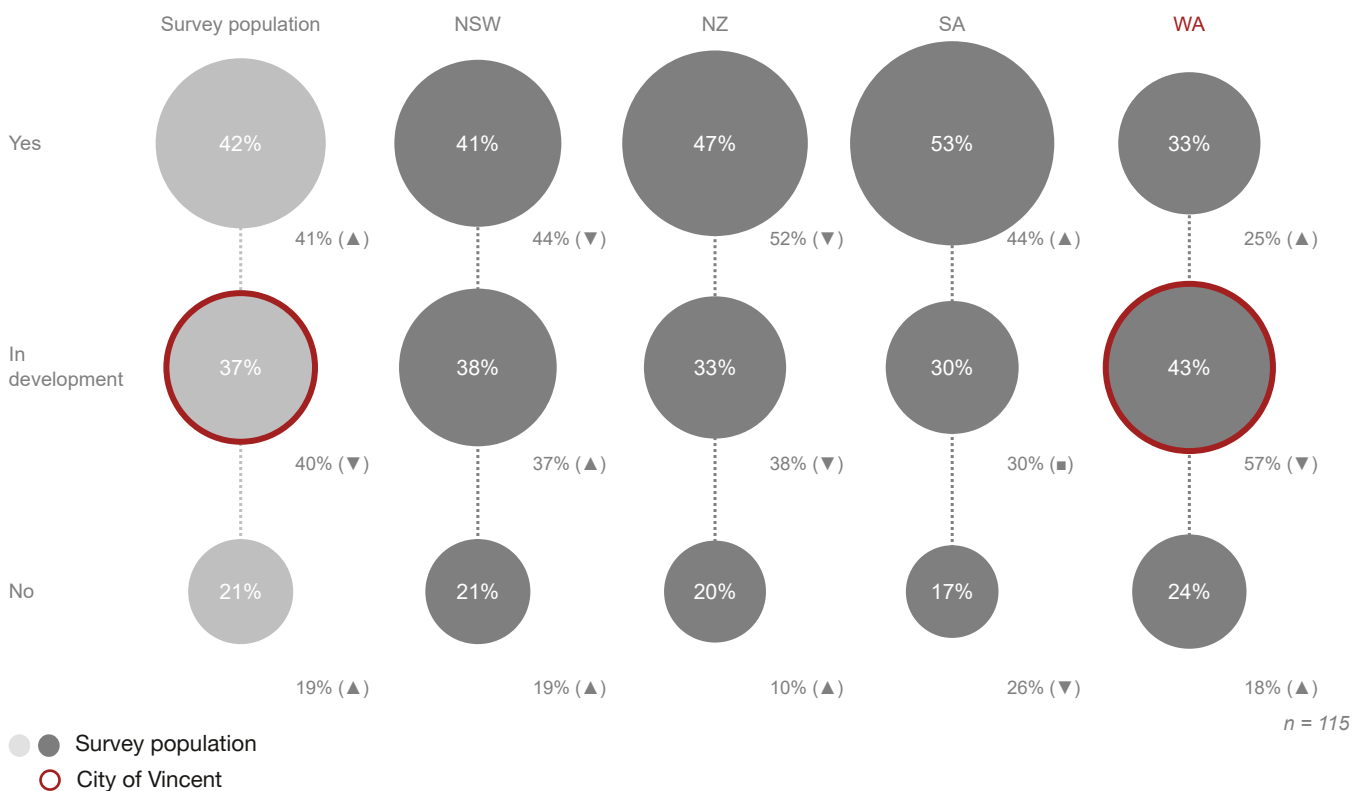
Our results remain relatively stable, with around two in five councils reporting the use of an asset maturity rating model.

We observe a greater proportion of SA councils this year rating their assets using a maturity scale. In fact, SA councils (53%, up from 44% in FY18) are now more likely than other jurisdictions to use a model as part of the overall asset management lifecycle.

Across type of councils, rural councils continue to place a much lower emphasis on using maturity rating models to manage their assets. We observe around two in five rural councils (39%) operating without a maturity rating model, which is double that of regional councils (19%) and almost five times that of metro councils (8%).



Figure 6.3: Does your council have an asset management (AM) maturity rating model that it applies to its assets?



Strategic asset management

Reporting to council

Our findings show that most councils either report in a reactive manner or once a year on the management of assets, in accordance with the strategic asset management plan, with 37% of councils reporting 'as required' and 39% once a year to council.

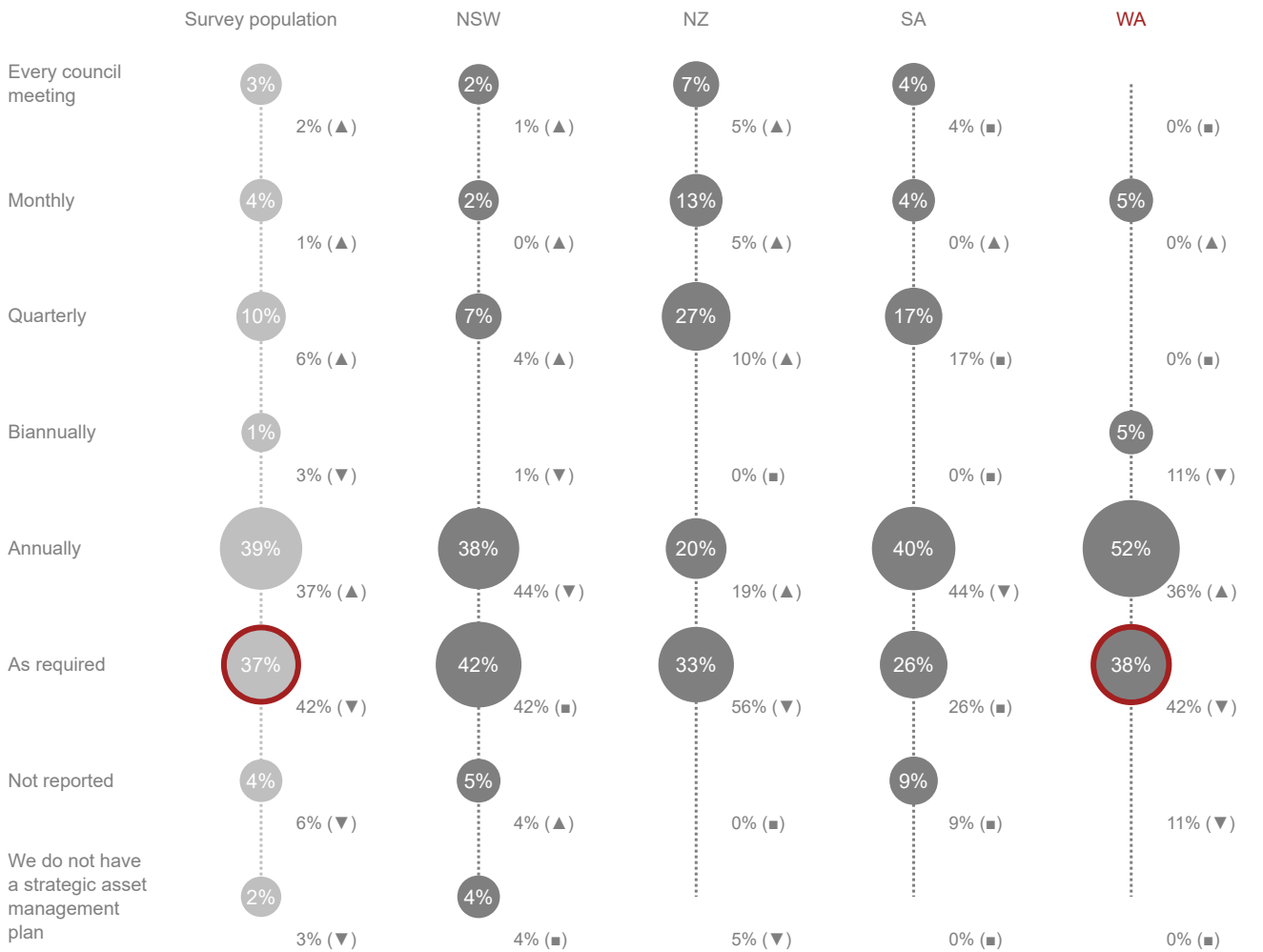
We see NZ councils moving towards a proactive reporting approach, with a lower proportion of NZ councils reporting 'as required' (33%, down from 56% in FY18). We now see almost half of NZ councils (47%) reporting at least quarterly.

WA councils are now applying more rigour in their approach to reporting on the state of their assets to council, with all councils reporting at different frequency levels, compared to 11% that did not report at all in FY18. The most popular frequency across WA councils is to report annually (52%, up from 36% in the prior year).

Key considerations

- A strategic asset management plan should be clear, easily accessible and meet all mandatory requirements. It should present the priority areas for investment over a defined period of time and explain the spending trajectory for asset renewal and expansion to the relevant stakeholders.
- Linking the management of council assets to a strategic plan creates rigour and accountability within the senior executive team. To maximise the effectiveness of this approach it should be complemented with detailed, timely and relevant reporting on progress to council.
- Providing councillors with detailed, timely and relevant reporting enables effective decision making on asset renewal and future investment requirements. As such, councils are encouraged to report on asset management at least annually, or more frequently if necessary.

Figure 6.4: How frequently is the management of your assets formally reported to council in accordance with your strategic AM plan?



● Survey population
○ City of Vincent

n = 115

Strategic asset management

Link to financial plan

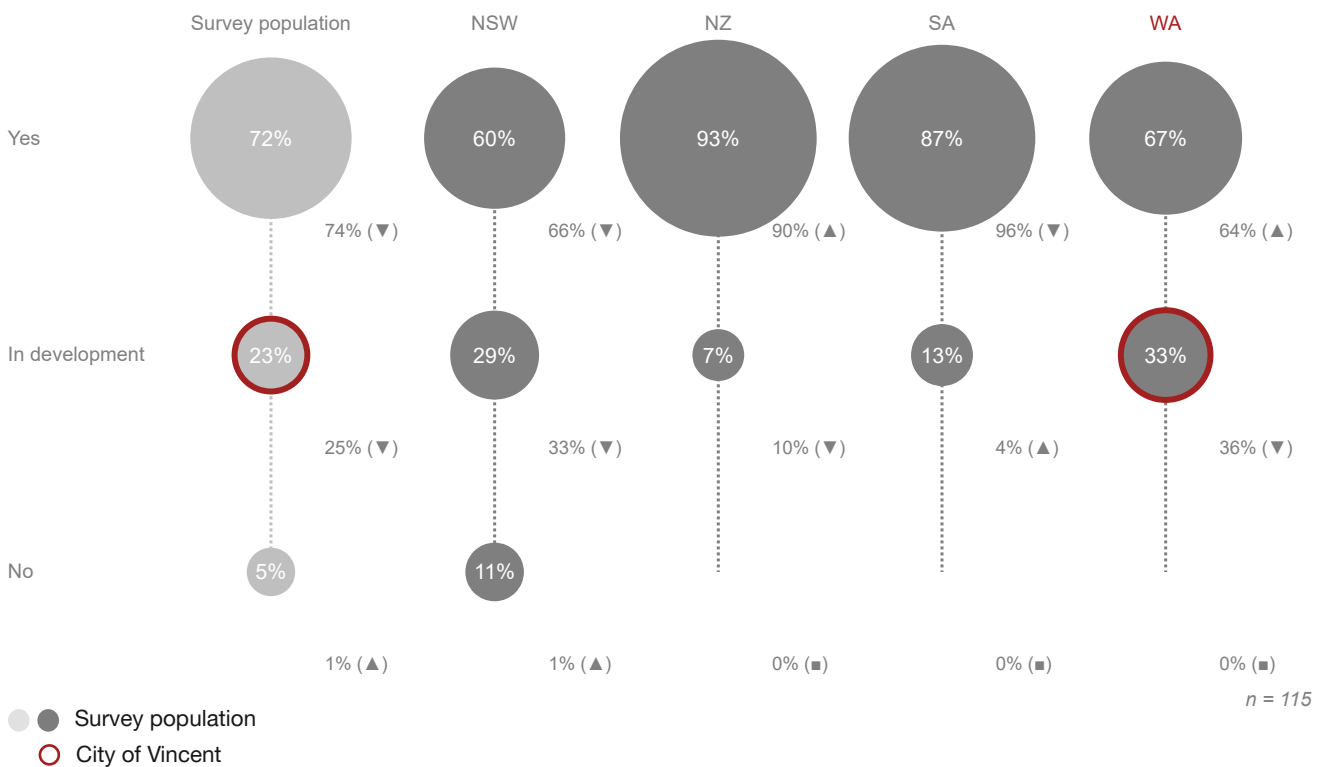
Linking a council's strategic asset management plan to its long-term financial plan ensures assets can be renewed, retired and replaced at the optimal time in light of financial constraints. Moreover, such an approach allows councils to make forward-looking decisions about what they must prioritise, thereby avoiding adverse impacts on their ability to deliver services to current and future residents.

We observe 93% of NZ councils focused on linking their long term financial plan to the strategic asset management plan, reflecting compliance with NZ legislation whereby councils must triennially develop overarching 30-year infrastructure and financial strategies.

Within Australia, NSW and WA councils continue to have the most opportunity to fully adopt a more rigorous approach of financially linking the strategic asset management plan to the long term financial plan, only seen in three in five NSW councils (60%), with a slight uplift in now two thirds of WA councils (67%, up from 64% in FY18) doing so.



Figure 6.5: Do you have a strategic asset management plan that financially links to the long term financial plan?



Financial asset planning

Self-sustaining asset renewal

In a council context, the term 'self-sustaining' relates to the extent that a council can fund its own activities without requiring outside grants. Given the importance of self-sustainability to a council's long-term ability to deliver services, our program asks questions geared toward assessing the extent to which a council's long-term financial plan aims to generate sufficient operational revenue to maintain its asset base.

When asked if the long-term financial plan delivers self-sustaining council asset renewal (including roads), 62% of councils responded in the affirmative, up from 59% in FY18.

We now observe more than 80% of metro councils reporting as self-sustaining (including roads), up from 71% in FY18. As a result, the gap has expanded between metro (84%) and rural councils (52%) and their ability to deliver self-sustaining asset renewal, suggesting that the maintenance required for large-scale regional infrastructure such as, but not limited to, roads and bridges is impacting the extent to which rural councils can be self-sustainable.

Geographically, we observe a shift in the confidence of WA councils to deliver self-sustaining asset renewal, with 76% in a position to do so, followed by SA councils (74%) and to a lesser degree 60% of NZ

councils. Of concern, is the rise in the proportion of NSW councils, almost one third (32%), reporting their inability to deliver self-sustaining asset renewal.

We acknowledge the burden this places on councils in this position and where possible, councils should engage in long-term asset planning taking into consideration the impact depleted assets will have on inter-generational equity.

Making this long term consideration can be an early step to considering whether there is a case for a special rate increase, or for other more fundamental changes in how assets are managed and funded in consideration of the service level standards councils wish to achieve.

Figure 6.6: Does your approved long-term financial plan deliver self-sustaining asset renewal? (type of council)

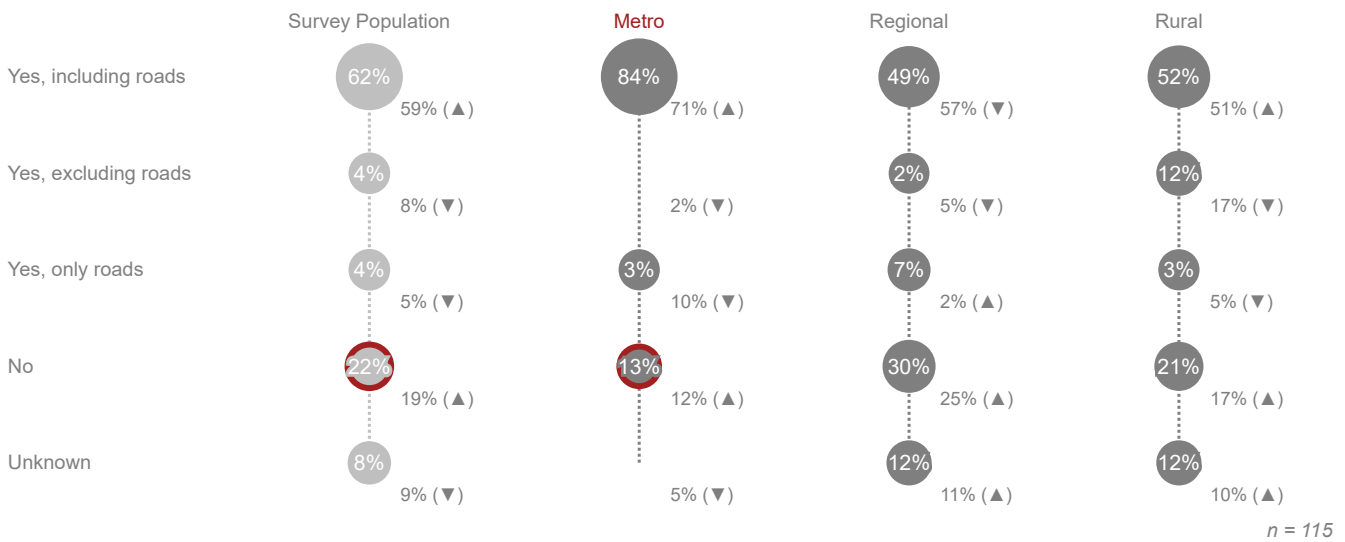
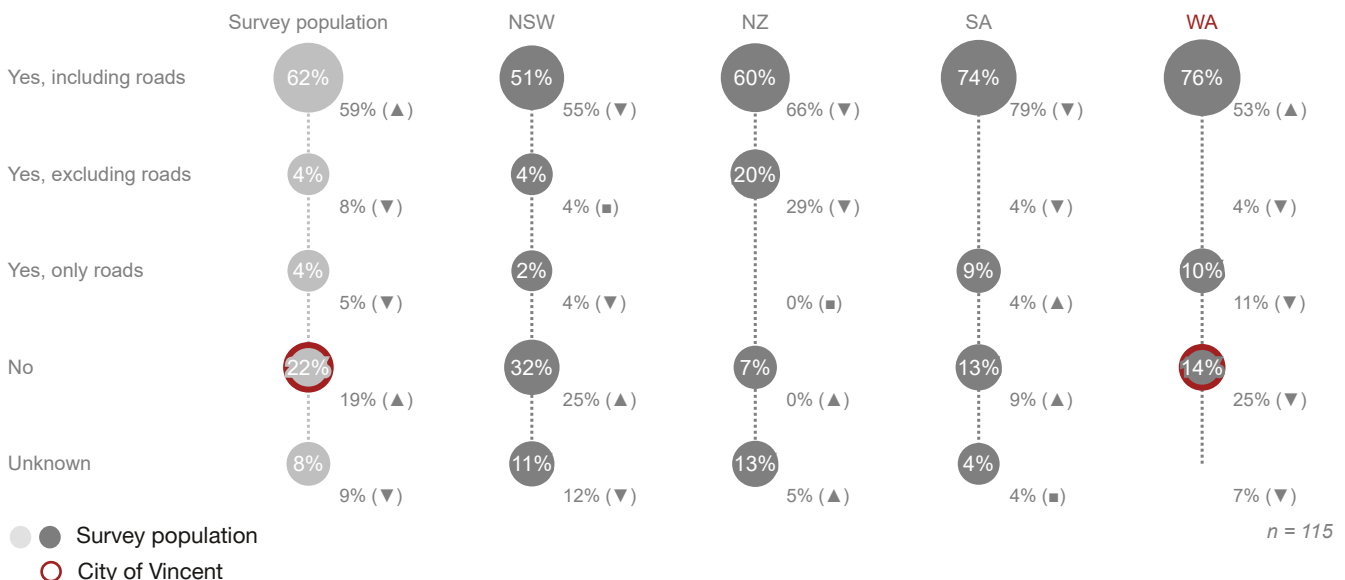


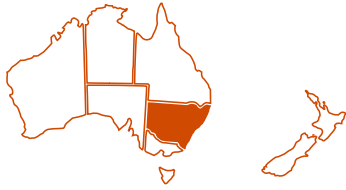
Figure 6.7: Does your approved long-term financial plan deliver self-sustaining asset renewal? (council jurisdiction)



Participating Councils

List of participating councils by jurisdiction

The table below shows the list of participating councils in the FY19 LG Performance Excellence Survey Program:



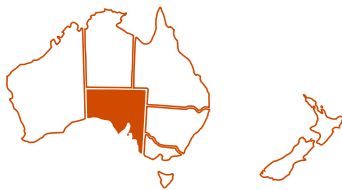
New South Wales

1. Albury City Council
2. Ballina Shire Council
3. Bega Valley Shire Council
4. Bellingen Shire Council
5. Bland Shire Council
6. Blayney Shire Council
7. Broken Hill City Council
8. Burwood Council
9. Byron Shire Council
10. Cabonne Shire Council
11. Campbelltown City Council
12. Cessnock City Council
13. City of Newcastle
14. Clarence Valley Council
15. Coffs Harbour City Council
16. Eurobodalla Shire Council
17. Forbes Shire Council
18. Georges River Council
19. Greater Hume Shire Council
20. Griffith City Council
21. Gwydir Shire Council
22. Hilltops Council
23. Hornsby Shire Council
24. Kempsey Shire Council
25. Kiama Municipal Council
26. Lachlan Shire Council
27. Lake Macquarie City Council
28. Lane Cove Council
29. Leeton Shire Council
30. Lithgow City Council
31. Liverpool City Council
32. Maitland City Council
33. MidCoast Council
34. Muswellbrook Shire Council
35. Narrabri Shire Council
36. Narrandera Shire Council
37. Narromine Shire Council
38. Northern Beaches Council
39. Oberon Council
40. Parkes Shire Council
41. Port Macquarie-Hastings Council
42. Port Stephens Council
43. Queanbeyan-Palerang Regional Council
44. Richmond Valley Council
45. Shellharbour City Council
46. Shoalhaven City Council
47. Singleton Council
48. Snowy Monaro Regional Council
49. Snowy Valleys Council
50. Tamworth Regional Council
51. Temora Shire Council
52. Tweed Shire Council
53. Willoughby City Council
54. Wingecarribee Shire Council
55. Wollongong City Council



New Zealand

1. Auckland Council
2. Clutha District Council
3. Environment Canterbury Regional Council
4. Kapiti Coast District
5. Napier City Council
6. Northland Regional Council
7. Palmerston North City Council
8. Porirua City Council
9. Rangitikei District Council
10. Southland District Council
11. Taranaki Regional Council
12. Wairoa District Council
13. Wellington City Council
14. Western Bay of Plenty District Council
15. Whangarei District Council



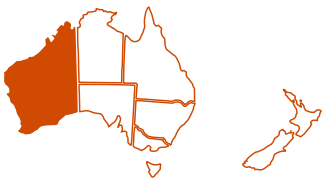
South Australia

1. Alexandrina Council
2. City of Adelaide
3. City of Charles Sturt
4. City of Holdfast Bay
5. City of Onkaparinga
6. City of Playford
7. City of Port Adelaide Enfield
8. City of Prospect
9. City of Salisbury
10. City of Tea Tree Gully
11. City of Victor Harbor
12. Clare and Gilbert Valleys Council
13. Copper Coast Council
14. District Council of Mount Remarkable
15. District Council of Streaky Bay
16. District Council of Yankalilla
17. Mount Barker District Council
18. Naracoorte Lucindale Council
19. Port Pirie Regional Council
20. Rural City of Murray Bridge Council
21. Town of Gawler
22. Wakefield Regional Council
23. Yorke Peninsula Council



Queensland[^]

1. Whitsunday Regional Council



Western Australia

1. City of Armadale
2. City of Bayswater
3. City of Canning
4. City of Cockburn
5. City of Gosnells
6. City of Joondalup
7. City of Kalamunda
8. City of Kalgoorlie-Boulder
9. City of Nedlands
10. City of Rockingham
11. City of South Perth
12. City of Subiaco
13. City of Swan
14. City of Vincent
15. City of Wanneroo
16. Shire of Capel
17. Shire of Harvey
18. Shire of Merredin
19. Shire of Mundaring
20. Shire of Serpentine Jarrahdale
21. Town of Victoria Park

[^] included in overall NSW calculations



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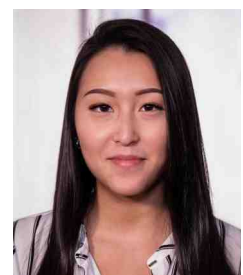
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The image features a dark gray background with two horizontal bars, one on the left and one on the right, positioned around the middle of the page. Each bar is composed of a light gray segment followed by a thin white vertical line. Centered between these bars is the word "Definitions" in a white, serif font.

Definitions

Definitions

Headcount

Headcount includes permanent and fixed term contract employees based on your submitted HR extract. Casual employees are excluded. We calculate headcount at two points in the financial year, 1 July for opening headcount and 30 June for closing headcount.

When we refer to your 'workforce', 'employees' or 'staff' it relates to headcount thereby including only permanent and fixed term contract employees. If we use full-time equivalents, we will always refer to this group as FTE employees or refer to it in the metric name, for example, Actual training spend per FTE.

Full time equivalents (FTE)

FTE includes permanent, fixed term contract employees and casuals based on your submitted HR extract. We calculate FTE at two points in the financial year, 1 July for opening FTE and 30 June for closing FTE.

Calculating headcount or FTE at 1 July 2018

Headcount or FTE employees with the following criteria are included:

- Start date on or before 1 July 2018
- An FTE status greater than zero at 1 July 2018 (FTEs of zero or blank are NOT included)

Headcount or FTE employees with the following are excluded:

- A termination date before 1 July 2018

Calculating headcount or FTE at 30 June 2019

Headcount or FTE employees with the following criteria are included:

- Start date on or before 30 June 2019
- An FTE status greater than zero at 30 June 2019 (FTEs of zero or blank are NOT included)

Headcount or FTE employees with the following are excluded:

- A termination date before 30 June 2019

Calculating Service area FTE

The calculation for FTE by service area is made up of two components:

1. The sum of all closing FTE at 30 June for permanent and fixed term contract staff where no casual hours were worked during the year
2. If casual hours were worked during the year, we ignore the closing FTE value for those staff and instead sum those casual hours worked in a particular service area throughout the financial year and convert into an FTE value by using a 38 hour week. This reflects the seasonal nature of some service areas eg. pools, beach control.

Definitions

Staff levels

General Manager or CEO – This is the one person responsible for managing the council. In NSW, they are referred to as the General Manager, in WA the CEO, and in New Zealand this position is the Chief Executive (Tier 1). For the purposes of this survey, this position is called GM/CEO throughout the report.

Director – Senior executives responsible for individual directorates/areas. In New Zealand, this is a Tier 2 position and reports directly to the Chief Executive. This level could also be a high level specialist role with few direct reports or they could manage a unit - this may vary from council to council.

Manager – Typically a manager of a unit which reports to a Director. In New Zealand, this could be a Tier 3 or 4 position. Responsibilities include strategic planning, budget, team building and development, dealing with complex staff situations and other issues. This person is considered the technical expert in the field of work.

Team Leader – Responsible for a large team of operational staff and would be involved in some difficult conversations with staff. Accountable for budget and operational targets and would rely on existing procedures or precedents to resolve problems. Able to deal with a level of complexity regarding customer interactions and contact.

Supervisor – Generally reports to a team leader. Responsible for supervising a small team of staff, overseeing the day to day operational tasks and ensuring these are met. Responsible for planning activities and resources up to a week in advance. When making decisions, Team Leader consultation would be required. Limited responsibility for budget.

Other Staff – This category relates to all other staff that are not a GM, CEO, Director, Manager, Team Leader or Supervisor.

Service Areas

For further information on service area definitions, please refer to section Appendix A in the FY18 Participant Guide available on Datapoint.

Development applications

Planning or Development Approval (PAR and PANR for residential and non-residential respectively):

- In NSW, this is known as a development application.
- In NZ, this is known as a resource consent as the development doesn't comply with rules in the District Plan (or if District Plan specifies consent is required). In SA, this is known as a development plan consent.
- In WA, this is known as a development approval.

Integrated or Building Permits (IAR and IANR for residential and non-residential respectively):

- In NSW, this is known as a complying development.
- In NZ, this is known as a building consent as the application complies with rules in District Plan.
- In SA, this is known as a building rules consent.
- In WA, this is known as a building permit.

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