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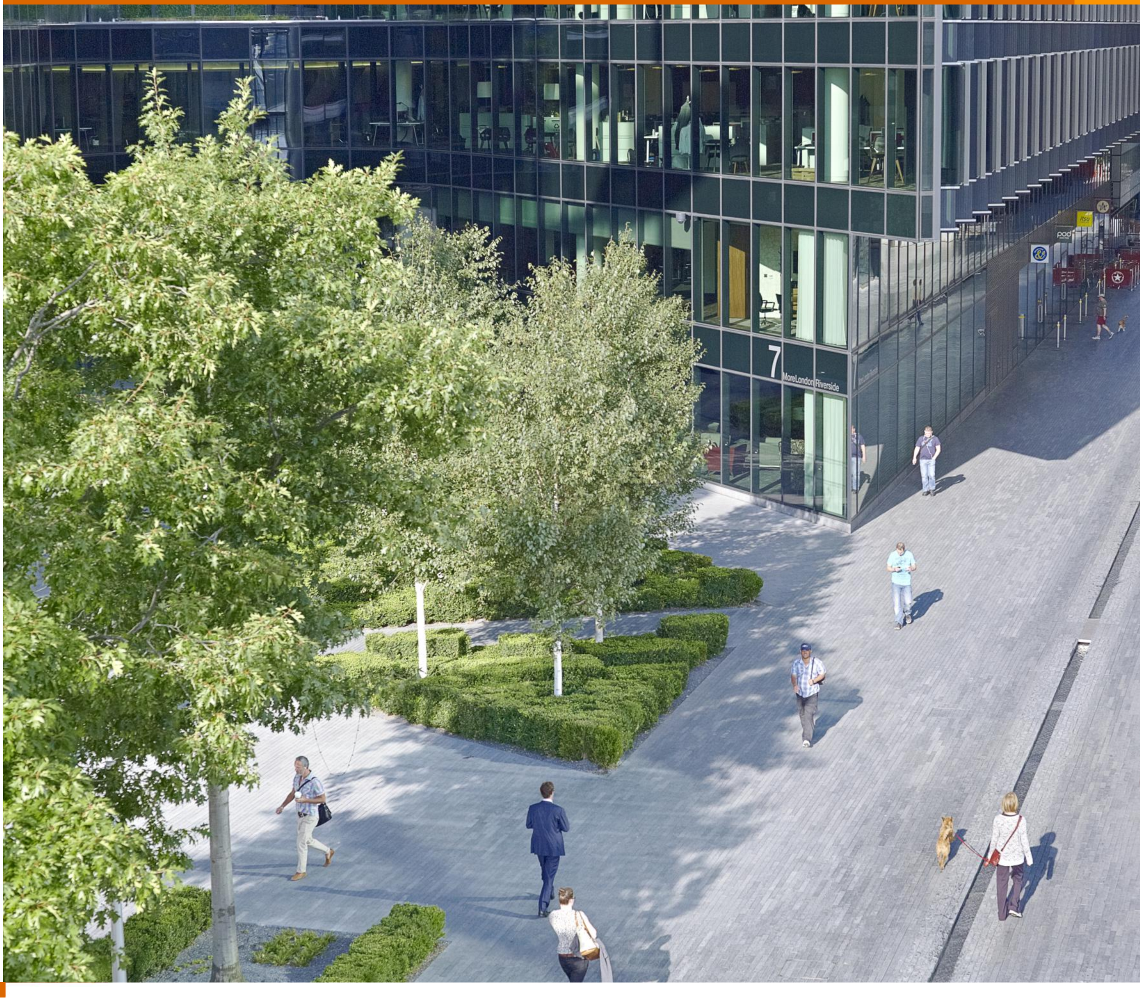
The Australasian LG Performance Excellence Program FY17

Byron Shire Council

PwC and Local Government Professionals Australia, NSW

15 December 2017



The Australasian Local Government Performance Excellence Program FY17

NSW FY17 local government highlights

8.9 FTE per 1,000 residents

Workforce costs

In surveyed NSW councils, there is a median of 8.9 FTE per 1,000 residents, declining by 4%, from 9.3 in FY16. Employee costs per 1,000 residents are a median of $765k and represent 37% of total operating expenses. There is minimal outsourcing spend on all service areas, comprising just 14% of total operating costs, compared to 29% in NZ councils.

Gender diversity

NSW councils have the lowest proportion of women in their employed workforce (40%), compared to the other jurisdictions, especially when compared to NZ councils with 58% female employees. The statistic in NSW councils reduces drastically when it comes to women progressing into senior management roles, with the median of 20% female CEOs and directors remaining static for 3 years now, compared to 33% in NZ councils.

Generational shift

NSW councils have the highest proportion of Baby Boomer staff, at 42%, compared to the other jurisdictions, although a shift in the generational headcount mix continues. Three years ago almost half of the NSW workforce were Baby Boomers and just 18% were Gen Y employees, but the Gen Y and younger cohort now represents almost a quarter of the workforce. However, Gen Y and younger churn, at 18%, remains remarkably higher than 10% churn for baby boomers and Gen X.

Leave management and overtime

It is time for NSW councils to implement an active leave management strategy: 40% of the NSW workforce has 4 or more weeks of accrued annual leave, and 28% have more than 12 weeks of long service leave accrued. When reviewed in conjunction with paid overtime hours per FTE, the wellbeing of the NSW workforce is brought into the spotlight; NSW councils have at least 2 times higher median annual overtime hours paid per FTE than any other jurisdiction, with 50 hours.

Talent strategy focus

We see NSW councils taking greater strides in managing the pipeline for future leaders, with 52% focused on targeting the pipeline of future leaders within their talent strategy, up from 45% in prior year. This is encouraging to observe given 54% of CEOs and 34% of directors will have the option to retire in 10 years.

Role of finance

61% of NSW councils are seeing the benefits that come from having a CFO who is part of the senior leadership team, however this remains low compared to 89% of NZ councils. The reduced interaction with senior management in some NSW councils is reflected in the lower effort directed at value–add business insight activities (22%), compared to 30% in NZ councils.

Corporate services

Of the four key corporate service areas in NSW councils, we see a decline in the number of customer service staff per 100 employees, now at 3.4 (down from 3.7 in FY16), and a slight upward shift to 3 IT staff per 100 employees (up from 2.9), with no change in Finance at 4.4 and HR at 2.4. The downward shift in customer service (CS) is also reflected in the median 2.4 CS FTE per 10,000 residents, compared to 2.7 in FY16.

NSW FY17 local government highlights

Online customer self-service

NSW councils are more likely to provide online application tracking (75% compared to 32% or less in other jurisdictions) and online library services (85% compared to 74% in both WA and NZ councils). However, we notice NSW councils (67%) lagging behind the other jurisdictions with the offering of online payments, compared to 94% of WA, 89% of NZ and 82% of SA councils.

Formal IT strategy

We see 61% of NSW councils realising the value of having a formal IT strategy in place (up from 55% in FY16), compared to just 36% of SA and just over half of NZ and WA councils. Focus on a digital strategy is critical and this is reflected in the effectiveness of IT systems, with 31% of NSW councils rating their systems as effective, compared to just 18% of SA and 22% of WA councils. Despite this, ongoing opportunity exists for the 62% of NSW councils rating their systems as adequate, and especially the 7% with widespread dissatisfaction and concern.

IT priorities over the next three years

A higher proportion of NSW councils are placing emphasis on technologies to enable better remote access for staff (62%) and improve staff collaboration within the office (52%). Since the prior year, we now see automating internal operational processes for enhanced service delivery being ranked in the top 3 IT priorities, with 47% of NSW councils focused on this area. This means online customer self-service (34%, down from 37% in prior year) is now in fourth place.

Service delivery

Looking at services that most NSW councils have in common, and are outside of the essential high cost delivery of waste and roads, we observe $72 per resident in parks and gardens, $47 in cultural and community services (CSC), $46 in town planning, and $41 in libraries.

Risk management

85% of NSW councils have an established risk committee, compared to 100% in all other jurisdictions. While we now observe 51% of NSW councils using key risk indicators to measure and monitor risk (up from 43% in FY16), this is low compared to 82% of SA and 74% of WA councils. In addition, with only 34% of NSW councils reporting risk to council at least quarterly, this is low, especially compared to 59% of NZ councils.

Internal audit

It is encouraging to see that 82% of NSW councils have some form of internal audit function, whether it's wholly outsourced (44%), internal (15%) or a combination of both (23%). The proportion of NSW councils operating an IA function is high, compared to NZ (63%) and WA (68%) and goes some way to mitigating the risk in NSW around the lack of established risk committees (85%, compared to 100% in other jurisdictions).

Asset management

Just 55% of NSW councils have a strategic asset management plan that links to the financial long term plan, compared to 76% of SA and 89% of NZ councils. We continue to see a lower proportion of NSW councils (74%) with an asset management system in the category of Road networks, compared to 100% of NZ, 91% of WA and 88% of SA councils.

Contents

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. The report is intended for the participating council recipient only.

This report, including all data and comparative insights contained in it, is confidential to PwC and the participating council. Except as set out below, the report should not be disclosed in whole or in part to another person unless agreed with PwC and the council.

As agreed in the survey agreement with the participating councils, each participating council is permitted to share the report with third parties as part of a council meeting, on a council website, or with other Participating Councils provided it is shared in its entirety and the following words are included with the report when the report is provided:

"The information, statements, statistics and commentary contained in this report are of a general nature and have been prepared from data provided by Participating Councils. The reliability, accuracy or completeness of this information has not been independently verified.

Accordingly, whilst the statements made in this report are given in good faith, no one should act on the basis of this report without obtaining specific advice and neither LG Professionals, NSW nor PwC accepts any responsibility for the consequences of any person's use of or reliance on the report (in whole or in part) or any reference to it."

Methodology

PwC and LG Professionals, NSW are pleased to release the fifth report as part of the Australasian LG Performance Excellence Program. This year we extend a warm welcome to our new councils - 17 in South Australia, 5 in New Zealand, 1 in Queensland and 13 in New South Wales including 7 newly amalgamated councils in New South Wales.

The purpose of the program is to assist councils 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:

Participants

- 60 NSW councils, 27 NZ councils , 17 SA councils, 31 WA councils and 1 QLD council participated in the FY17 program. For the purpose of maintaining anonymity, we have included the QLD council data as part of NSW.
- 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 2016–17 financial year was launched in July 2017, and data was collected and amended over a three to 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

- 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 adjusted financial data for NZ councils to reflect A$ using the average NZ exchange rate across FY17.
- Subject-matter experts from PwC and LG 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 2016–17 financial year, based on data collected from all 136 councils.
- Each participating council has received 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 sample 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.

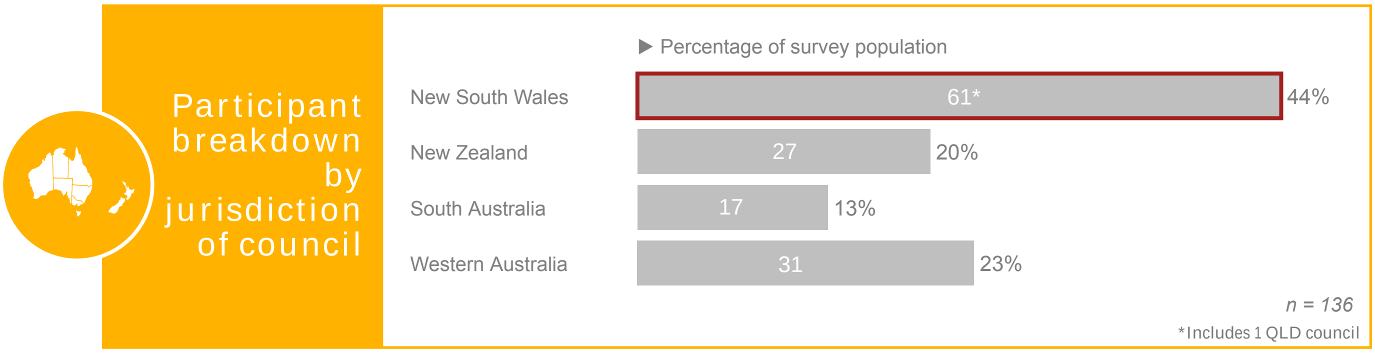
Councils that subscribe to the Regional Tool and give their consent for other councils in their nominated region/cluster to view their results, will also have access to this view within the CCAT.

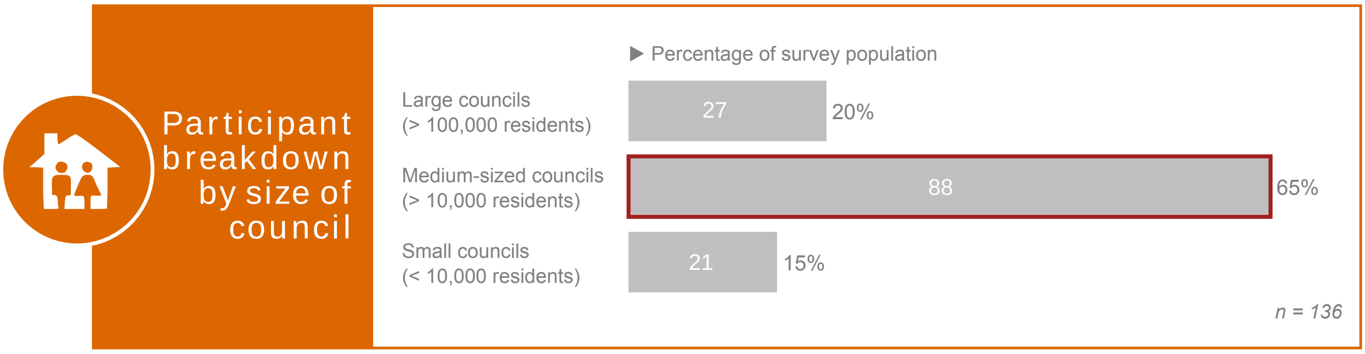
Survey population

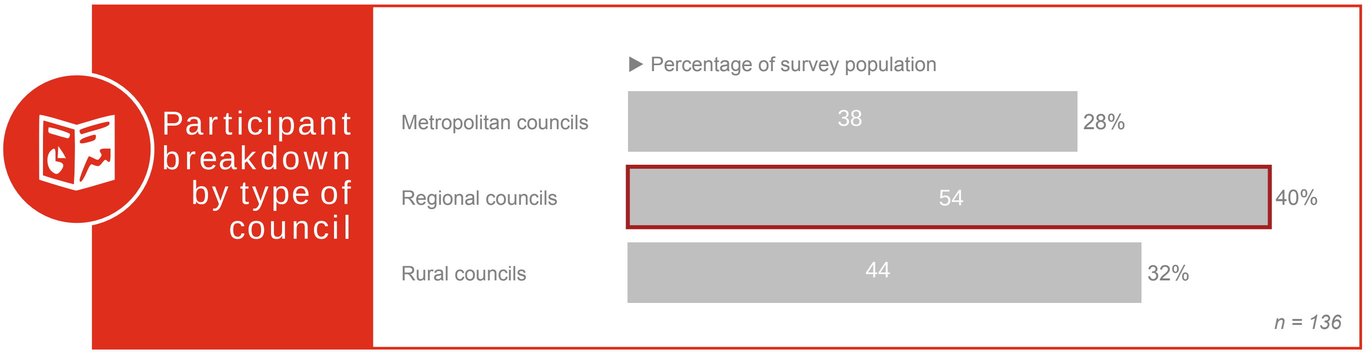
This insights report is based on data collected from 136 councils across NSW, WA, SA and New Zealand. Throughout this report, participating councils have been identified by their jurisdiction, size of the resident population (small, medium or large), and the type of council (metro, regional or rural).

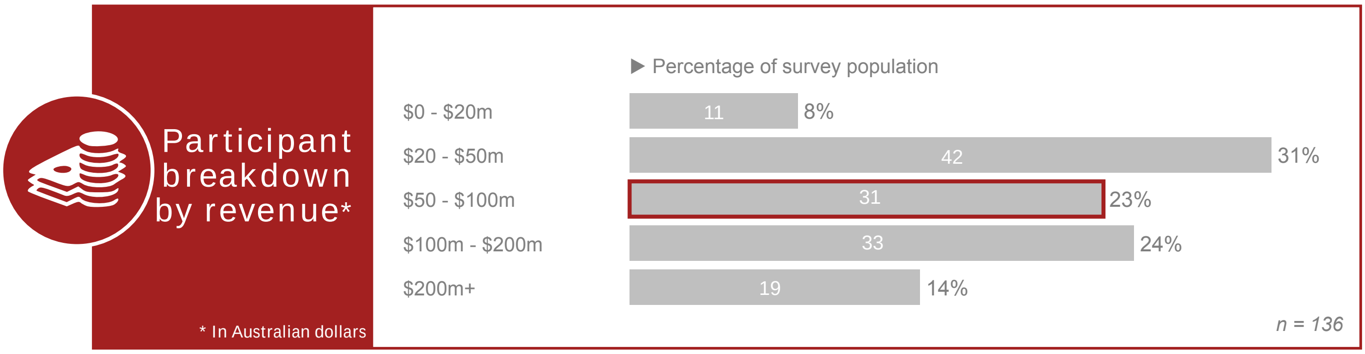
To group councils by size, we used the estimated 2016 resident population provided by the Australian Bureau of Statistics (for NSW/SA/WA/QLD councils) and the 2016 resident population provided by Statistics New Zealand (for NZ councils). Councils have been classified as Large if they have more than 100,000 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 LG Professionals, WA/SA and 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

PwC and LG Professionals, NSW's Performance Excellence Program FY17 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 legend). To help you understand changes from the previous report, the majority of charts within this report also show the results from the 2015–16 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.

Figure 1.16: Staff turnover rate (excluding fixed-term contract employees)

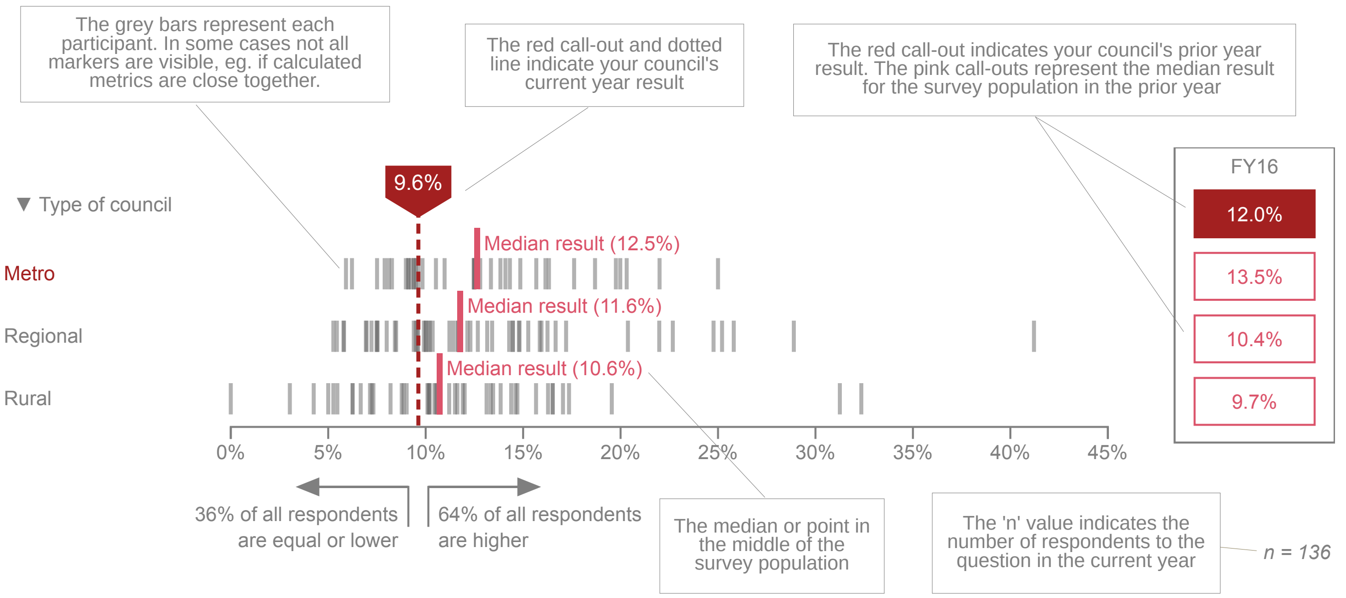
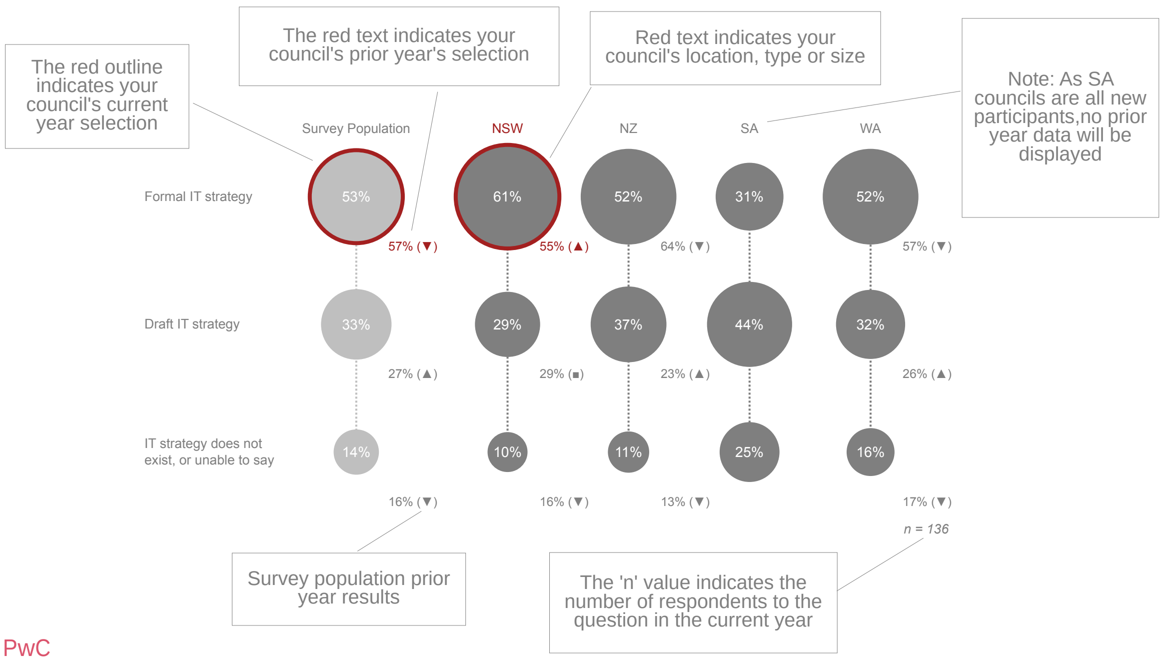
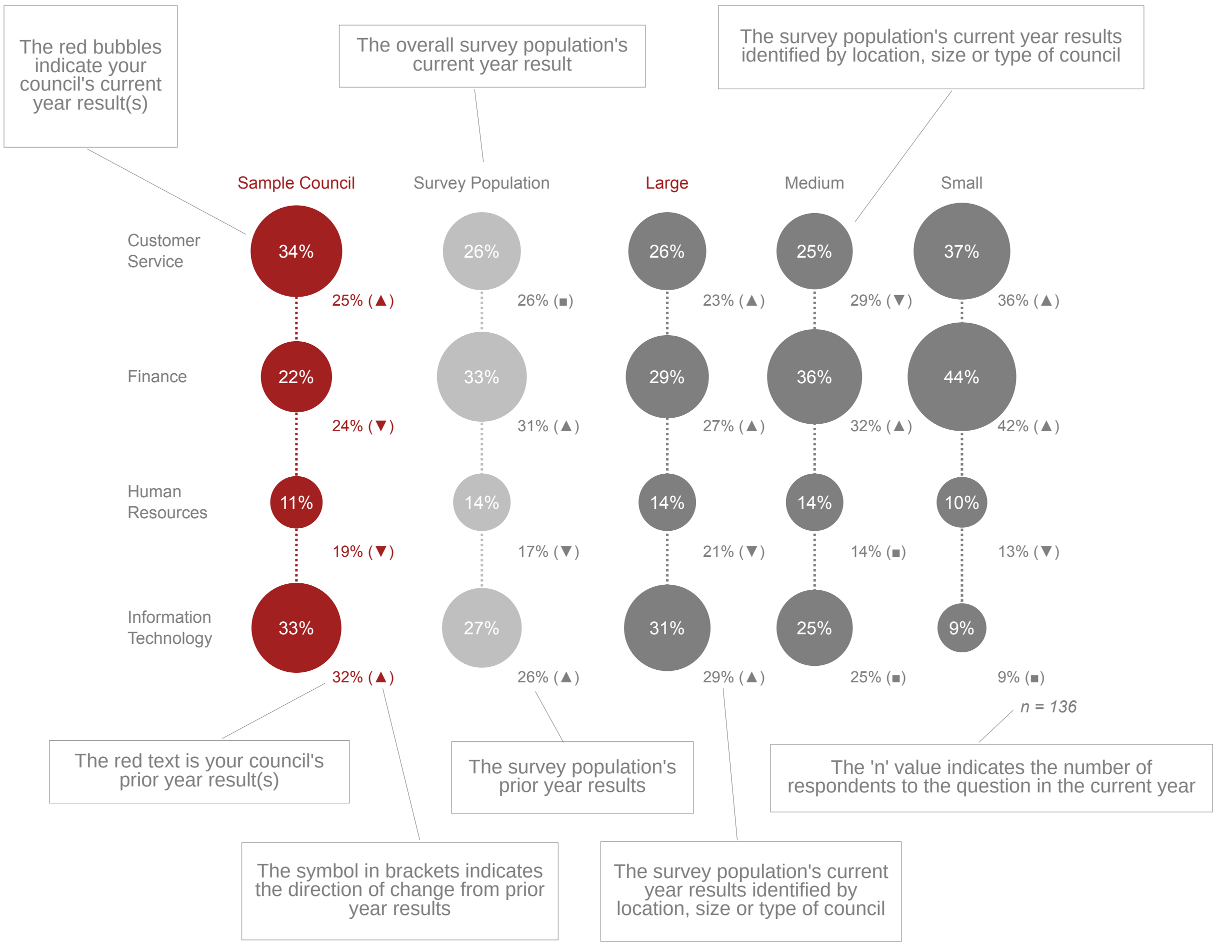


Figure 3.5: Leading councils have an IT strategy



Understanding this report

Figure 4.1: Breakdown of corporate service full time equivalents



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 LG performance excellence program should allow councils to:

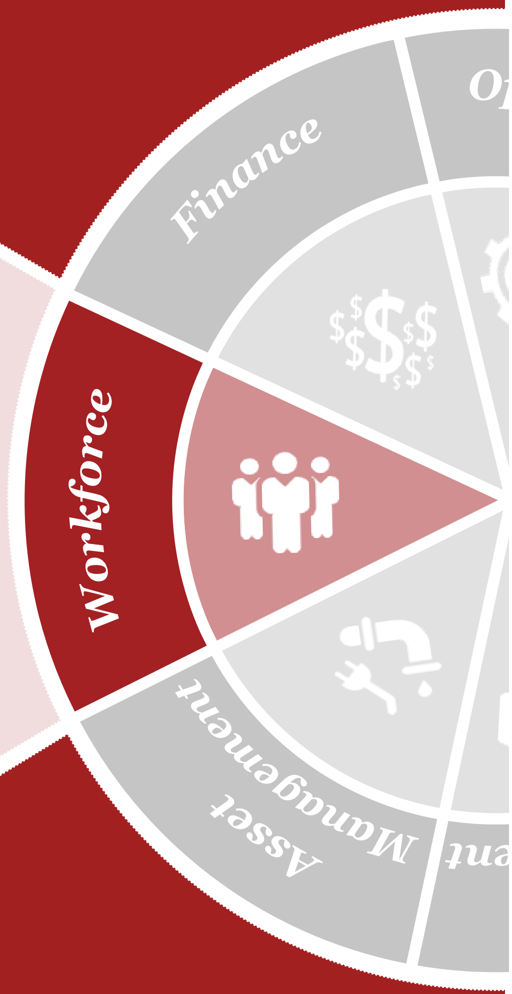
- evaluate their own practices to better understand current operational and management performance
- identify areas of focus when striving to optimise operational excellence
- understand how businesses – and in some cases international businesses – perform in terms of workforce, operations and finance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

Workforce

15%
staff turnover rate in the first year of employment

30%
median proportion of female managers and above

61%
of CEOs will have the option to retire in the next ten years



Byron Shire Council's workforce profile at a glance

FY17

Regional council

Medium council

Your FTE and employee costs

6.1% Growth in FTE

8.3 FTE per 1,000 residents

3.3% Growth in employee costs

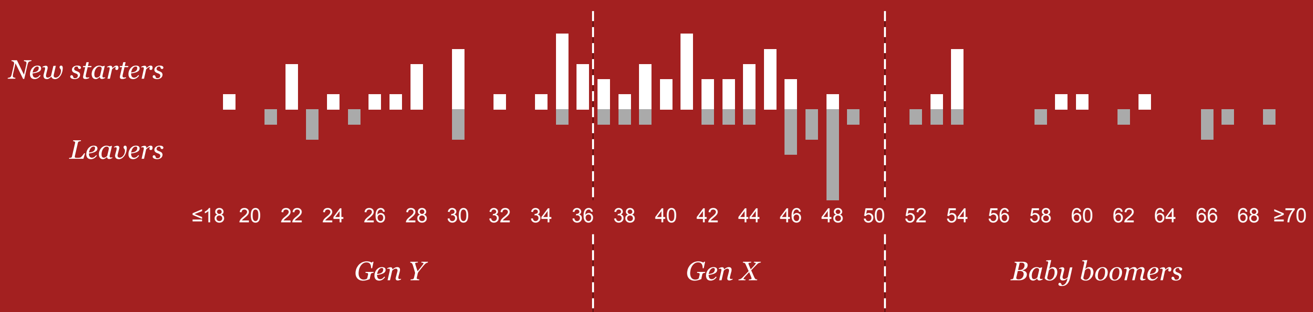
A$648k Employee costs per 1,000 residents

Who joined and who left your council during FY17 ?

12.4% *Staff turnover rate*

59 *New starters*

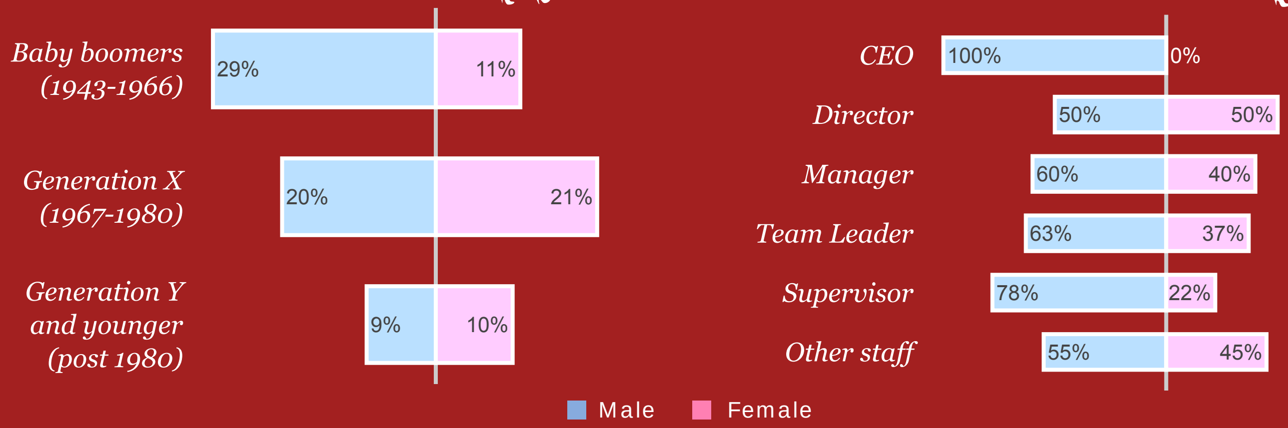
34 *Leavers*



Does your council have a gender-diverse workforce ?

42% *of your employees are women*

40% *of your employees at manager level and above are women*



Workforce Trend Summary

Byron Shire Council

● NSW Survey population
● Byron Shire Council

		FY14	FY15	FY16	FY17	Change from FY16 to FY17
1. FTE per 1,000 residents	Byron Shire Council	7.5	7.8	7.9	8.3	▲0.4
	NSW Survey population	8.5	8.2	9.3	8.9	▼0.4
2. Remuneration as a percentage of operating expenses	Byron Shire Council	27%	25%	28%	29%	▲1%
	NSW Survey population	36%	38%	37%	37%	■ 0%
3. Overtime A$ per FTE	Byron Shire Council	$3,457	$3,730	$2,923	$3,387	▲$1
	NSW Survey population	$2,425	$2,464	$2,344	$2,388	■ $0
4. Span of control ('Other staff' per manager)	Byron Shire Council	4.2	4.5	3.8	3.3	▼0.5
	NSW Survey population	3.5	3.5	3.0	3.1	▲0.1
5. Rookie rate (percentage of new employees in past 2 years)	Byron Shire Council	21%	18%	26%	33%	▲7%
	NSW Survey population	17%	18%	18%	19%	▲1%
6. Staff turnover rate	Byron Shire Council	14%	11%	20%	12%	▼8%
	NSW Survey population	11%	11%	11%	12%	▲1%
7. Staff turnover rate in first year of employment	Byron Shire Council	15%	13%	19%	11%	▼8%
	NSW Survey population	18%	18%	16%	15%	▼1%
8. Gen Y staff turnover rate	Byron Shire Council	55%	30%	34%	18%	▼16%
	NSW Survey population	20%	21%	18%	18%	■ 0%
9. Female staff turnover rate	Byron Shire Council	23%	17%	26%	17%	▼9%
	NSW Survey population	13%	12%	12%	14%	▲2%
10. Female managers and above	Byron Shire Council	19%	27%	38%	40%	▲2%
	NSW Survey population	31%	29%	31%	29%	▼2%

Workforce Trend Summary

Byron Shire Council

● NSW Survey population
● Byron Shire Council

Measure	Series	FY14	FY15	FY16	FY17	Change from FY16 to FY17
11. Baby boomer employees	Byron Shire Council	54%	49%	44%	40%	▼4%
	NSW Survey population	49%	46%	44%	42%	▼2%
12. Gen X employees	Byron Shire Council	38%	39%	41%	41%	■ 0%
	NSW Survey population	33%	34%	34%	34%	■ 0%
13. Gen Y employees	Byron Shire Council	9%	12%	15%	19%	▲4%
	NSW Survey population	18%	20%	22%	24%	▲2%
14. Succession planning program established	Byron Shire Council		No	No	No	
	NSW Survey population		80% (No)	87% (No)	89% (No)	
15. Workforce with more than 8 weeks of accrued annual leave	Byron Shire Council	9%	8%	10%	10%	■ 0%
	NSW Survey population	12%	12%	11%	12%	▲1%
16. Workforce with more than 12 weeks of accrued long service leave	Byron Shire Council	25%	24%	22%	18%	▼4%
	NSW Survey population	28%	28%	28%	28%	■ 0%
17. Median sick leave days taken across your workforce	Byron Shire Council	4.5	7.6	5.6	6.4	▲0.8
	NSW Survey population	5.5	6.1	6.3	6.4	▲0.1
18. Actual training spend per FTE (A$)	Byron Shire Council	$1,367	$1,189	$1,435	$1,536	▲$101
	NSW Survey population	$935	$904	$1,045	$997	▼$48
19. Supervisors and above with a formal annual performance appraisal	Byron Shire Council	42%	39%	14%	15%	▲1%
	NSW Survey population	68%	74%	68%	66%	▼2%
20. Lost time injury days per 100 employees	Byron Shire Council	41	90	18	43	▲25
	NSW Survey population	45	40	67	63	▼4

Workforce structure and cost impact

Employee costs

Talented, motivated people are vital to achieving high performance, particularly in service-based organisations. So it is critical to engage with your employees and to foster a culture where a customer-centric mindset is top of mind. This extends beyond skills and experience; the ask is now for employees to constantly anticipate customer needs and look for creative and innovative ways to delight and engage with the community they serve. People represent the largest expenditure area, and the most important productive asset, of every council.

Our findings show that the overall median council total employee costs remain relatively constant, comprising 35% of total operating expenses (down from 36% in the prior year). Interestingly, this proportion remains constant across all council jurisdictions with prior year comparatives (NSW, NZ and WA councils).

There remains a stark difference in this measurement between Australian and New Zealand councils. While the median council employee costs across the Australian councils range from 35% in SA, to 37% in NSW and 40% of total operating expenses in WA councils, NZ councils remain lower at 22%.

There are a range of factors driving this difference. This may be due to the greater extent of outsourcing of council services in NZ, and the different scope of services delivered (for example provision of water by some councils in NZ). NZ councils spend 29% of operating expenses on outsourcing of services. In comparison, both NSW and WA councils spend around 15% of operating expenses on outsourced delivery, and 17% in SA councils.

Our ‘employee cost share of total expenses’ result links to the higher median full-time equivalent (FTE) per 1,000 residents in NSW councils of 8.9 FTE, 6.4 FTE in SA and 5.5 FTE in WA councils, compared to 5.1 FTE in NZ councils.

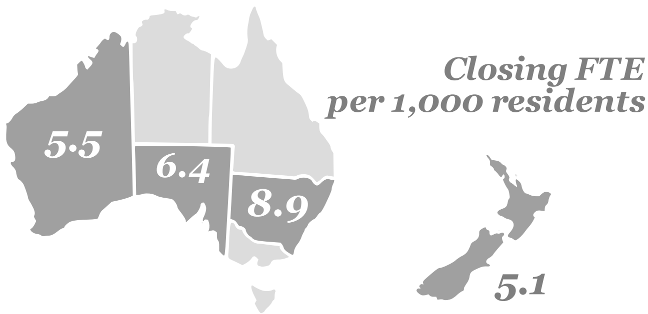
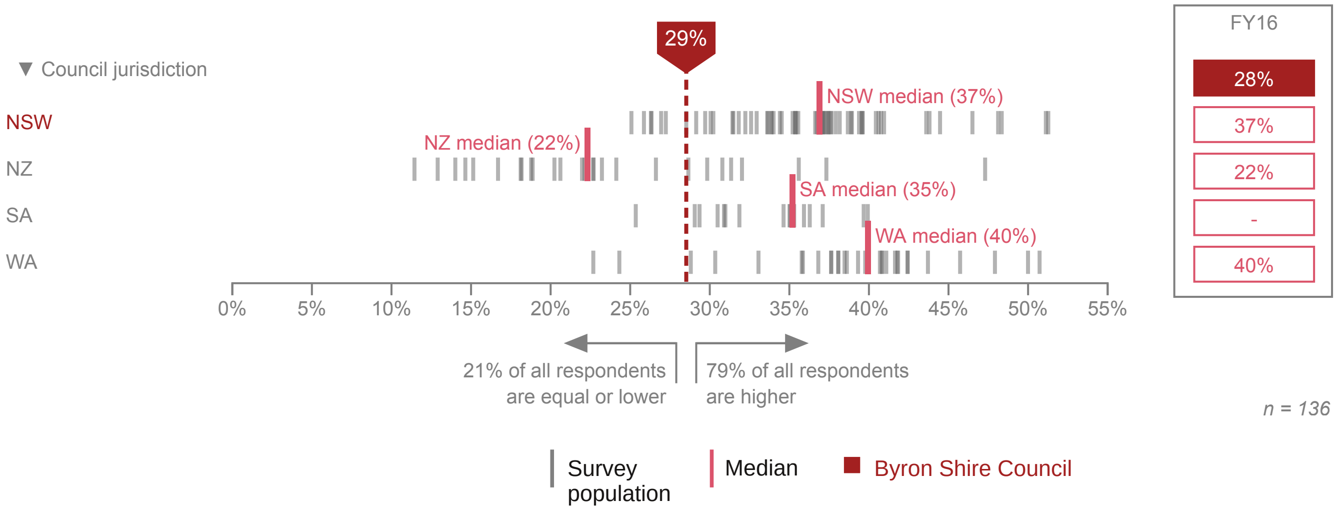


Figure 1.1: Employee costs as a percentage of total operating expenses (type of council)

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



Workforce structure and cost impact

Overtime

Although overtime can be an effective way to have experienced resources on hand, especially when dealing with seasonal fluctuations in workloads, it is important that overtime is managed carefully through appropriate resourcing and project management to avoid it becoming an unnecessary or unexpected drain on council funds.

Our survey shows that the median council spend on overtime for permanent and fixed-term contract employees as a percentage of total salaries and wages is now 1.8%. This result continues to fall each year, down from 2.1% in FY16, and 3.0% in FY15.

In NSW, however, the median overtime as a percentage of total salaries (3.8%, up from 3.6%) is more than double the overall median. It is possible the impact of recent merger activity on existing workloads has led to the use of overtime as a resourcing strategy; supported by minimal growth in NSW council headcount (0.8%). However, use of overtime on an ongoing basis should be monitored in NSW councils, especially when compared to a lower median of 0.8% in SA, 1.4% in WA and 0.6% of total salaries in NZ councils.

Looking at this in another way, we observe the NSW median council overtime spend per FTE of A$2,388, compared to the median SA council with just A$635 and the median WA council at A$1,023. NZ councils continue to operate with the lowest median spend of around A$427 per FTE. This is likely due to the difference in the industrial salary awards across the Tasman, and the much higher rate of outsourcing within functions that traditionally utilise overtime as part of the resourcing strategy.

The Council Comparative Analysis Tool (CCAT) provides participating councils with the ability to create their own comparative groups to assess their use of overtime against councils with comparable services, industrial frameworks and local labour markets.

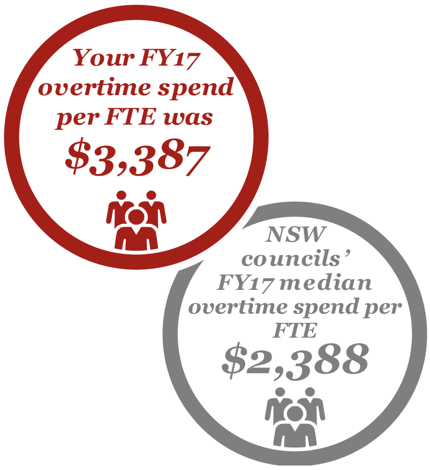


Figure 1.3: Paid overtime as a percentage of total salaries and wages (council jurisdiction)

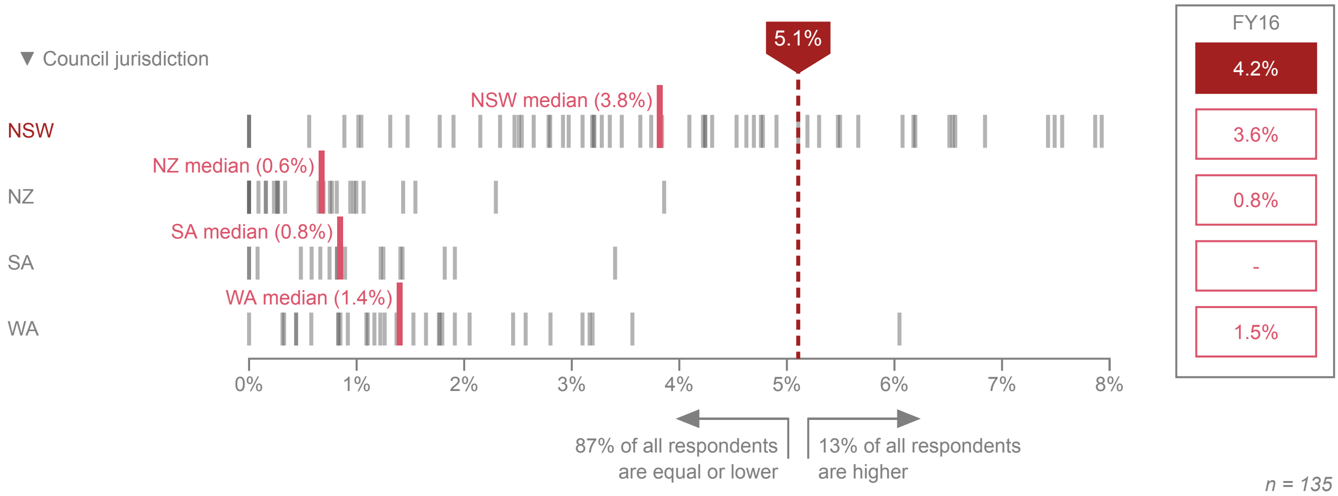
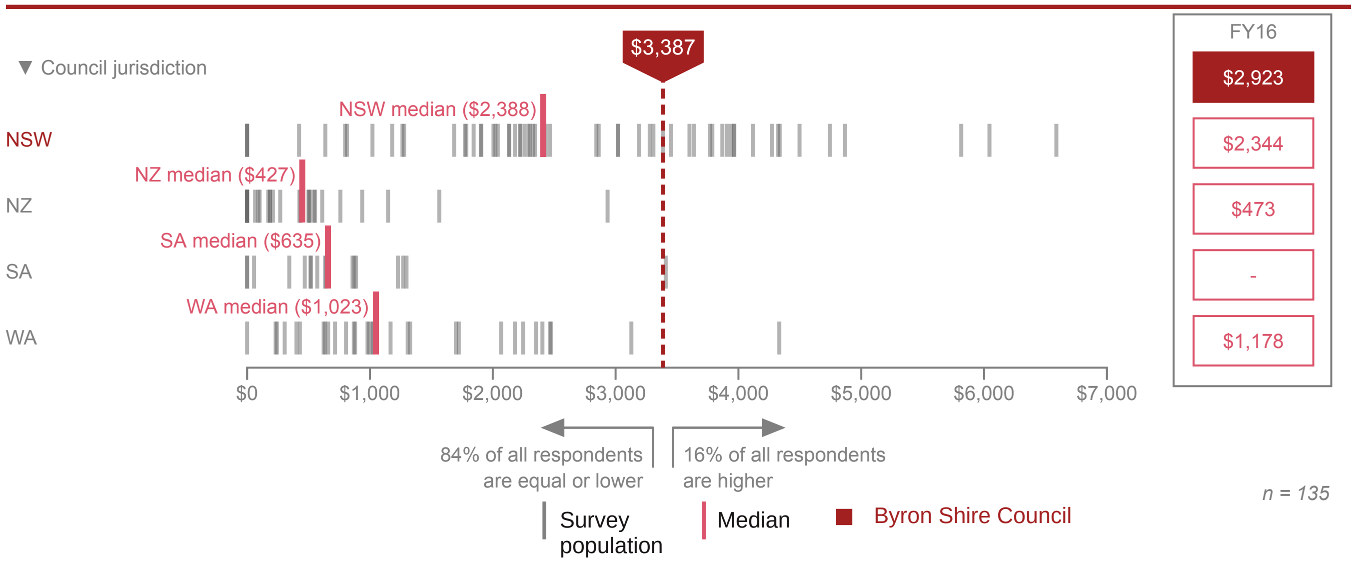


Figure 1.4: Overtime spend per FTE (A$)



Workforce structure and cost impact

Agency Staff

Policies around the use and management of agency staff are an important consideration of a council's overall resourcing strategy. Agency staff provide councils with the ability to access additional resources (as opposed to using overtime as a way to supplement heavier workloads).

This is illustrated by metro councils who continue to rely more heavily on agency staff (2.4% median spend), compared to regional (1.1%) and rural councils (0%).

Our survey results continue to show the clear distinction between Australian and NZ councils in the use of agency staff.

Just over half of the surveyed NZ councils reported zero agency spend in FY17, explaining the median result of 0%. In contrast, we observe SA councils most likely to use agency staff, with a 2.6% median agency spend as a percentage of total employee costs.

This is followed by a median spend of 1.6% in NSW and 1.2% in WA councils. In FY17, only NSW councils increased their agency staff spend percentage, from 1.2% in FY16.

It is important that clear policies and procedures on the use of agency staff are established and agreed. In addition, it is good practice to monitor the costs incurred regularly, especially across the different service areas. This is to ensure current and future business and resourcing requirements are being managed appropriately.

Key considerations

- Are you actively assessing overtime levels by staff level, service area and manager group? Are there specific areas that dominate?
- Are you providing staff with the right training and resources to reduce unnecessary overtime?
- If you are using agency staff, have you recently reviewed your agreement with your preferred recruitment agencies to ensure you have negotiated the best possible rates?
- Does your council correctly balance the investment in its own workforce with flexible resourcing options?

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

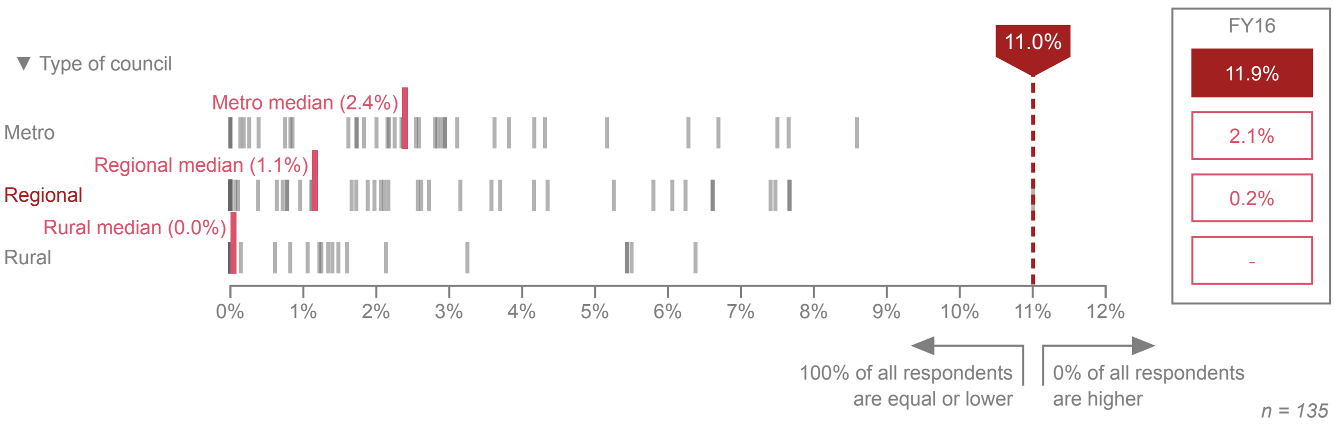
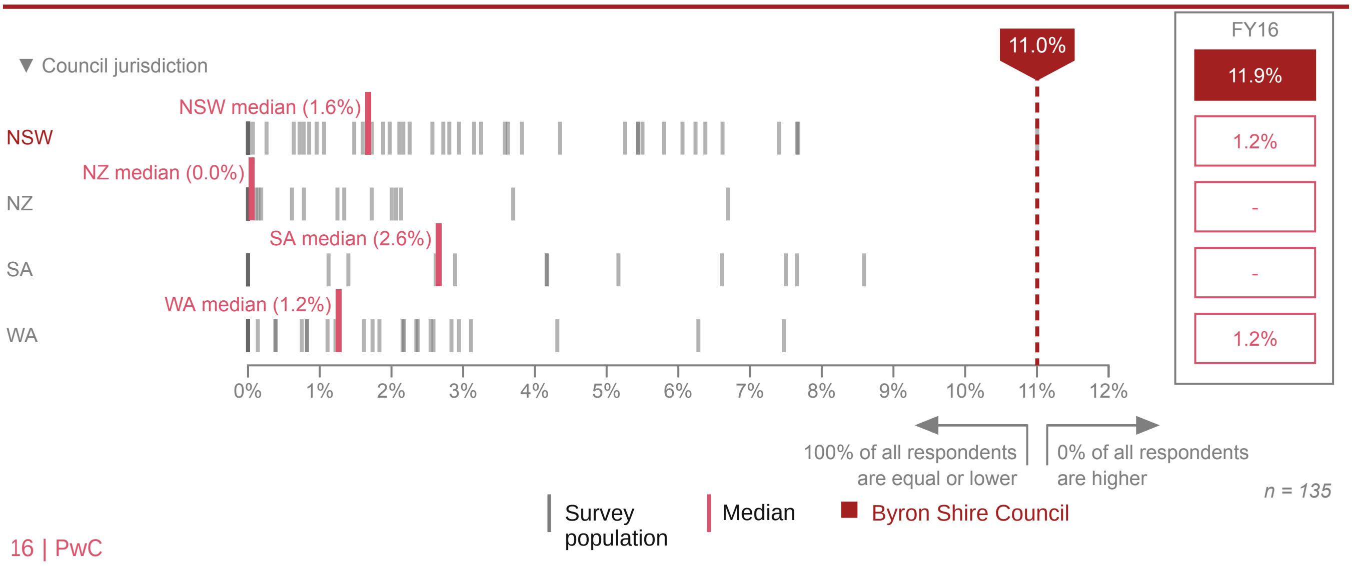


Figure 1.6: Agency staff spend as a percentage of total expenditure on employees and agency staff (council jurisdiction)



Organisational design

Span of control

The structuring of workforce requirements is often dictated by an assessment of the complexity of work and the associated risk levels involved when performing certain tasks. This assists organisations to determine the optimal size of management and to design teams with a blend of skills; both technical and management experience.

Our 'Span of control' metric can be used to monitor management overhead, as it measures the number of employees ('other staff' in our survey) as a ratio of the management population ('supervisors and above' in our survey). A higher span of control indicates reduced layers of management, which at its best can give staff more autonomy and on-the-job career development opportunities.

Our survey reveals that the overall median span of control has expanded slightly, suggesting a small decrease in management layers. In FY17, a median of 3.4 'other staff' per supervisor and above was calculated, compared to 3.1 in the prior year.

This is a result mainly from the change seen in NZ staff to supervisor and above (median 4.0, up from 3.7), with a smaller change in NSW councils (median 3.1, up from 3.0 in the prior year). On the other hand, the median result of 3.2 for WA councils is slightly lower compared to 3.3 in the prior year. Interestingly, SA councils join the program with a median of 3.6 'other staff' per supervisor and above, the highest result across Australian councils.

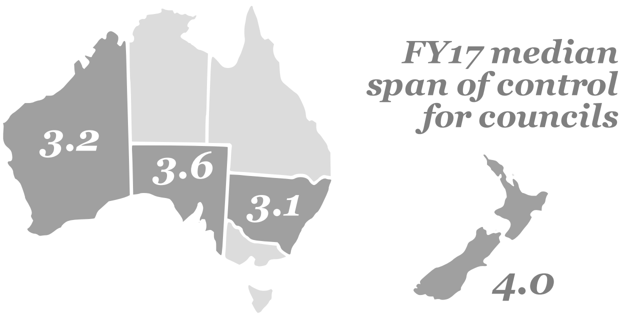
While we continue to see large councils being more likely to have larger spans of control, taking advantage of their geographic location and scale of operations, the median result of 4.0 'other staff' per supervisor and above has fallen, when compared to 4.3 in FY16, and 4.8 in FY15. Some 'grade inflation' may be occurring within the stable workforces of these councils - an issue to watch for as it drives cost pressure without necessarily impacting the potential output of the workforce.

Despite the span of control in small councils remaining low, with a median of 2.9 'other staff' per supervisor and above, the upward trend is encouraging; back in FY14, the median in small councils was 2.4 and it has continued to increase each year.

Local government will be looking to carefully manage costs, improve the speed of decision making, support staff development and, importantly, enhance responsiveness to market changes by having the right skills in place.

Definition

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



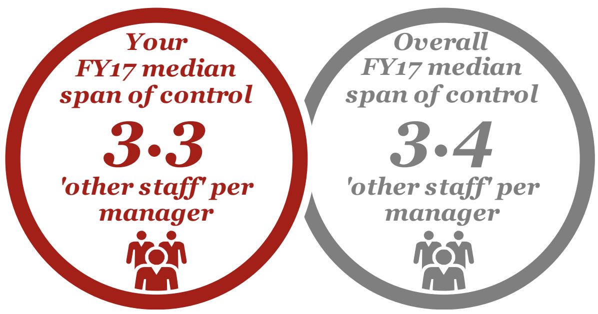
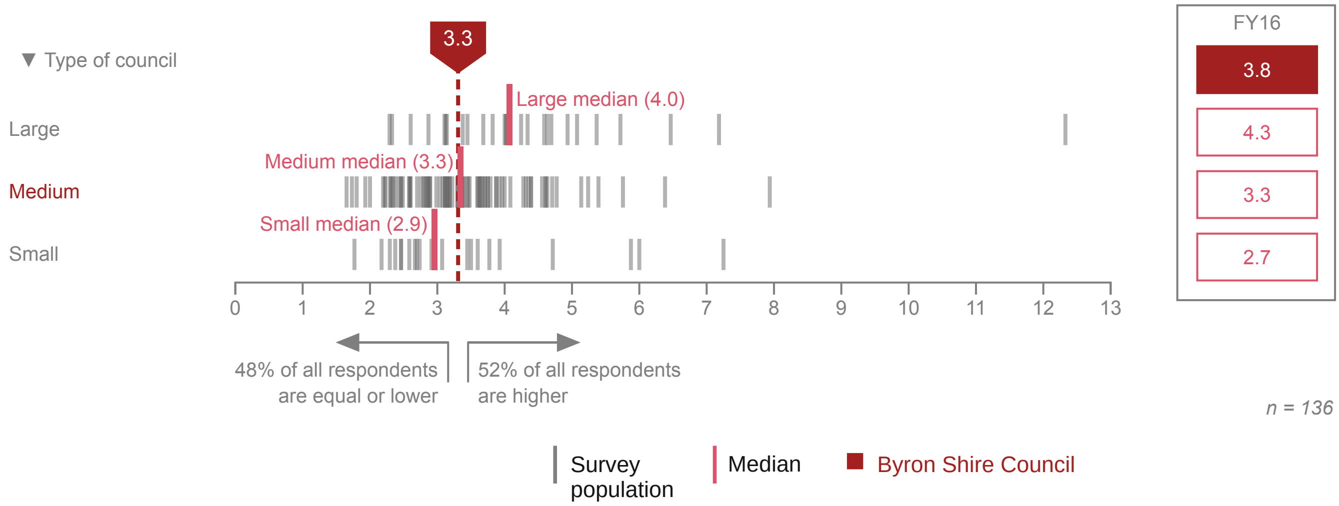


Figure 1.7: Span of control ('other staff' per manager)



Organisational design

Staff level mix

The charts on this page further explain span of control and enable councils to better understand how their staff level mix compares to the survey population, as well as size of council.

Following on from our analysis on span of control, we see a higher proportion of supervisors and above in small and medium-sized councils, representing around a quarter of the total workforce, compared to just 19% in large councils. This is an expected result, given the smaller functional team size in these councils, combined with the consistent requirement for expertise and competence within each function.

Interestingly when compared to prior years, we see smaller councils increasing their percentage of 'other staff', which is reflected in the increased span of control. This shift may allow staff within smaller councils to increasingly work autonomously, exercising their innovation, creativity and skills.

Definitions for the staff levels used in our study are located in the final section of this report.

Key considerations

- Are you building an adequate pool of talented managers who can be used across your organisation to manage larger groups of staff and give you more flexibility in your resourcing, and your people more opportunities?
- Do you have the right staff mix so ambitious and talented staff are able to navigate a clear pathway to management?
- Are your managers mentoring others in the organisation as a way to build a generalist capability and be a role model for others?

Figure 1.8: Staff level split

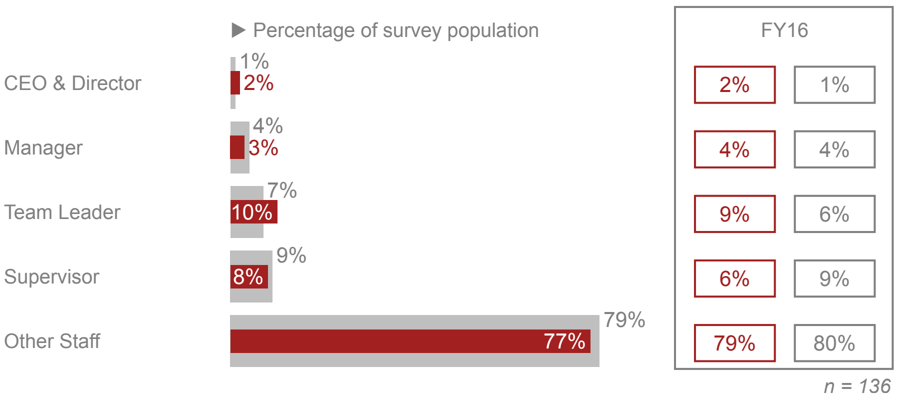


Figure 1.9: Staff level split (size of council)

Don’t fall short on new talent

Rookie rate

The rookie rate – the proportion of employees who are new to councils in the past two years – shows that the previous upward trend in the median rookie rate over the years has stabilised, remaining at 23%.

However, the vast difference in the volume of new talent joining the management ranks, compared to those joining the ‘other staff’ level remains prevalent. For supervisors and above, the median council rookie rate shows 15% of people in these levels having two years or less experience, compared to 25% of ‘other staff’.

Despite reform in NSW local government, we continue to see a very low median rookie rate for supervisors and above (11%), compared to NZ (20%) and WA (20%) councils. Similarly, SA councils are less likely to integrate new management talent into the existing workforce, with a median rookie rate of supervisors and above of 13%.

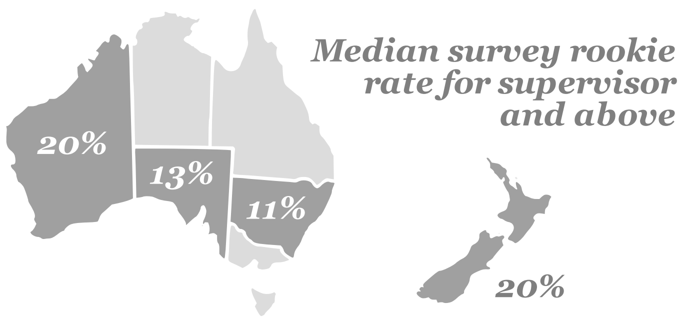
We acknowledge the need to maintain a reasonable level of management stability in order to retain organisational knowledge and relevant experience. However, it is rare for an organisation to escape the value in the potential benefits that come from introducing new talent with the altering of team dynamics that can lead to fresh, innovative ideas.

The 2017 PwC Global CEO Survey, which surveyed 1,379 global CEOs in 79 countries, shows that skills remain at the top of CEO’s agenda, with 77% of CEOs saying that they see the availability of key skills as the biggest business threat (ahead of the speed of technological change and changing customer behaviour).[1]

Somewhat surprisingly, CEOs see the ‘soft’ skills as more important and more difficult to find than STEM and digital skills. These ‘soft’ skills, such as adaptability, problem-solving, creativity and leadership, are seen to stimulate innovation and collaborative spirit.

Definition

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



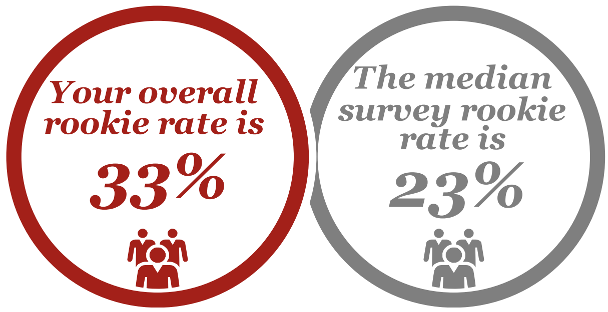
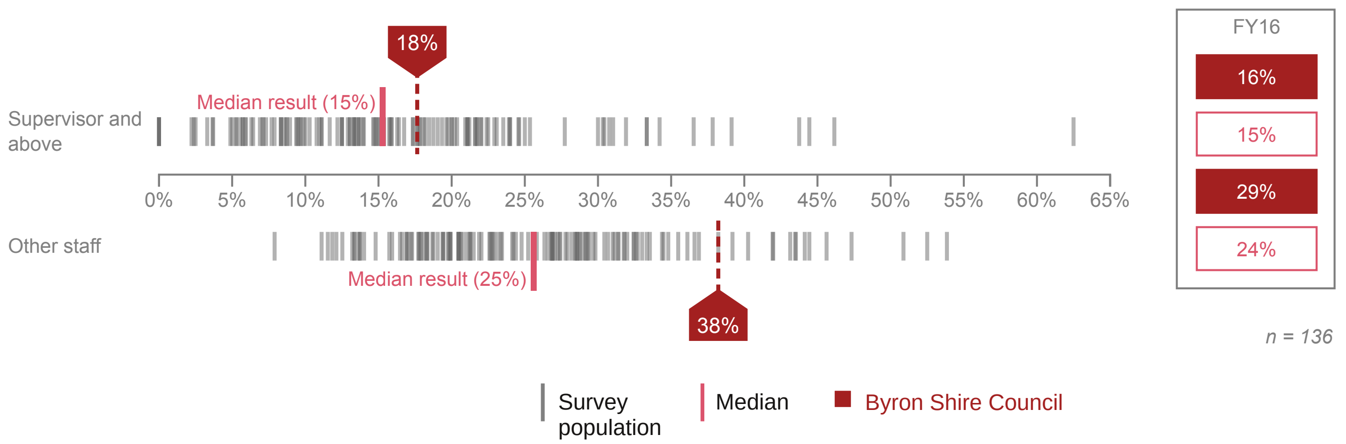


Figure 1.10: Rookie rate by staff level (proportion of staff who commenced in the past two years)



1 PwC, 2017, 20th Annual Global CEO Survey, ‘The talent challenge: Harnessing the power of human skills in the machine age’.

Don’t fall short on new talent

Corporate services rookie rate

Councils should be continually assessing their current talent management strategies, and establish a structured resourcing plan on how best to attract employees with the required skills, considering both technical and ‘soft’ skills.

In our program we focus on four corporate services areas – customer service, finance, HR and IT. The spread in median rookie rate has decreased from prior year, ranging from 20% in HR and finance, 22% in IT and up to 23% in customer service.

From the commencement of this program in FY14, we have been highlighting the need for fresh HR talent. Since then, the recruitment of HR employees has increased each year, evidenced by the median rookie rate of 25% of new HR employees in FY16, up from 17% in FY14. However, the HR rookie rate has now returned to a median of 20% employees with two years or less experience.

Improving digital and technological capabilities is one of the top five business priorities for CEOs.[2] Part of achieving this goal for councils will be bringing in new skills and new talent. It is encouraging therefore to see that the rookie rate in IT has increased to a median of 22%, up from 19% in the prior year. This indicates the potential for new talent and new ideas to come into IT. A new blend of skills should assist councils to obtain the benefits from technology that other sectors are obtaining, improving both the employee and customer experience.

Recruiting new talent into finance has been a focus over the years, with a median rookie rate of 14% in FY14, growing to 18% in FY15 and then stabilising at 20% in both FY16 and FY17. This may be associated with our metric in Figure 2.1, where 72% of councils now have a CFO acting as a true business partner, up from 43% in FY14.

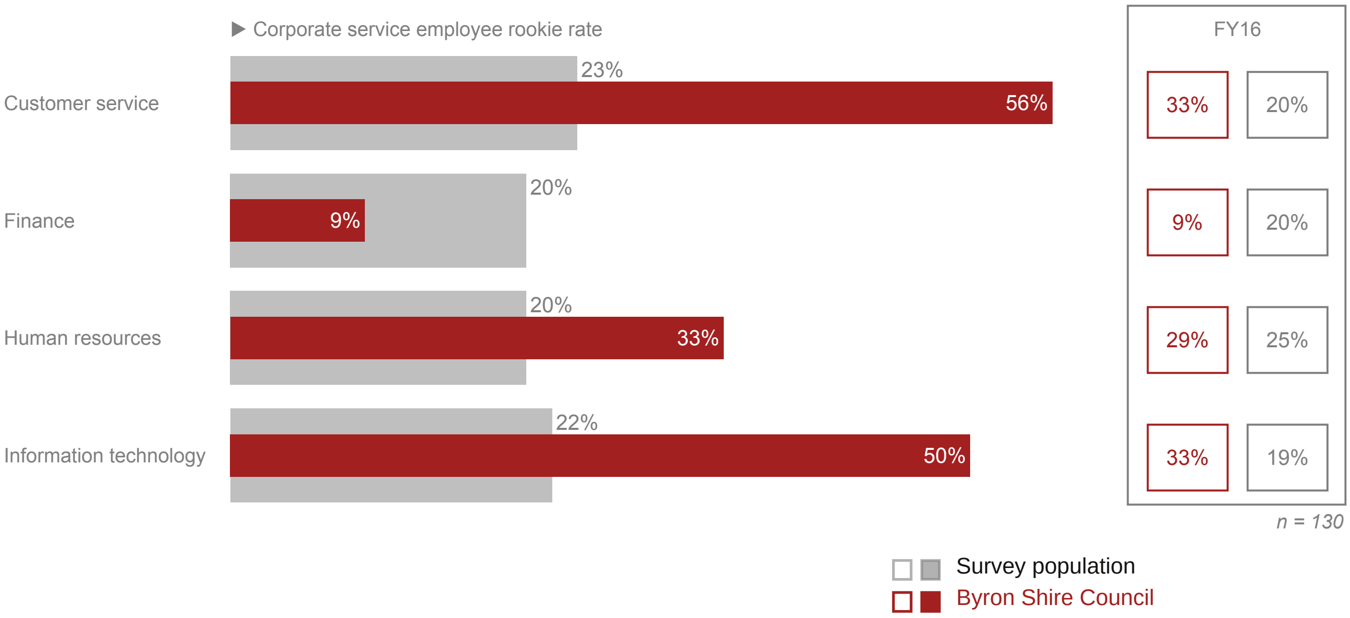
Although we observe more new employees in customer service, with the median rookie rate growing from 20% in FY16 to 23% in FY17, this is in line with the rise in the turnover rate in this area. This suggests a level of replenishment due to the rise in turnover, as opposed to growth.

We continue to encourage all councils to examine their existing talent pool and future skill requirements to ensure these vital corporate functions are staffed with the skills to be successful in supporting the council in delivering services demanded by the community into the future.

Key considerations

- Are you focused on recruiting staff who can be involved in building a dynamic, adaptable and flexible workforce, with the right skills and talent?
- Are you carefully considering how you attract the right mix of talent across all areas of the council?
- Are you developing a talent management strategy that responds to market changes, emerging customer needs and digital transformation?
- When recruiting for different roles, do you put enough weighting on generalist skills versus specialist local government skills? Do you put enough weighting on ‘soft’ skills versus technical skills?

Figure 1.11: Corporate service rookie rate



2 PwC, 2017, 20th Annual Global CEO Survey, ‘The talent challenge: Harnessing the power of human skills in the machine age’.

Attracting, retaining and engaging talent

Talent strategy

Employees gain skills and experiences over time that give many workers choice and opportunity to change roles, employers and careers, and this is why it is vital for organisations to present a strong employment industry brand to attract talent across the mix of skills required.

Global CEOs who participated in the 2017 global PwC CEO survey have identified the skills shortage as a key concern; 77% name it as a threat to their business, compared with 56%, just six years ago.[3] The study goes on to find that 78% of these CEOs have changed their people strategy to reflect the skills and employment structures they need for the future.[4]

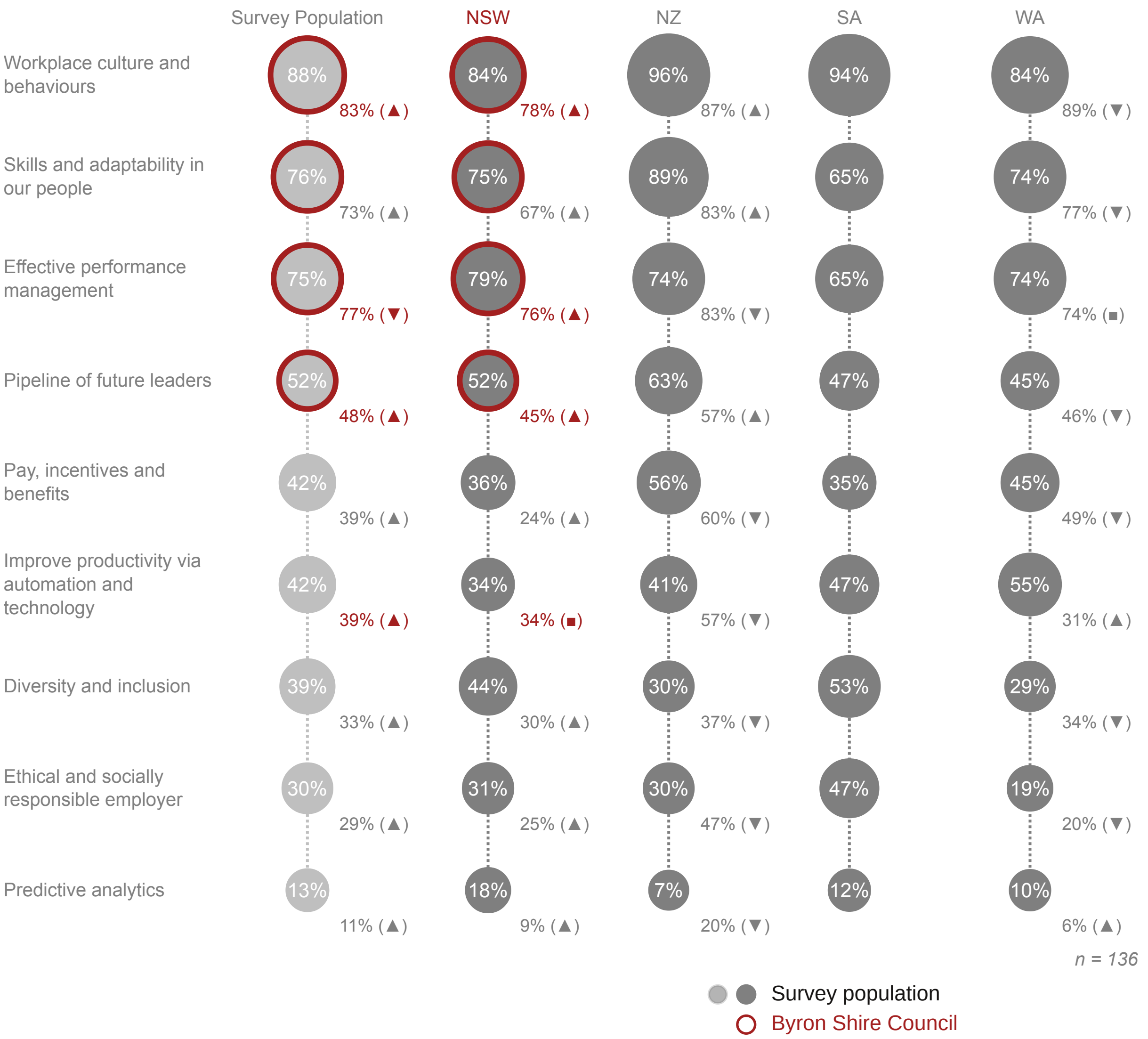
In local government, we continue to see three top areas of focus in the talent strategy; workplace culture and behaviours (88%), skills and adaptability in people (76%, now in second place), and effective performance management (75%, dropped from second to third place).

While these areas are extremely important as part of any organisation's talent strategy, they are focused on the present, rather than planning for the future. A focus on future leader pipeline is in fourth place, however, we see just over half of the councils (52%) making changes to their talent strategy to create impact for this very important next step in resource planning. Likewise, 42% are focused on productivity through automation and technology; another area that requires change to the talent strategy for the digital transformation taking place.

Interestingly, across NSW councils we see great strides taking place in managing the pipeline for future leaders, with 52% focused in this area, up from 45% in the prior year. NZ councils are also focusing heavily here, with 63%, up from 57% a year ago. It is encouraging to see WA councils honing in on the important area of improved productivity via automation and technology; 55% are now changing their talent strategy to accommodate this area, up from 31% a year ago.

In the 2017 PwC global CEO survey, 87% of CEOs said they actively promote diversity and inclusion within their people strategy.[5] This is an important area where local government bears a special responsibility to lead. However, our results show this is an opportunity for improvement, especially for NZ (30%), WA (29%) and NSW (44%). SA councils are more likely to focus in this area, with 53% doing so.

Figure 1.12: Areas of focus in the talent strategy



3 PwC, 2017, 20th Annual Global CEO Survey, 'The talent challenge: Harnessing the power of human skills in the machine age'.

4 Ibid.

5 Ibid.

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

New starter career backgrounds

When preparing for a recruitment campaign or designing new roles within local government, it is important to search for, interview, and ultimately recruit, employees with a diverse range of skills and experience. Relevant industry experience is always attractive and can make for an easy transition for new employees. However, there is also merit in recruiting employees from vastly different industry backgrounds to foster a culture of fresh and innovative perspectives.

We asked councils to tell us more about their new starters such as whether they come from local government, state or federal government, or other. We also included a category called 'unknown' for those councils that do not record the previous employment history of their new employees.

Interestingly, Australian councils are far more likely to see movement of staff between councils, compared to NZ councils. This is demonstrated by 12% of new starters in SA recruited from the local government sector, 14% in NSW and 17% in WA, compared to just 4% in NZ councils. New starters in NZ councils (76%) are more likely to come from outside of government suggesting greater access to a broader range of skills, but a more limited transfer of industry knowledge.

It should be noted that 61% of SA councils do not capture prior employment history for new starters. This is a missed opportunity for SA councils to be able to easily and quickly tap into prior skills or other industry knowledge, as well as analyse this information in order to determine how prior experience may affect the recruiting, onboarding and ongoing performance of staff.

Figure 1.13: Proportion of new starters from the local government sector

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

Recruitment gender diversity

Local government has been moving towards gender equality in recruitment practices since FY14, and in FY16 gender equality in recruitment was established. In FY17, we now observe more women than men being recruited into councils, with an overall median of 52% female new starters.

The increase in female new starters is present across all council jurisdictions. NZ councils continue to be more likely to recruit females, with a median of 61% female new starters, up from 57% in the prior year. This links to the higher overall female workforce in NZ councils as explored in the Gender Diversity section within this report.

The recruitment of females across WA councils has also grown, with a median of 53% females, compared to 50% in the prior year. NSW councils have increased the proportion of females being recruited, with a median of 45% (up from 43%), but it still remains the lowest of the council jurisdictions.SA councils are closer to gender equality in their level of recruitment, with a median of 47%.

Metro councils recruited a median of 55% female new starters in FY17 (up from 52% in the prior year). In FY17 rural councils have achieved overall gender balance in recruitment, and regional councils have increased from a median of 46% in the prior year to 48%.

We note that where overall gender balance is achieved, this can sometimes be because results have been aggregated across several imbalanced workforces; a common example of this being male dominance in outdoor workers and female dominance in children and aged care services.

Our analysis at a service level, presented in our Service Delivery section, provides a comparison within these workforces and gives councils 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 what your current employer brand offers prospective staff? When did you last review and refresh your employer brand?
- Do you understand the most successful method for recruiting staff in your region? Do you use multiple channels to find talent?

Figure 1.14: Proportion of female new starters (council jurisdiction)

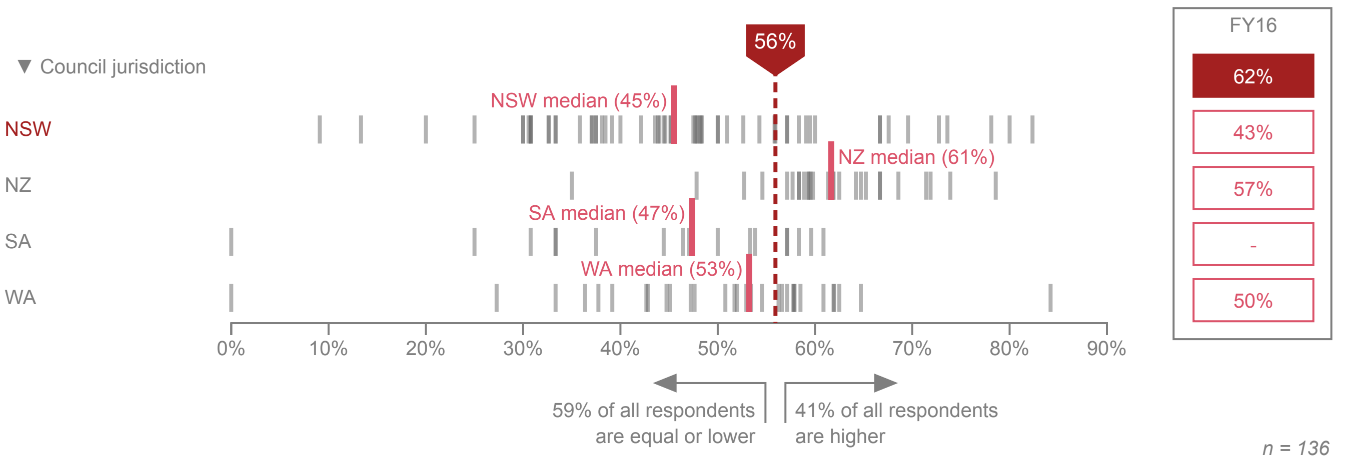
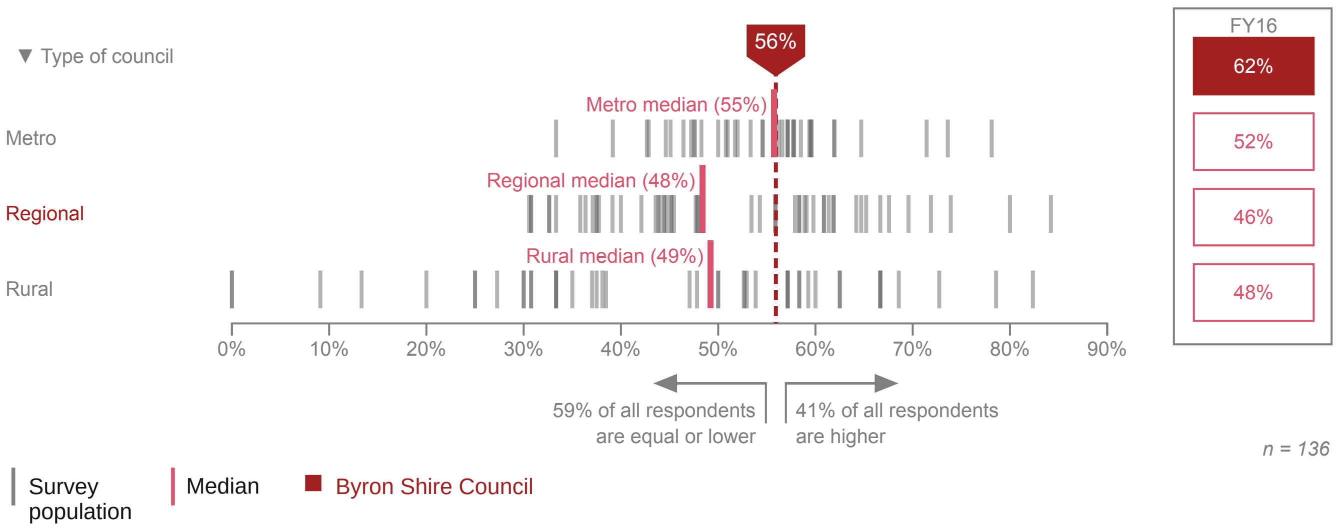


Figure 1.15: Proportion of female new starters (type of council)



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

Staff turnover

For the first time in our program, we find the overall median staff turnover rate has decreased; it is now 12.8%, down from 13.4% in the prior year (including fixed-term contract employees). A factor contributing to this overall reduction from the prior year is the inclusion of SA councils, with the lowest median staff turnover rate we have seen so far in this program, at 8.7%.

As a comparison, the Australian HR Institute, surveyed 603 Australian members in 2015, and found that the average staff turnover rate was 16%.[6]

In Figure 1.16, we observe a reduction in the median staff turnover rate for WA councils (14.7%, down from 16.2% in the prior year), compared to higher staff turnover rates in NSW and NZ councils.

NSW councils are experiencing the highest churn rate since the inception of this program, likely a result of departures now there is less uncertainty around merger activity and impacts. NSW's median rate is 12.2%, up from 10.9% a year ago.

NZ councils have the highest staff turnover rate overall, with a median of 17.4%, up from 16.9% in the prior year.

This year we observe metro councils experiencing a growth in the turnover rate, with a median of 14.6%, up from 12.4%. Conversely, turnover rates have decreased in regional and rural councils, from 14.1% to 12.2% for regional, and from 13.3% to 12.5% for rural.

In Figure 1.17, we exclude fixed-term contract employees from the staff turnover rate, and the overall median staff turnover rate reduces to 10.8% (decrease from 11.5% in the prior year). We find this has the most impact on the NZ council median turnover rate, reducing from 17.4% to 13%, suggesting that an amount of turnover can be explained by fixed term contracts ending.

While many councils will aspire to achieve a downward trend in the staff turnover rate year on year, there are benefits in maintaining a reasonable level of turnover to allow for opportunities to promote key internal talent, or hire employees with new and diverse skills.

Key considerations

- Are you reporting and reviewing staff turnover at more granular levels, for example, by service area and/or staff level, so you have a good sense of where there are differences?
- Are you refreshing your staff at the right rate so you can achieve your goals and meet community needs in the future?
- Do you have the right mix of permanent and fixed-term contract staff to account for seasonal services provided by your council?

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).

Figure 1.16: Staff turnover rate (including fixed-term contract employees)

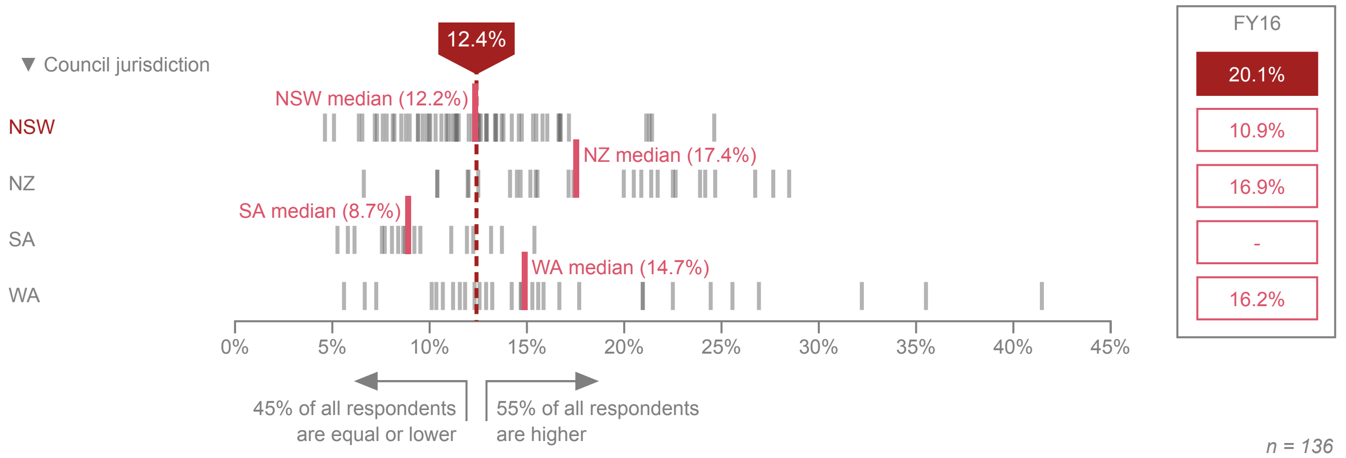
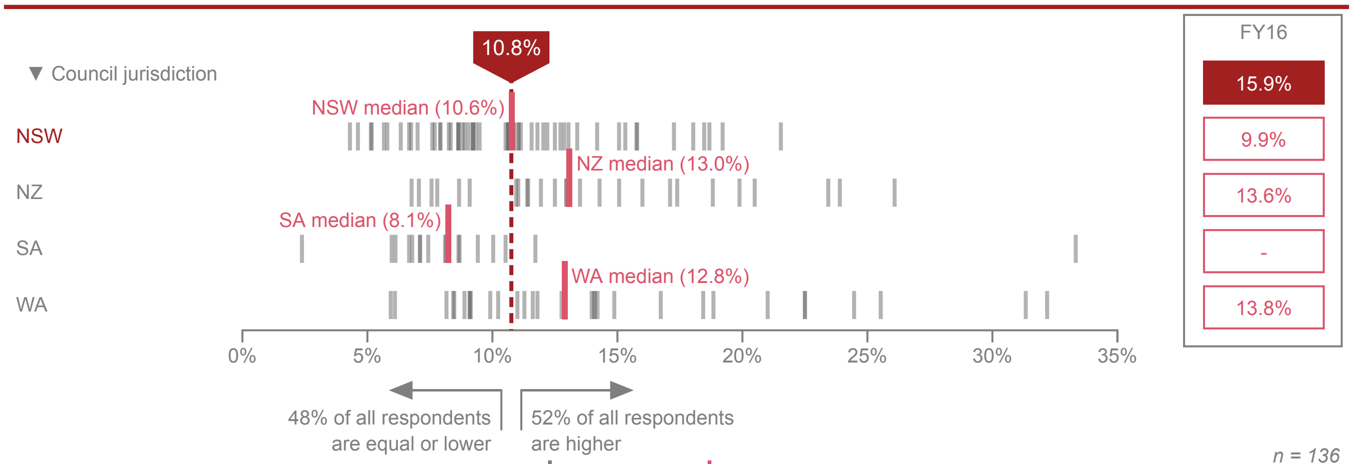


Figure 1.17: Staff turnover rate (excluding fixed-term contract employees)



Survey population | Median | Byron Shire Council

6 AHRI pulse survey, 2015, Turnover and retention.

Turnover rate for employees in their first year of employment

Staff turnover rate in year one

Our analysis on staff turnover rate goes on to explore the frequency of new employees resigning. Examining the turnover rate in the first year of employment is an indicator of the quality of hire, and the extent to which each role delivers on expectations held by employees. An employee leaving within the first year of employment, whether that is voluntarily or involuntarily, demonstrates a poor fit.

When assessing the staff turnover rate in year one, we have excluded fixed-term contract employees from the calculation. Although it has decreased from the prior year (16.7%), the median turnover rate of employees in their first year remains significantly higher, at 15%, compared to the overall equivalent turnover rate of 10.8%.

Retaining new recruits in local government remains a serious issue, especially in WA and NSW councils. In WA councils, the median year one turnover has actually increased (18.2%, up from 17.4%), and it is much higher than the equivalent overall WA council turnover rate of 12.8%. Although the median year one turnover has improved in NSW councils (15.4%, down from 16.1% in the prior year), it remains remarkably higher than the equivalent overall NSW council turnover rate of 10.6%.

As we have already revealed, the median staff turnover in SA councils is very low. The difference between the median year one turnover rate (9.1%) and equivalent overall of 8.1% is small and suggests a different employment environment to other Australian councils.

The lower rate of churn in SA councils is likely due to the higher than average SA unemployment rate experienced over the past years. As such, SA councils may need to refer to other indicators of employee engagement to gauge motivation levels.

Conversely, we see an improved quality of hire and fit of new recruits in NZ councils, evidenced by the median year one turnover rate falling to 11.9%, down from 15% a year ago. On top of this, the median NZ year one turnover rate is lower than the overall equivalent rate of 13%, indicating a greater departure of NZ longer serving employees, compared to new recruits.

When looking at type of councils, metro councils are more likely to experience higher churn of new employees, with a median first-year turnover rate of 19%, compared to around 13% in both regional and rural councils. This may reflect that new employees in metro areas have increased employment options, including the option of working for another council within an easy commute.

Regardless of whether retention of new employees is unique to the local government sector or not, councils should be examining the reasons behind high turnover in the first year. It is possible that councils are facing a mismatch in their external and internal employer brand, especially when it comes to attracting and retaining newly recruited female and Gen Y employees. The increasing presence of Gen Z (post 1995) in the workforce will bring even more challenges and changes in attracting and retaining this next generation of talent.

Any council with a high turnover rate for employees in their first year of service should be looking much deeper into recruitment practices and exit interview results. This should allow councils to better understand the possible shortfall in the employee value proposition and why they may be struggling to retain new recruits.

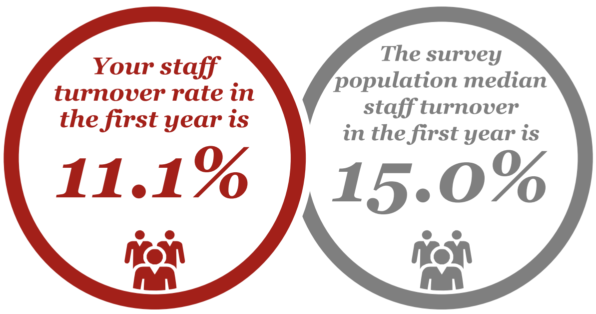
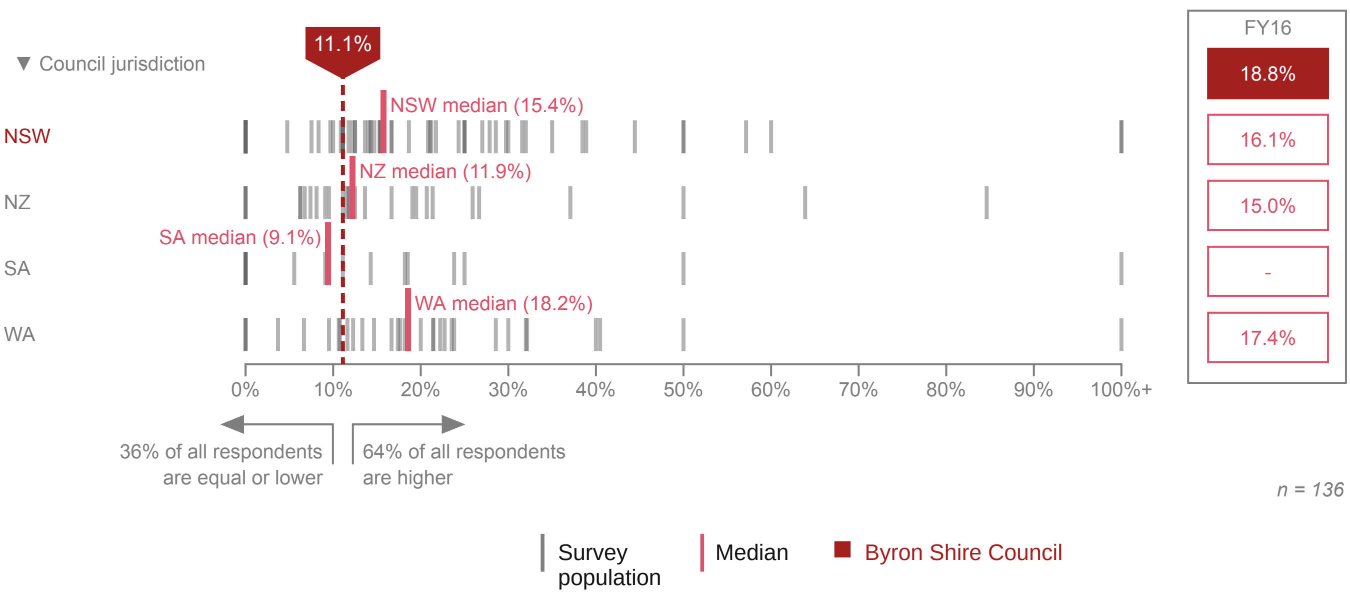


Figure 1.18: Staff turnover rate in the first year (excluding fixed-term contract employees)



Turnover rate for employees in their first year of employment

Female turnover rate in the first year

It is encouraging to see that overall the rate of female employees leaving in their first year of employment has fallen slightly to 17%, down from 18% a year ago. There has been no movement in the median male staff turnover rate in the first year, remaining steady at 14%.

Unfortunately, the rate at which women are leaving NSW councils has increased to a median year one turnover rate of 20%, up from 17% in the prior year. In comparison, the rate at which men are leaving in their first year of employment in NSW councils, only altered from a median of 13% in FY16 to 14% in FY17.

In WA councils, the decrease in the median female year one turnover rate, dropping down to 17%, from 23% in the prior year, means that the year one turnover rate is consistent across both genders. Meanwhile, in NZ councils there has been a slight adjustment since the prior year, with more women (14%) leaving in year one, compared to 13% of men.

The zero median result for both genders in SA councils is explained by the small number of councils with staff turnover in the first year of employment.

When examining the different types of councils, we found metro councils face more challenges in retaining both women (20%) and men (18%) in their first year of service, compared to a lower year one churn rate in regional and rural councils.

In rural councils in FY17, we see both women and men leaving at the same rate in their first year of employment, with a median result of 13%. However, in regional councils, women in their first year of employment are leaving at a faster rate (16%), compared to men (11%).

The 'Winning the Fight for Talent' report surveyed over 4,000 employees and career starters to examine gender-inclusive recruitment around the world.[7] We have listed the top five critical areas in attracting and retaining female talent:

- Opportunities for career progression
- Competitive wages and other financial benefits
- Flexible work arrangements and a culture of work-life balance
- Excellent training and development programs
- Good benefits package, for example insurance, healthcare and other benefits.

Figure 1.19: Median gender turnover rate in the first year (council jurisdiction)

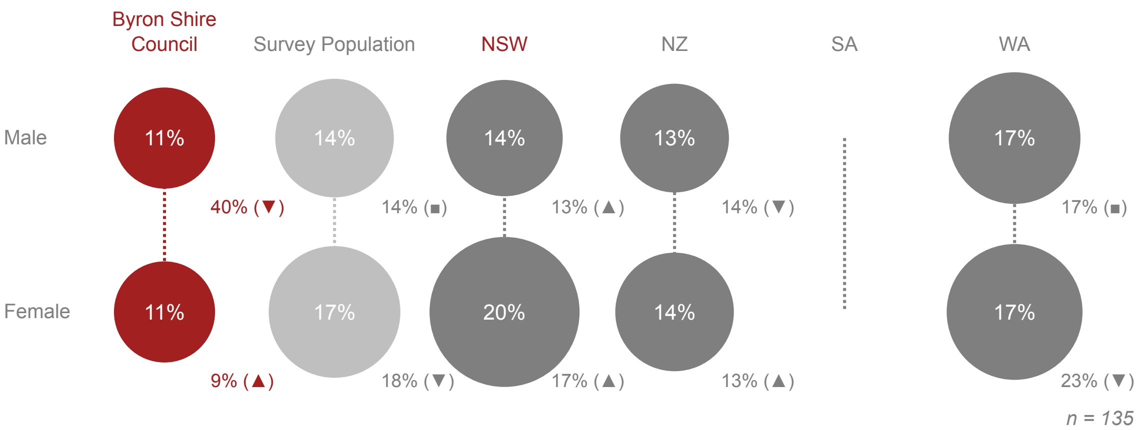


Figure 1.20: Median gender turnover rate in the first year (type of council)

7 PwC, 2017, 'Winning the fight for female talent - How to gain the diversity edge through inclusive recruitment'.

Turnover rate for employees in their first year of employment

Generational turnover rate in the first year

We performed further analysis on the turnover rate in the first year of service and whether there were any trends within the generations. While across the majority of jurisdictions, councils do have more difficulty retaining year one Gen Y employees, compared to year one baby boomers and Gen X, the gap is closing especially between Gen Y and Gen X.

A year ago, Gen Y employees were 1.5 times more likely to leave in their first year than Gen X, but this has now dropped to 1.2 times; Gen Y at 15%, compared to Gen X at 13%.

This is due to the fall in the overall median year one turnover rate for Gen Y (from 19% to 15%), with Gen X remaining stable at 13%.

Unlike the other council jurisdictions, NZ councils experienced an increase with a median year one turnover rate for Gen Y employees of 18%, compared to 14% in the prior year.

WA councils continue to sit with the highest median year one turnover rate across all generations, 19% for Gen Y, 14% for Gen X and 17% for baby boomers. The year one turnover rate for baby boomers in WA has increased dramatically from 10% in the prior year to 17%.

The 2017 PwC global Next Gen[8] survey included in-depth conversations with 35 next gens, from 20 different countries, backed up with online polling of over 100 next gens. The survey results clearly showed that there are a set of common success factors among the next gens. This is referred to in the survey as the 'five Cs', and should be key considerations when looking at the retention of Gen Y employees:

- Culture: A supportive culture that allows creativity and the chance to take on responsibility.
- Communication: Genuine two-way engagement between the current and next generation, based on mutual respect and trust.
- Clarity: Clarity sits at the heart of effective management and governance. Whether it's clarity of strategy or roles and responsibilities.
- Credibility: A lack of experience or age, perceived or actual, may lead to a credibility gap, and this will always be a challenge for next gens.
- Commitment: Businesses will need to make a commitment to the development of the next generation, but the next gen need to repay that with a willingness to invest time in the business.

Figure 1.21: Median generation turnover rate in the first year

8 PwC, 2017, Next Gen Survey, 'How the next generation of family business leaders are making their mark - Same passion, different paths'.

Who is leaving your council?

Staff turnover rate in detail

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

Our findings show that the median baby boomer turnover (11%) and Gen X turnover (11%) remain unchanged, but the comparison to the median Gen Y turnover rate (20%) continues to suggest that Gen Y employees are far more likely to leave a council.

The overall median Gen Y turnover rate is coming down, sitting at 20%, after spiking at 23% in FY16. However, this is a result of the decrease in the median Gen Y turnover in WA councils (20%, down from 24% in the prior year) and the introduction of SA councils with a much lower median of 15%, as opposed to all council jurisdictions experiencing a decline.

In fact, we observe an increase for both the median Gen X and Gen Y turnover rate in NZ councils, and in NSW councils the Gen Y median has stabilised at 18%, but there has been a slight increase in Gen X turnover (10%, up from 9%).

In Figure 1.24, we continue to see overall higher turnover rates at either end of the staff level spectrum, compared to the middle ranks of team leader and supervisor. Although senior management churn (CEOs, directors and managers) has remained at 13% overall, in NSW councils it increased from a median of 8% in FY16 to 11% in FY17.

When comparing female and male turnover rate, women continue to be more likely to leave local government. The median turnover rate of 14% for women and 12% for men remains unchanged from the prior year.

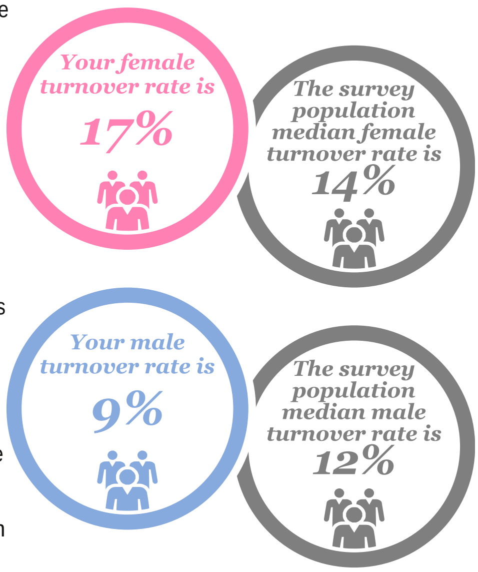


Figure 1.22: Staff turnover rate by generation

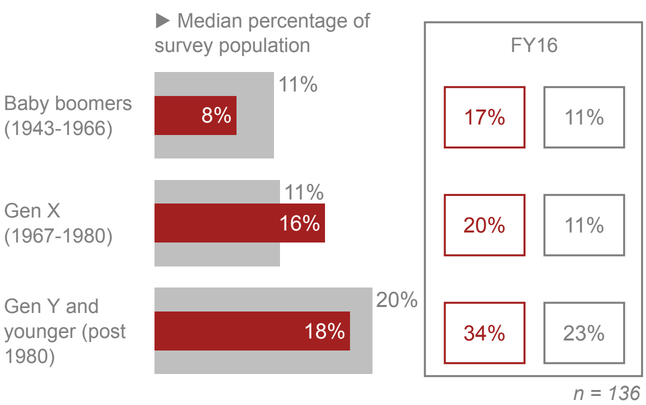


Figure 1.23: Staff turnover rate by tenure

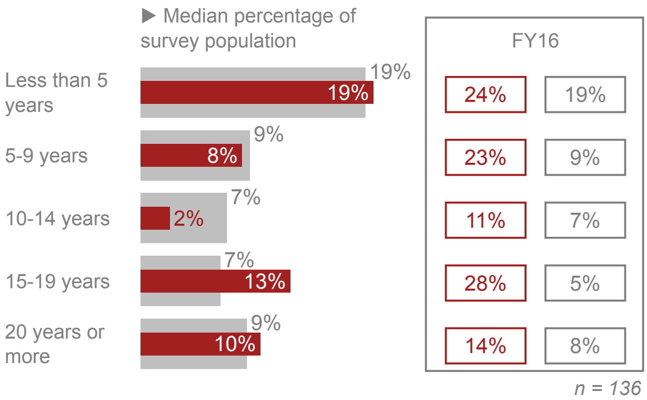
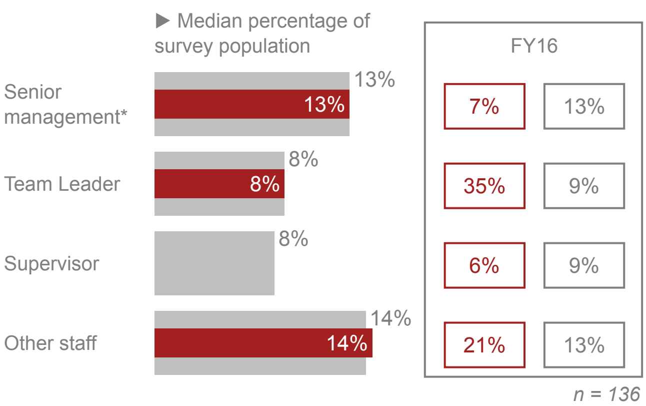
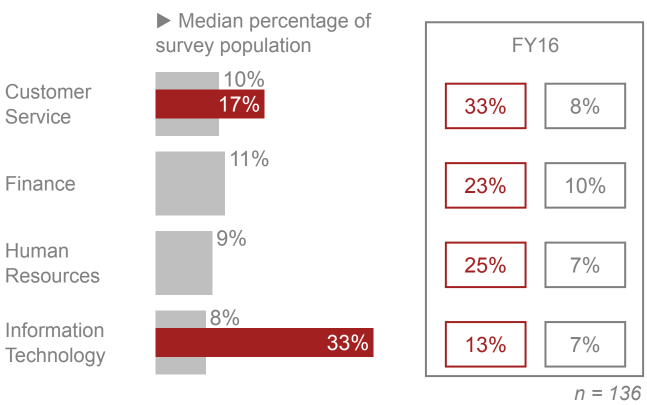


Figure 1.24: Staff turnover rate by staff level



*Includes CEO, Director and Manager.

Figure 1.25: Staff turnover rate by corporate service



Survey population
Byron Shire Council

Talent diversity

Gender diversity

The local government sector has the opportunity to serve as an exemplar workplace for inclusion of women, with women representing 47% of the surveyed workforce, down slightly from 48% in the previous year.

The proportion of women in the workforce remains highest in NZ councils (58%), followed by WA councils (50%). SA councils enter the program with women comprising 44% of the SA surveyed workforce and NSW councils remain unchanged, with 40%.

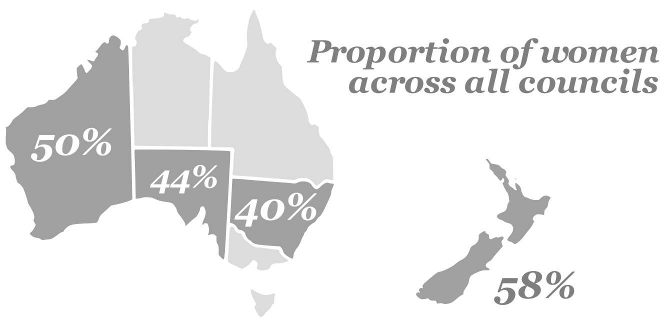
In our program, we further analyse gender diversity at each staff level, and find that although the representation of women in the entry level position of 'other staff' is 50%, as in most organisations, this steadily declines the more senior the staff level. We continue to observe just over one third of managers being represented by women (35%) and 28% female directors.

Of most concern is the drop in female CEOs to 12%, down from 15% in the prior year. This reduction in female representation is also prevalent at the team leader and supervisor levels. This is further dissected by council jurisdiction on the next page.

According to PwC's most recent global CEO survey, almost 87% of surveyed CEOs promote talent diversity and inclusiveness. Investing in a formal diversity strategy is one way to develop leaders from diverse backgrounds and assists in the realisation of benefits from diversity and inclusion within the workforce such as enhanced business performance, increased collaboration and attracting additional talent.[9]

This key finding highlights the importance of talent diversity and the role it plays in many global and national businesses. Local government is no exception, especially as a diverse workforce is more likely to reflect broader community views, allowing councils to better understand community needs and deliver anticipated outcomes.

We encourage councils to consider adopting a diversity and inclusion strategy that encompasses gender, ethnicity, nationality, race, disability and age.



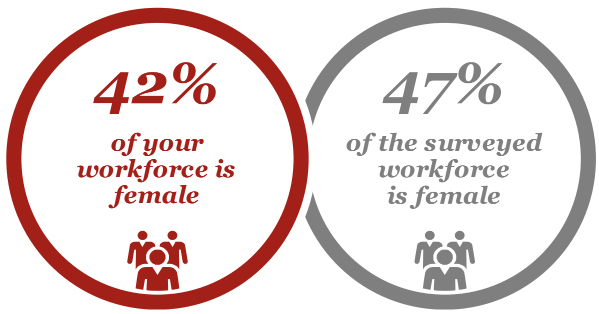
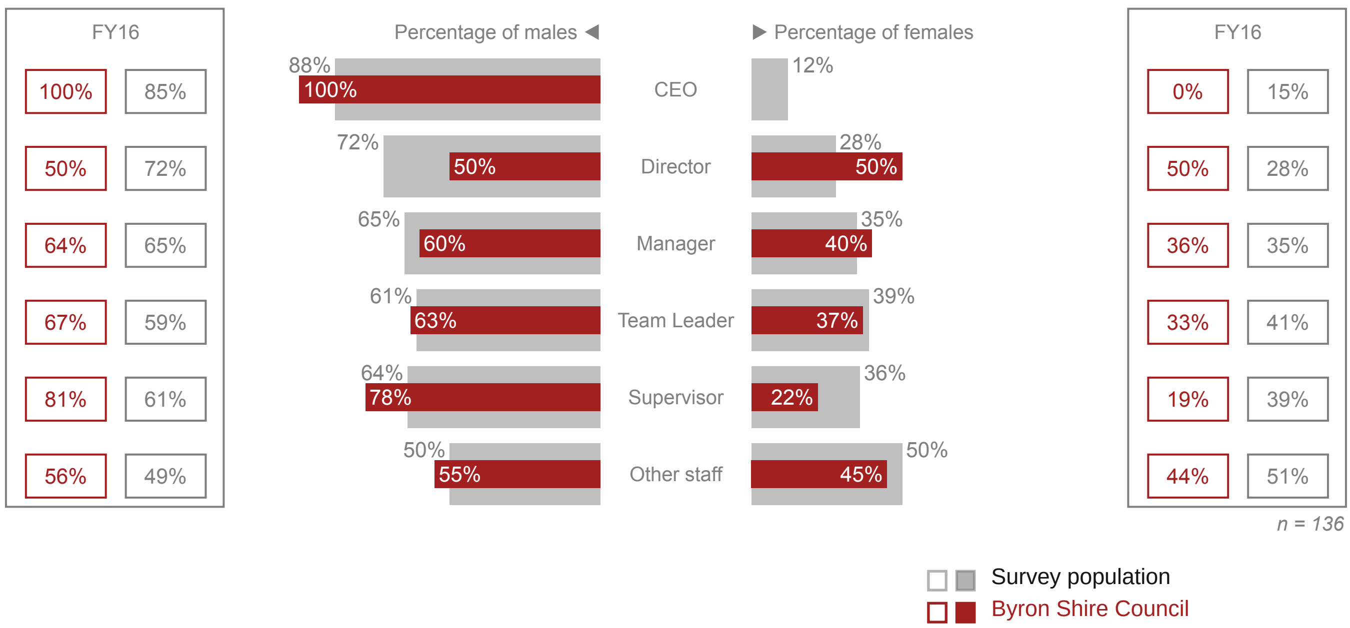


Figure 1.26: Staff-level gender split at 30 June 2017



9 PwC, 2017, 20th Annual Global CEO Survey, '20 years inside the mind of the CEO... What's next?'.

Talent diversity

Pipeline of female employees

Figure 1.27 highlights the fact that limited change is occurring in local government when it comes to transitioning women from the entry level position of 'other staff', where there is gender balance, to more senior levels of manager and above.

Overall, we observe stagnation in female representation in the director and manager levels and a downward shift in the proportion of women in the crucial pipeline roles of team leader and supervisor. The role of CEO has also been impacted; in FY15, women accounted for 18% of the CEO roles, but this fell to 15% in FY16 and is now at 12% in FY17.

This decline in female CEOs in the past year is due to a downward shift seen in NZ and WA councils. Female CEOs in NZ councils spiked in FY16 to 28% (up from 23% in FY15), but this has fallen to one in five female CEOs in FY17 (20%), and in surveyed WA councils we see just one female CEO out of a possible 33 CEO positions (down from two CEOs in the prior year).

In contrast, in NSW councils there has been a slight increase to 14% female CEOs (up from 12% in FY16), however, this result remains lower than 16% reported in FY15. SA councils join the program with 12% female CEOs.

Key considerations

- Have you reviewed the career pipelines for your staff moving into management in all areas across the business? Did you incorporate a diversity lens as part of this review?
- Are all managers individually supported in developing the required skills for their career pipeline?
- Are you equally considering all up and coming managers, across the various business units, in terms of career development towards senior leadership?
- Does unconscious bias exist towards certain roles being seen as more likely to deliver senior leaders?

Figure 1.27: Female employees by staff level

Talent diversity

Pipeline of female employees (continued)

When we analyse the pipeline of future female leaders across the survey population, we find the median proportion of female employees at manager level and above has decreased slightly from the previous year's result of 32% to 30%.

By comparison, based on the data collected by the Workplace Gender Equality Agency ("WGEA") from over 11,000 Australian non-public employers covering over 4 million employees overall, females comprise 38.4% of manager and above levels. This continues to increase, up from 37.4% in prior year.[10]

The WGEA data also showed that gender balance in leadership is set to continue to improve, with 43.4% of manager appointments in 2016-17 going to women.

Over 55% of the participating employers, included in the WGEA data set, have policies and/or strategies to support gender equality in promotions, talent identification and retention. Almost 30% of these employers have also developed specific gender equality KPIs for managers.[11]

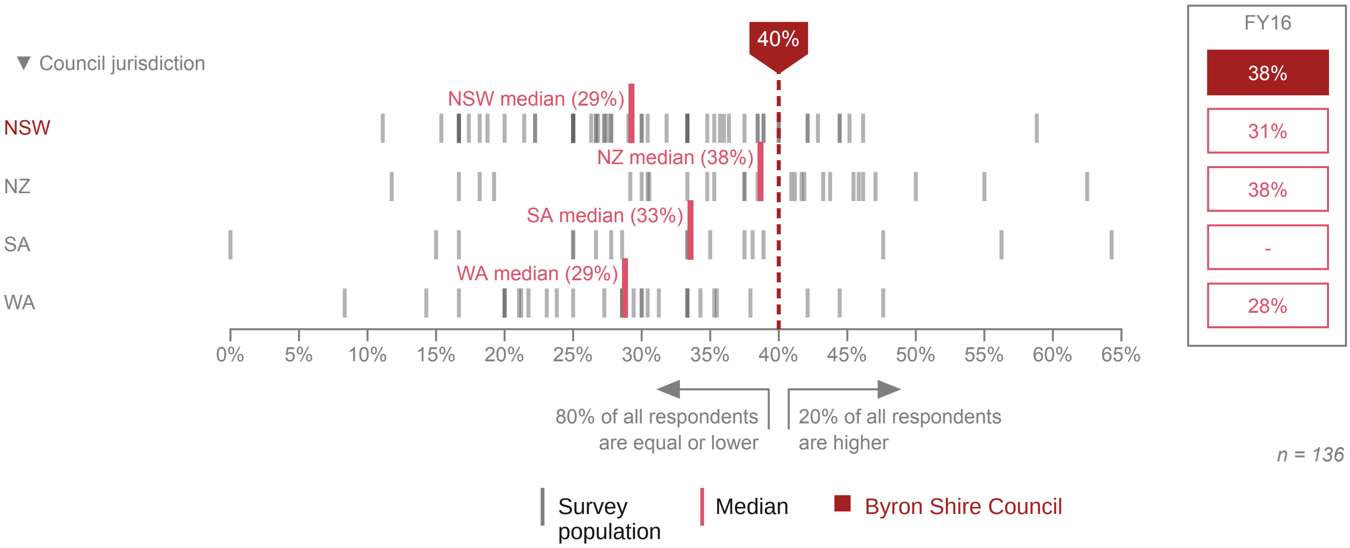
In our program, we found that NZ councils are more likely to have a higher percentage of women in manager and above levels, with a median of 38%. Interestingly, we observe stronger female manager and above representation in SA councils, with a median of 33%, compared to 29% in both NSW and WA councils.

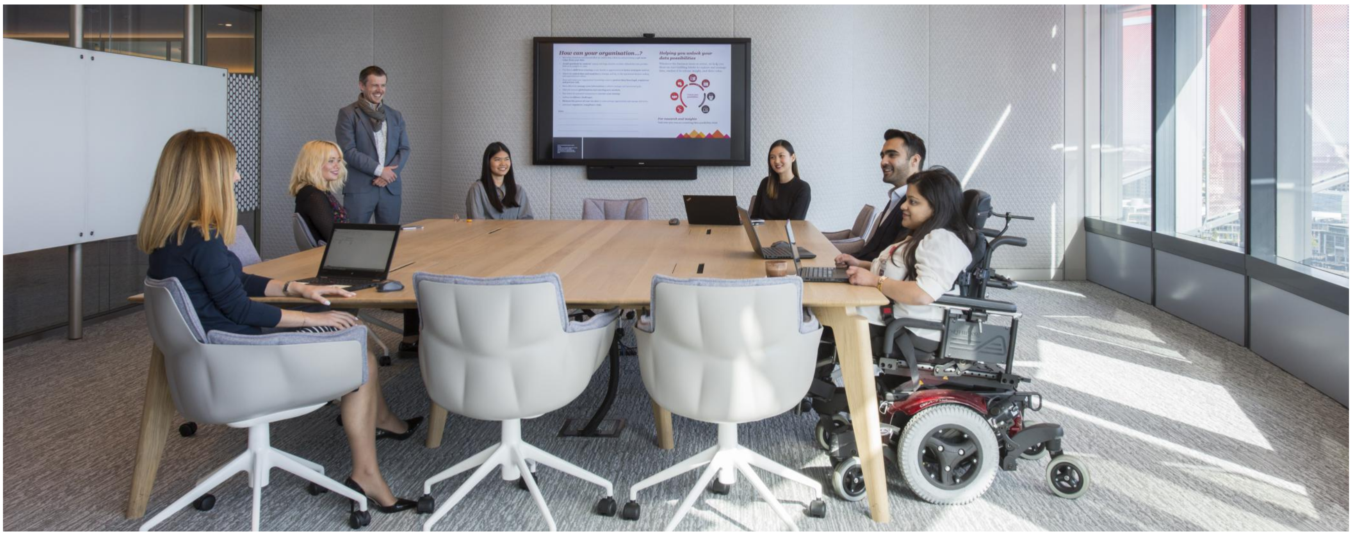
Councils should take the opportunity to challenge the gender imbalance by developing action plans that support the current group of female managers and team leaders so they have the opportunity and confidence to transition to the next level.

Equally important is for councils to consider their pipeline and recruitment rate of female employees across each business unit, and whether there are particular areas that need more assistance in attaining a more gender–diverse workforce.

Further in this section, we explore promotion within the local government sector. This highlights the importance of developing strategies to provide enhanced career opportunities and pathways as well as flexible working practices to retain women and men who wish to pursue future leadership roles.

Figure 1.28: Proportion of female employees at manager level and above





10 Workplace Gender Equality Agency (WGEA), November 2017, 'Australia's gender equality scorecard. Key findings from the WGEA's 2016-17 reporting data'.
11 Ibid.

Talent diversity

Gender diversity in senior levels

Organisations often face the challenge of how to ensure that women have the same opportunities as men to progress into senior management roles. Based on the data collected by the WGEA,[12] we can see the difficulties for Australian women seeking promotion from management to key management personnel (KMP) levels,[13] where only 29.7% of employees are women (up from 28.5% in prior year), and 16.5% are CEOs (up from 16.3%).

In our survey, we see a blended overall female CEO and director median of 20%, and this has declined from 25% in both FY16 and FY15.

It is interesting to note that metro councils are now more likely, than regional and rural councils, to have a higher proportion of female CEOs and directors, with a median of 25% (up from 20% in the prior year). Both regional and rural councils have less women in these top two roles; a median of 20% in regional (down from 29%), and 17% in rural councils (down from 20%).

One way for councils to address this gender imbalance at senior levels is to actively train and develop high performing women in the areas necessary for senior roles – finance, leadership and governance.

In the next 10 years, it is likely that the public sector will have an unusually older workforce than the broader labour market.[14] This aged workforce could lead to many vacant senior positions so we encourage councils to recognise the pool of talent in this existing group of employees and develop strategies (training, mentoring and shadowing programs, flexible working arrangements) to support female managers applying for these future leadership roles.

In addition, councils should explore the development of recruitment strategies that require equal representation for senior roles, both for candidates and the selection panel. These strategies can be useful to create a cultural shift and to change what could be promotion and recruitment 'habits'.

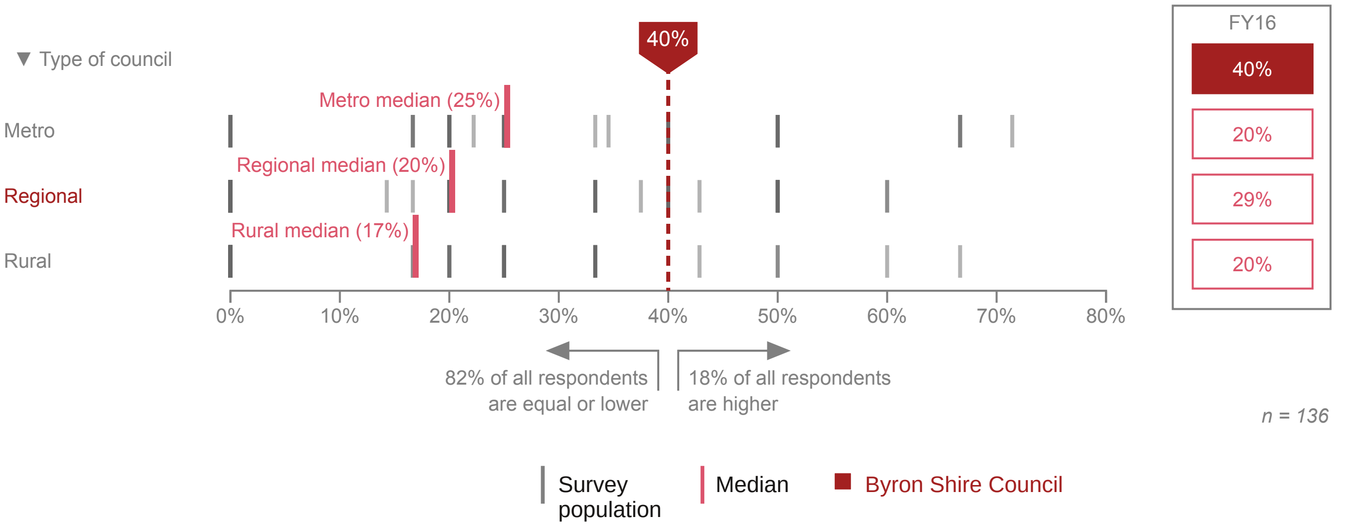
Key considerations

- Have you incorporated a focus on equal gender representation in your recruitment strategy?
- How are you developing your approach to diversity and merit based promotion and recruitment?
- Have you considered setting some diversity based KPIs for senior management?
- Have you implemented or piloted a flexible working policy and/or strategy targeted at both men and women?
- Do you have a clear outline of your future resourcing and skill needs in each business area?

The representation of women steadily declines when moving up the management levels; women comprise only 29.7% of key management personnel (KMP) positions, and 16.5% of CEO positions.

Key results from Workplace Gender Equality Agency, November 2017

Figure 1.29: Proportion of female employees at CEO and director



12 Workplace Gender Equality Agency (WGEA), November 2017, 'Australia's gender equality scorecard. Key findings from the WGEA's 2016-17 reporting data'.
13 KMP is a manager who represents at least one of the major functions of the organisation and participates in organisation-wide decisions with the CEO.
14 PwC, August 2016, '1-2 skip a few 99-100 - Is the public sector planning for the 100 year life?'

Talent diversity

Corporate service areas

We continue to see women comprising the majority of roles in customer service, finance and HR, with males dominating the IT roles.

This higher percentage of males working in IT is not dissimilar to other industries. NSW councils now have the highest proportion of women in IT, with 40%, but this is closely followed by NZ councils, with 39% female representation; a large decline from 46% in prior year. SA and WA councils are lagging with women only comprising 34% and 31% respectively of employees working in the IT function.

While the results are a good sign that NSW and NZ councils are reaching a wider talent pool, given the critical importance of technology for the future innovation of councils, we encourage councils to continue to incorporate diversity considerations when recruiting for IT roles.

Figure 1.30: Corporate service area gender diversity

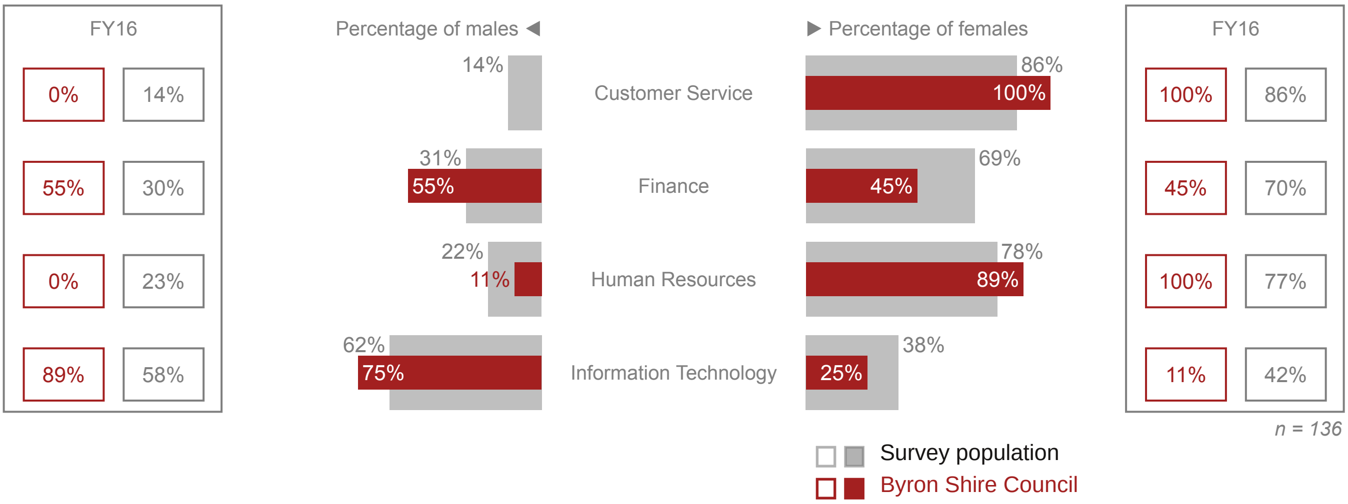
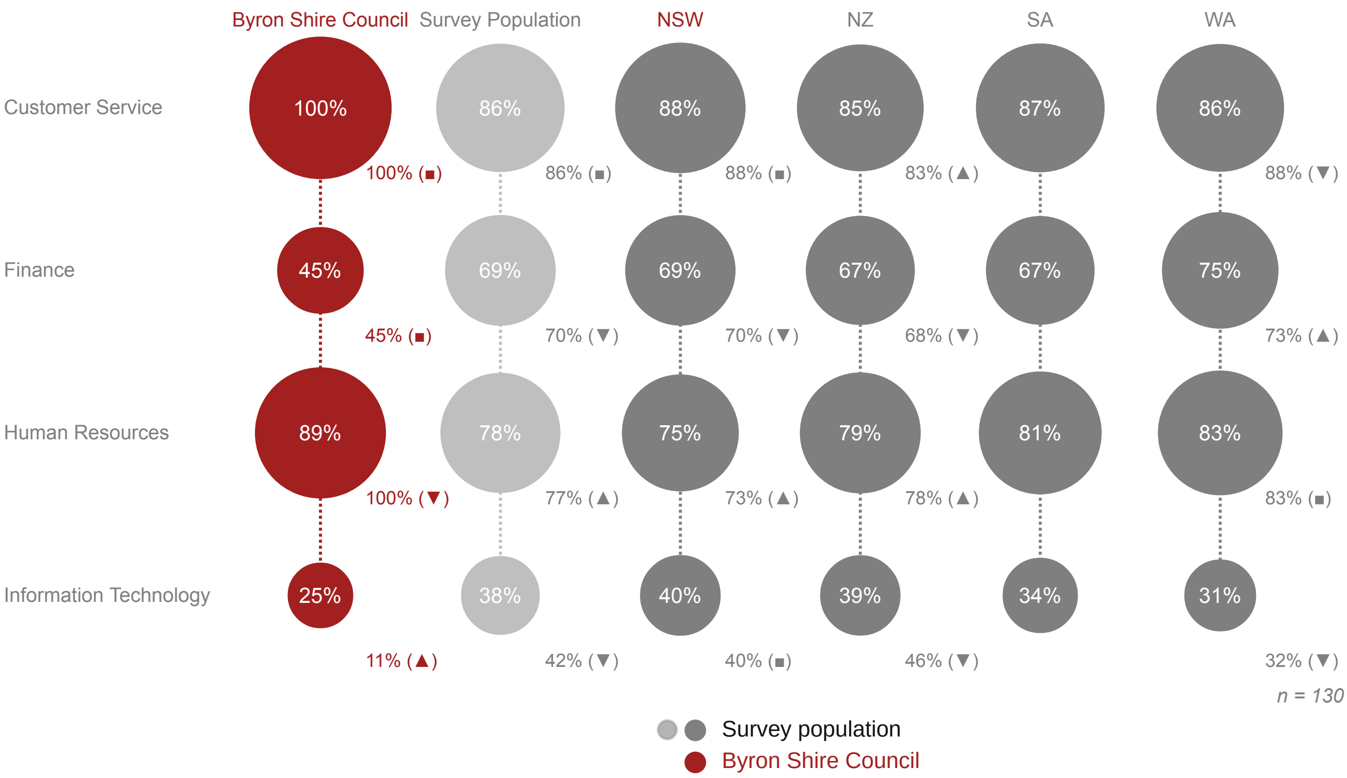


Figure 1.31: Percentage of female employees by corporate service area



Removing the glass ceiling

Promotions

A good indicator of how well a council is growing the career opportunities for women in leadership positions is the rate at which women are promoted into senior roles over time. It is important that councils are harnessing the existing pool of female talent and assessing how close they are to gender balance during promotion cycles.

To better understand the extent of promotion balance in the 2016–17 financial year, we looked at the pool of employees at the beginning of the year and, presented in Figure 1.32, the proportion of men and women who were promoted into the supervisor level or above. The 45 degree line represents equal promotion rates for men and women.

Both regional and rural councils have a similar profile of female representation at each of the staff levels. Despite this, rural councils have experienced a pronounced gender imbalance when it comes to promotions. Rural councils were twice as likely to promote men over women in FY17, compared to regional councils that promoted 1.3% of men and 1.1% of women into supervisor and above levels.

Looking at the promotion rate across council jurisdictions, SA councils are the only cluster to achieve promotion gender balance, during the 2016-17 financial year, with both 0.7% of women and men being promoted into supervisor and above levels.

In the prior year, WA councils promoted women into supervisor and above at a higher rate than men. However, in FY17, promotions into supervisor and above were more balanced; 1.0% of women and 1.1% of men were promoted into supervisor and above.

In NZ councils, we saw a much lower percentage of promotions in FY17, compared to the prior year. However, men continue to be promoted at a higher rate (1.5 times, unchanged from the prior year) to women, with 0.6% of men and 0.4% of women being promoted to supervisor and above levels. This remains an area of focus for NZ councils given they employ more women and have a higher proportion of women in senior roles, compared to the other councils.

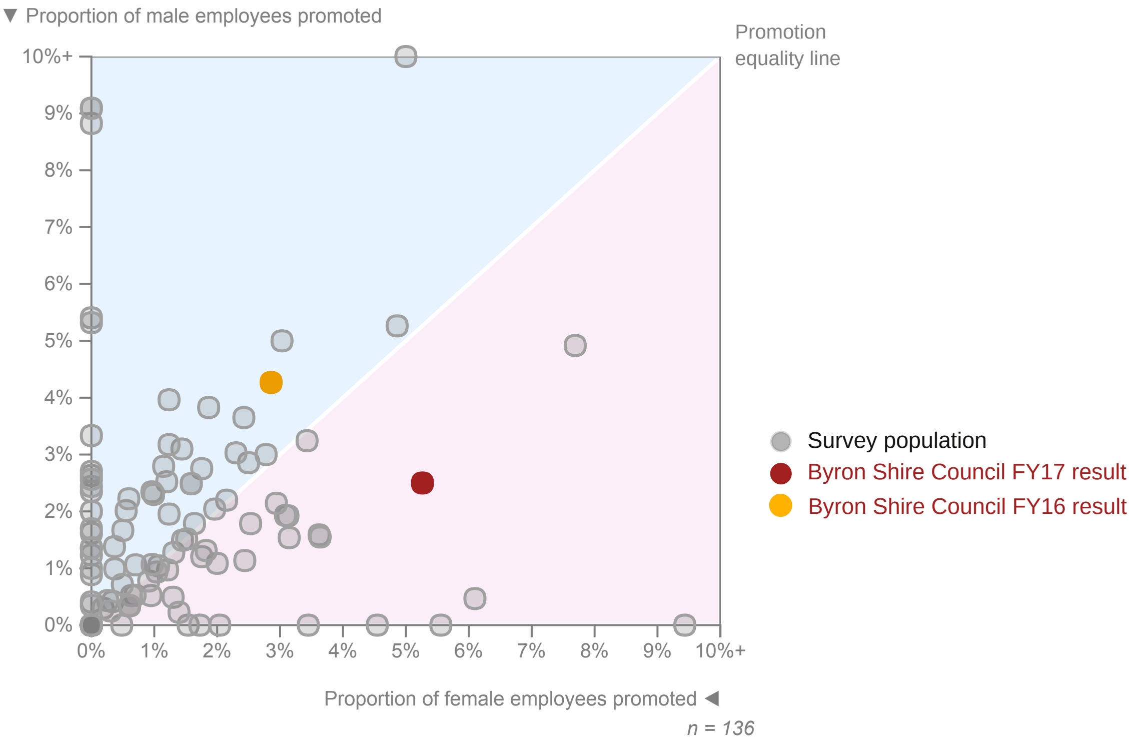
There has been no change in the promotion gender imbalance in NSW councils since the prior year; 1.0% of women and 1.3% of men were promoted into supervisor and above levels.

A single year of results should be read with care; the key issue is for each council to assess whether it is actively focused on the progression of female employees within the organisation, especially their career path to senior levels of management.

Key considerations

- Do you have a rigorous and independent talent review process that supports enhanced decision making regarding promotions?
- Have you analysed your promotions at each level? Is there an imbalance across the more senior levels? Why is this?
- Do you perform a final review of your promotion decisions to consider diversity statistics? i.e. percent of male vs. female promotes?
- Are you tackling the issue of unconscious bias, especially in regard to existing promotion processes for senior executive positions?
- How do you demonstrate to staff that diversity and promotion equality is on your senior management agenda?

Figure 1.32: Likelihood of promotion by gender into supervisor and above



Removing the glass ceiling

Rate of promotion

We have also examined the rate of promotion for female employees within different staff levels, as shown in Figure 1.33. At an overall level, it is encouraging to see that councils are taking a more serious approach in developing a strong leadership pipeline for female staff members.

The positive shift in promotion gender balance at the director level continues this year, and for the first time in two years, more women (2%) are being promoted than men (0.5%). We especially see a difference in WA councils, with 3.8% of females at the director level being promoted (up from 0% in the prior year), compared to no male promotions at the same level.

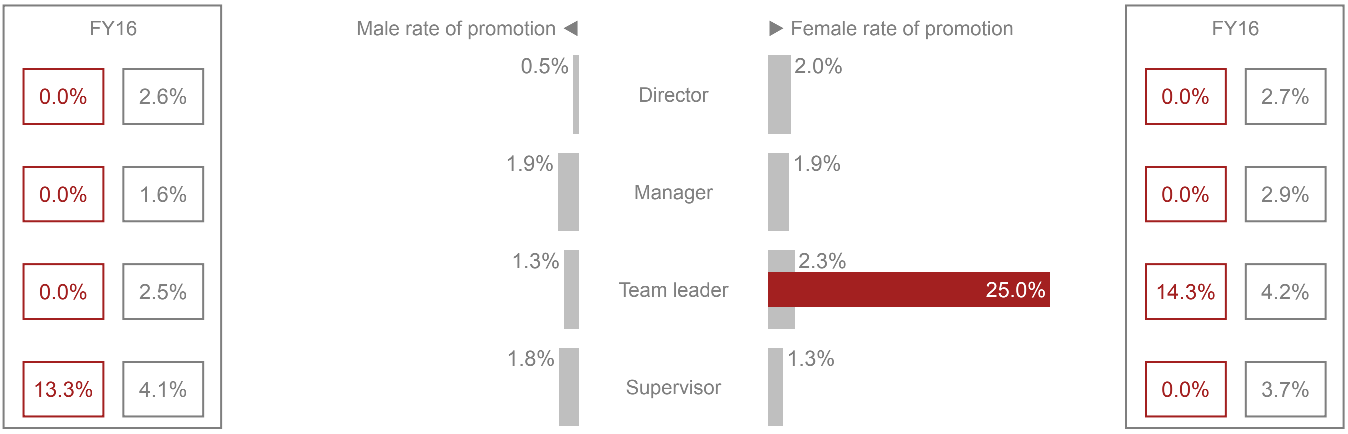
Likewise in NSW councils, we observe female directors being promoted at a faster rate, with 3.9% of females at the director level being promoted, compared to 1.2% of men at the same level. In SA and NZ, we see no promotions at this level of either gender.

The goal of any organisation is to identify, develop and leverage all existing talent. As people move into management positions, some of these skills are more generic in nature and require less technical ability. Management and leadership skills are transferable and require a balanced view of talent management.

The team leader level is an important career development milestone where staff start to become more accountable and gain valuable soft skills such as coaching, delegating and conflict resolution. Once again, we find that more female team leaders were promoted (2.3%), compared to their male equivalents (1.3%).

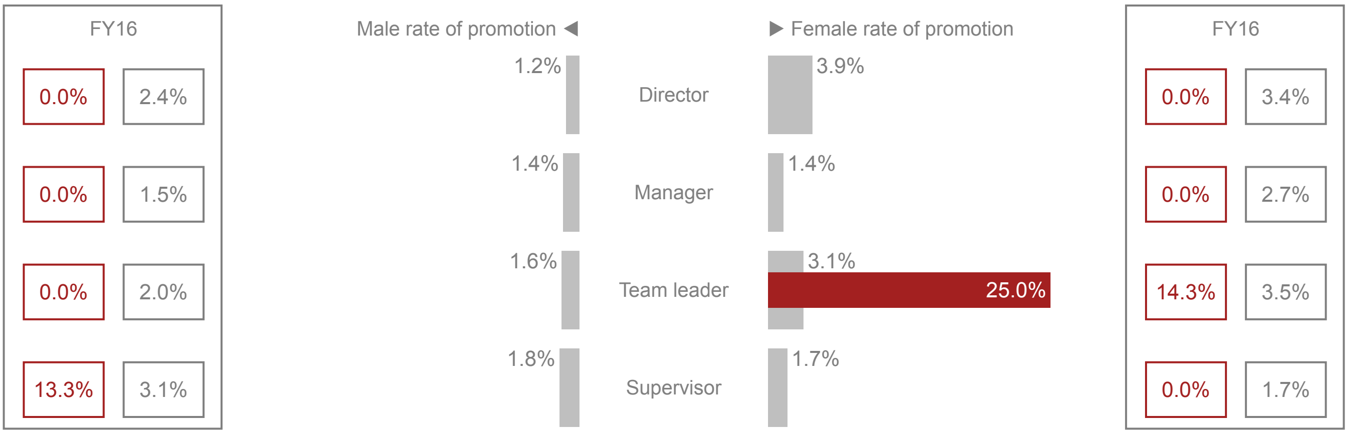
An opportunity for gender balance exists at the supervisor level and we encourage councils to consider the importance of achieving gender balance at this level, where potential successors for key management roles may emerge.

Figure 1.33: Rate of promotion - gender split by staff level



n = 136

Figure 1.34: Rate of promotion - gender split by staff level (NSW councils only)



n = 61

Survey population
Byron Shire Council

Are you leaving succession planning too late?

Generational diversity

Understanding the patterns and trends by profiling generational diversity in the workforce assists councils to plan for the future and introduce and enhance relevant HR strategies and initiatives. While we continue to see baby boomers dominating the workforce, the generational shift continues to unfold, with baby boomers now comprising 39% of the workforce, compared to 42% in the prior year and 49% back in FY14. As a result, there are now 27% of Gen Y and younger employees (up from 25% in the prior year and 18% in FY14), and Gen X employees have increased slightly to 34% from 33% in the prior year.

In Figure 1.37, we are now seeing more Gen X enter the senior management roles.

Figure 1.35: Generation headcount mix

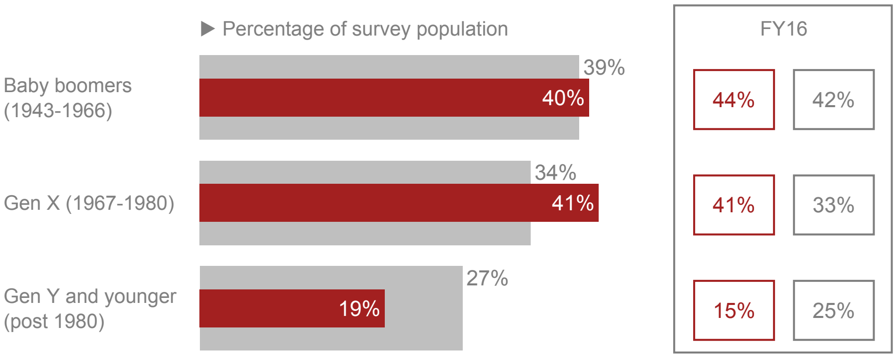


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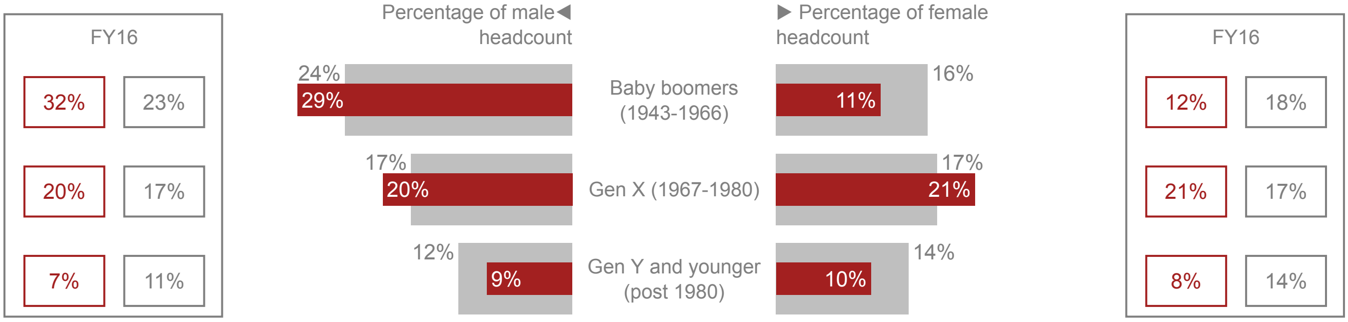
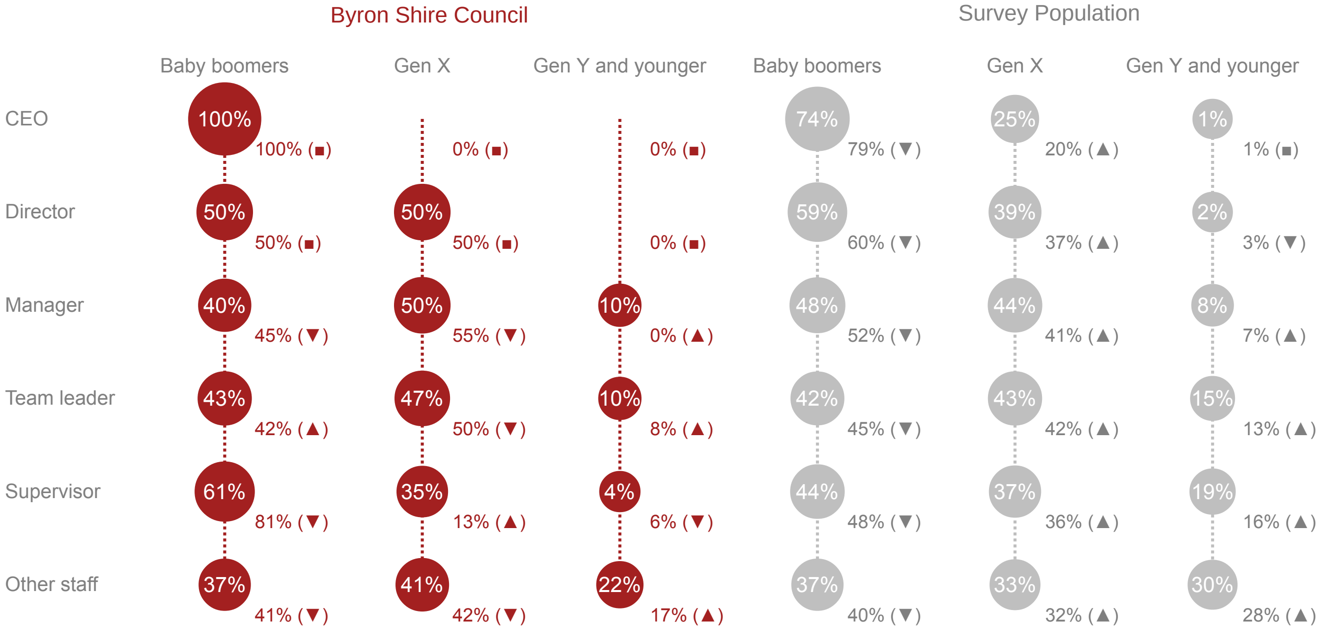
Figure 1.36: Workforce profile (closing headcount breakdown by generation and gender)



n = 136

Survey population
Byron Shire Council

Figure 1.37: Generational staff level mix



n = 134

Survey population
Byron Shire Council

Case study:
Creative hiring schemes for attracting Gen Y to the workforce

Australia, like most developed nations, is experiencing a rapid aging of the population. At June 2016, the median age of the Australian population was 37.2 years, up from 36.7 years at June 2006. This is projected to increase to between 38.6 years and 40.5 years in 2031, and between 41.0 years and 44.5 years in 2061.

The shape of the workforce in our local government program shows that baby boomers comprise 39% of the overall surveyed council workforce, with many having the option to retire in the next 5 to 10 years. Planning for more flexible work options for this large contingent of experienced employees to ease into retirement is a focus and we are also seeing councils on the path to attract and retain new and diverse talent, especially within the Gen Y cohort. We have profiled two councils who have taken a creative approach in addressing this issue.

Albury City Council, NSW

Background

As with many other regional councils, we were experiencing a skills shortage for key functions as well as facing hurdles when it came to attracting and retaining skilled professionals. We had been aware of these challenges, however they were crystallised when we prepared our Workforce Management Strategy in 2010, which led to significant workforce planning considerations.

'Grow Our Own' initiative

The ‘Grow Our Own’ program is a comprehensive traineeship/apprenticeship program. The program focuses on creating a sustainable solution to the workforce challenges identified in the Workforce Management Strategy. The main aim of the program is to ensure that Albury City is being proactive in “Growing Our Own” to cover future skill shortages in both the trade and qualified professions.

The program began in 2007 with 6 trainees, however it was enhanced in 2010 following the development of our Workforce Management Strategy - with Albury City adopting a policy of having 10% of our workforce participating in the program at any one point in time. Trainees work full time and are employed for the duration of their qualification, with their study costs, for either a TAFE certificate/diploma or university degree, being funded by our council. More than 100 people have been through the program, with nearly 20% going on to accept permanent positions within Albury City.

Key challenges and advise

The main challenge faced was managing the four-way relationship between HR, student, supervisor and the university/TAFE. Supervisors needed time to come to accept and value the program. We needed to change the mentality from “I haven't got time for a trainee” to one where the program was embraced and the goal was very clear; this was the way to build a sustainable workforce. Education of the key people was vital, not only the what and how, but also the why; staff needed to be involved, consulted and engaged.

For our students, they needed to find the right balance between work and study commitments, given study is undertaken in the student’s free time. It was critical to set a clear and structured plan at the beginning and create a support system for our students. This was our key learning and we are now taking a more structured approach, by developing clearer procedures and frameworks around the program.

Benefits

The benefits of this program extend beyond the direct benefits to building a sustainable council workforce. We are also seeing the huge positive impact on the individuals involved, the community, and the local government sector. Aside from addressing our skills shortage, the program provides opportunities for our people to live and learn locally in a large and diverse organisation. It also helps to build the community capacity and helps the local labour market gain skilled workers in a more sustainable way.

Our trainee program has resulted in a number of trainees being successful in a professional role where previously it was difficult to attract suitably qualified applicants. It has been a key part of Albury City’s succession management process and has contributed to a sustainable workforce. It has also reduced our average workforce age from 47 to 44 and plays a part in refreshing our organisational culture.

Case study:
Creative hiring schemes for attracting Gen Y to the workforce

Parkes Shire Council, NSW

Background

Our council has an aging workforce with up to 50% of its workforce expected to retire in the next 2-10 years. In addition, we face a skill shortage, and issues attracting and retaining young engineers within a rural regional council. A report from Hays Recruitment agency found that in NSW, a growing construction industry is driving demand for civil engineers. As a result, our CEO set a target; 10% of our council's workforce need to be trainees, apprentices or cadets by 2020. This is an attempt to encourage young people to live, work and study in the Parkes Shire.

The Major Industrial Project Placement Scholarship (MIPPS)

The MIPPS program is a scholarship program set by the University of Sydney in which top final year students in chemical and biomolecular engineering are placed in a relevant company for 6 months, enabling them to gain hands-on experience on real projects. We were first introduced to the MIPP's program through the delivery of our new large water and sewer infrastructure project. After a very brief introduction to the program, we signed up as a partner for the 2016 year.

In addition to the MIPPS program, we have participated in other similar initiatives such as the UTS LG Engineering Program, University of Newcastle Scholarship program, University of Southern Queensland Distance Education program and Western Sydney University post-graduate program, amongst others. This has allowed us to work with either local students who want to work full-time while studying distance part-time, or provide scholarships for students to study full-time and work with us during the vacation period, or to provide for short-term vacation, thesis or post-graduate work.

Key challenges and advise

The main challenge we have faced is being able to continue the student engagement beyond the MIPPS project itself. While we have offered the MIPPS students full–time positions following their placements, due to the high calibre nature of these students, they have had various other opportunities available to them and generally opted to take the alternative job opportunities. Despite this we see benefits to an ongoing involvement with MIPPS, and it is entirely manageable by developing tightly contained and discrete projects. It is fair to say that it is difficult to build on the specialised knowledge developed in the projects beyond the annual 4-5 month MIPPS period, and also limits the organisational capacity building that could potentially be leveraged from the scheme. As such, other councils looking to become involved in MIPPS or similar schemes should look closely at how to make the most out of this periodic hosting and mentoring of students, or even at ways of encouraging students to become employees to gain longer-term benefits to the organisation.

Benefits

The program made absolute financial sense - for an investment of less than $40,000 for the 6 month period where we host MIPP's students, the trainees have built a hydraulic model alongside operational staff for an output that has been equivalent to that produced by competent consultants charging up to four times this figure for a "lighter" touch.

Another benefit is having a full–time resource invested in a particular issue for our business. It has meant that the project has actually got off the ground rather than competing with business-as-usual priorities. This focus on critical issues has helped us address the potential for the issue to manifest as a key risk at some point in the operational cycle.

The implementation of these type of initiatives in our council has had a positive impact within our organisation. They have helped identify and even resolve issues in service delivery, operations and compliance; helped to boost productivity of our major projects team and exemplified youthful enthusiasm and dedication, helping to lift staff motivation and morale. We have also seen the percentage of young trainees, apprentices and cadets within our workforce increase from 4.4% in 2013 to 8.5% in 2016.

Are you leaving succession planning too late?

Potential retirements

As a result of the current generational workforce trend, councils need to start planning, given the significant effect on future resourcing requirements.

In less than 10 years (by June 2027), we can predict that 26% of workers who were employed by councils at 30 June 2017 will reach the retirement age of 65 years and have the option to retire.

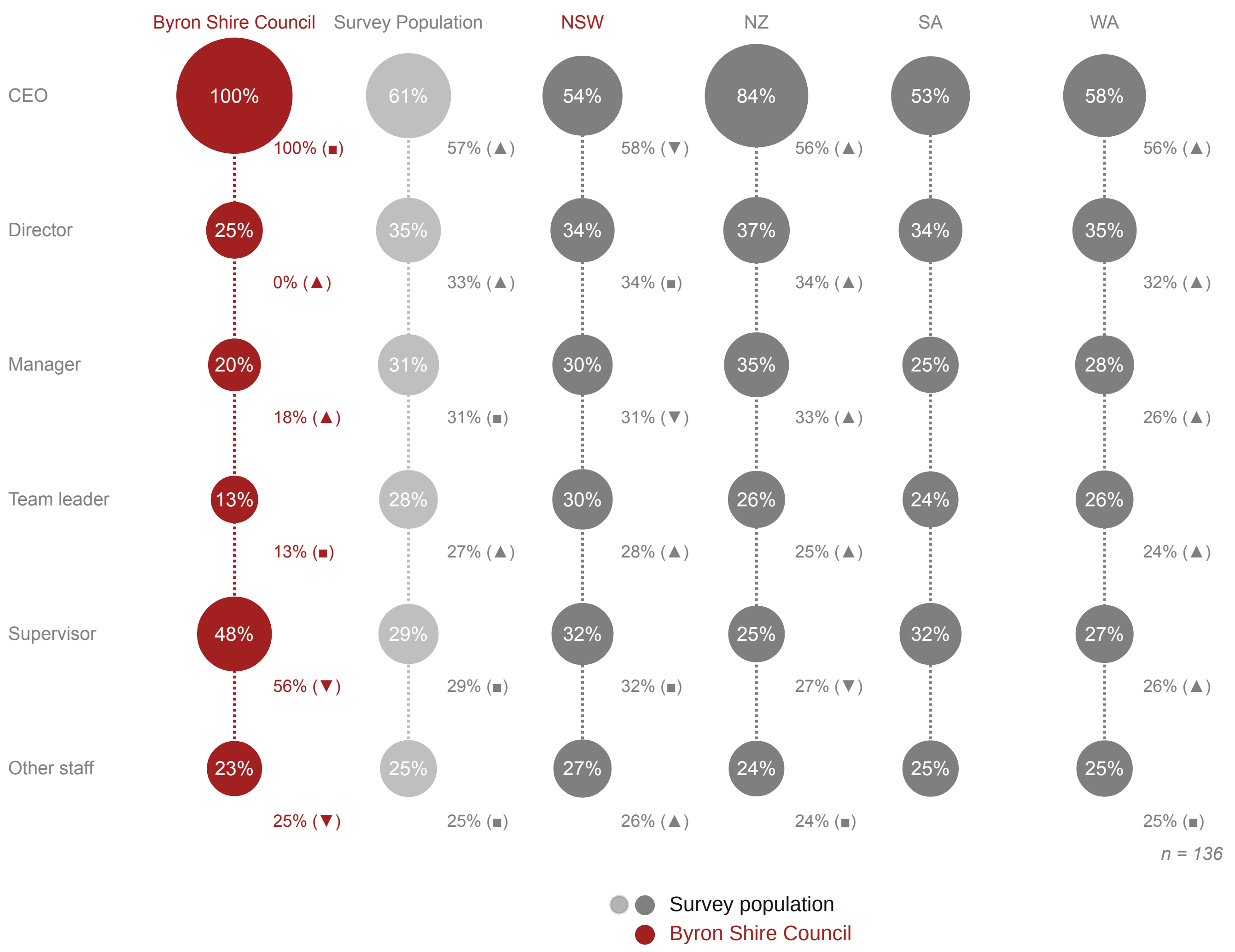
It is particularly concerning as it will be some of the most senior positions that are impacted in ten years, with 61% of the current CEOs due to reach the retirement age of 65 years and have the option to retire; this is magnified for NZ councils, with 84% of CEOs potentially being in a position to consider retirement.

Across all council jurisdictions, this is further compounded, by the fact that 35% of all current directors, will also find themselves in a position to consider retirement in ten years.

This large number of senior employees reaching retirement age should be a key focus for local government. It is important that any underinvestment in knowledge management and knowledge transfer capabilities be assessed, given most councils would have become accustomed to a stable, experienced workforce provided by these workers.

As such, senior leaders within councils need to examine whether they have adequate workforce planning and HR strategies for dealing with impending retirements. This means creating strategic HR plans to ensure resourcing will be adequate into the future as well as building a strong leadership pipeline now.

Figure 1.38: Potential retirements by June 2027



Are you leaving succession planning too late?

Succession planning

A good succession planning program is about retaining high-performing employees and building capability resilience into all levels – especially the senior leadership team. If councils invest in identifying, rewarding, challenging and developing the skills of their key talent, the pool of potential successors remains strong within the council, as there is a reduced need for these employees to further their careers elsewhere.

As highlighted, there is an identified risk in losing vital talent, local government expertise and leadership skills over the next 10 years. It is therefore essential for councils to establish a formal succession planning program to help them identify and develop emerging talent as potential successors for key leadership roles. To nurture this identified emerging talent, councils should look to offer management training, mentoring, secondments to other councils, 'acting' opportunities in more senior roles and other leadership opportunities to keep building and developing this pool of talent.

In our program, we see almost 9 out of 10 councils (87%) without a formal succession planning program. We acknowledge that some councils choose to create a talent succession plan and work with other nearby councils to identify potential leaders, especially in rural locations. While this may have worked well in the past, we suggest formalising this approach given the reality that lies ahead for most councils.

NZ councils are now starting to focus on this important HR initiative, and are more likely to have established a formal succession plan (19%, up from 7% in the prior year), compared to WA (13%, up from 9%), NSW (11%, down from 13%), and SA councils (6%).

Some options that may make the transition easier for councils upon retirement of their senior management is:

• Implementation of deputy CEO positions to build succession experience and allowing these roles to 'act' as CEOs as needed

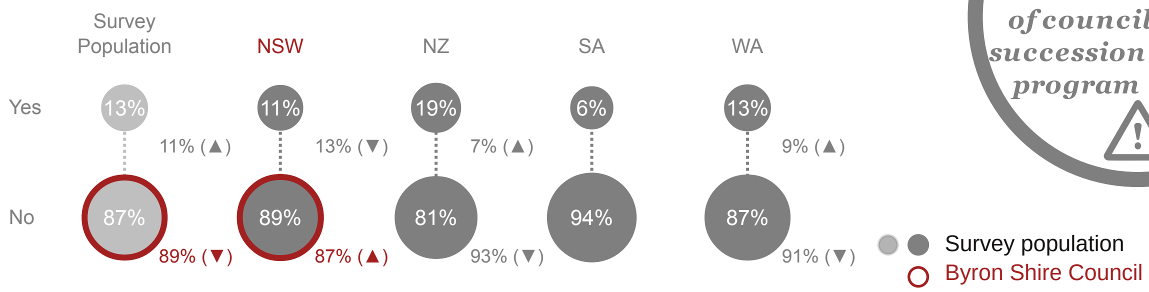
• Appropriate handover and shadow time for the successor

• More flexible work arrangements to prolong employment and delay retirement for key roles, e.g. transition to three days per week or act as a consultant performing services on an as-needs basis.

Key considerations

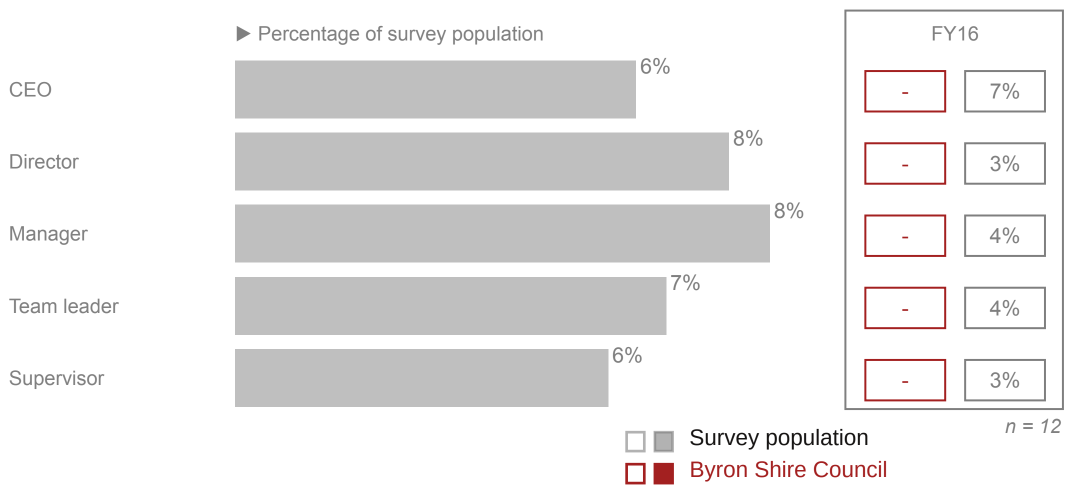
- Are you considering the best methods of transitioning senior management positions upon retirement?
- Who is responsible for creating strategies and action plans that focus on the long term resourcing health of your senior leaders?
- Have you engaged across the organisation to highlight the issues i.e. have you engaged senior leaders, line managers, HR or a combination?
- Do you have a plan as to how to create accountability and visibility by embedding formalised succession planning into the culture of your council?

Figure 1.39: Did your council have a formal succession planning program in FY17?



n = 136

Figure 1.40: Percentage of staff with a succession plan in place



n = 12

Do you have an active leave management strategy in place?

Annual leave

An active leave management strategy recognises the importance of both the well being of the employee and the financial liability for the organisation. Failure to rest and recuperate may result in health problems and stress-related productivity issues for employees. The financial impact is also important, given over time the value of leave balances can increase significantly as individual pay rates rise.

Our survey results show that as of 30 June 2017, 35% of employees carried more than four weeks of annual leave (down from 37% in the prior year) and 8% had more than eight weeks accrued (down from 9% in the prior year). This downward trend is primarily due to the result of lower annual leave balances in the NZ council workforce; 27% of employees carry four or more weeks (down from 32% in the prior year), compared to 40% in NSW, 35% in SA and 33% in WA.

When analysing the proportion of employees carrying more than eight weeks of accrued annual leave, this is most pronounced across the NSW council workforce, with this group of employees being 3 times more likely to carry this excess accrued leave balance (12%), compared to NZ council employees (4%). Meanwhile, 8% of both the WA and SA council workforce carry more than 8 weeks accrued annual leave.

The higher proportion of unused annual leave in NSW councils is even more concerning when we look at this in conjunction with the paid overtime hours per FTE metric. We observe the median NSW council, with an annual paid overtime per FTE of 50 hours, which compares unfavourably to the median WA council result of 20 annual paid overtime hours per FTE and the median SA council with 16. Meanwhile, the NZ council workforce is using their annual leave and has the lowest median council annual paid overtime per FTE of 13 hours.

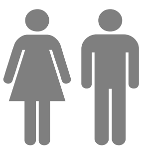
The generational shift in the workforce that is currently occurring makes this the right time for local government, especially NSW councils, to implement an active leave management strategy. From a financial viewpoint, at least one out of three employees are effectively rolling over one month of salary each year. Just as concerning, if not more important, is the wellbeing factor and the prevention of stress-related illness. Enterprise negotiations often focus on leave entitlements and the family and community benefits of leave; if the evidence shows that these existing leave benefits are not taken, then the value and relevance could be questioned.

Key considerations

- Are you making your managers accountable for managing leave balances for all staff?
- Are you analysing high level balances and high overtime hours by business unit?
- Are your senior managers with high leave balances, modelling the desired leave behaviour? Is this impacting your staff at the lower levels?
- Do you encourage a culture where leave is used as a way to maintain good health and wellbeing?

33% of your workforce has 4 weeks leave accrued

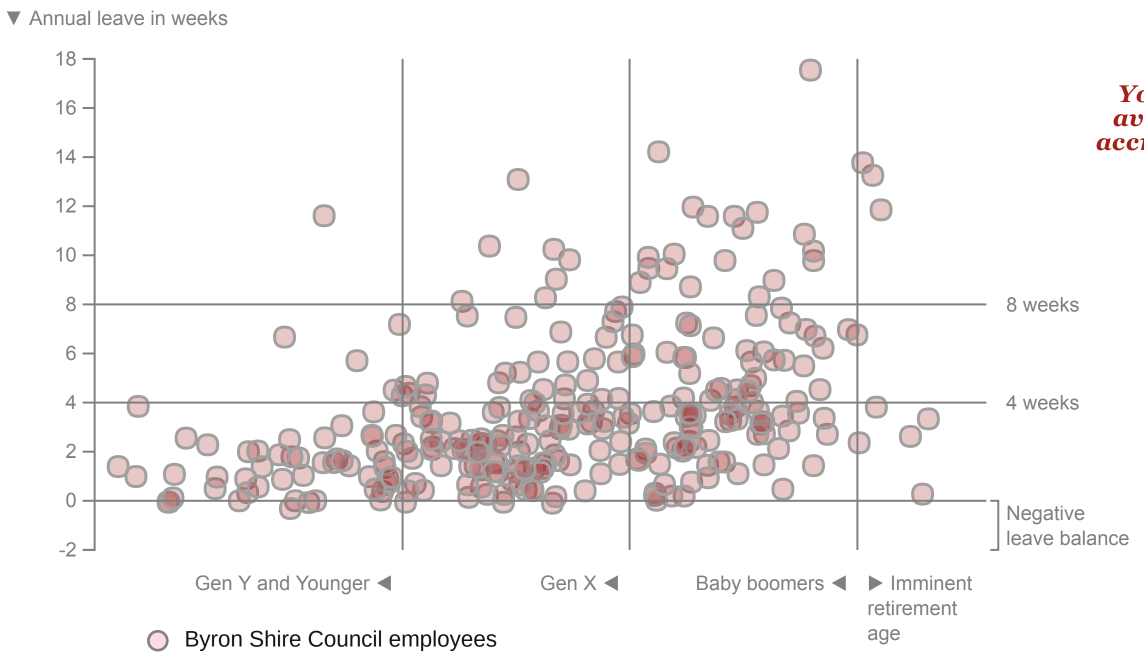
10% of your workforce has 8 weeks leave accrued



40% of the NSW surveyed workforce has 4 weeks leave accrued

12% of the NSW surveyed workforce has 8 weeks leave accrued

Figure 1.41: Employee annual leave balance



3.9

Your council's average weeks accrued leave per FTE

The importance of managing long service leave and retirement

Long service leave

Because only Australian councils have a statutory obligation to accrue long service leave for their employees, we have excluded NZ local governments from our calculations in this section.

The generational shift within the workforce is happening in NSW, and people are retiring after long careers. At the same time, overall employee turnover is increasing, and yet the percentage of employees with long service leave balances over 12 weeks remains at 28% in NSW councils; a result that has not moved in the past four years.

This means that a portion of retiring and long-serving departing employees are being replaced in this measure by younger generations who appear to be retaining the leave accumulation practices of the prior generation(s).

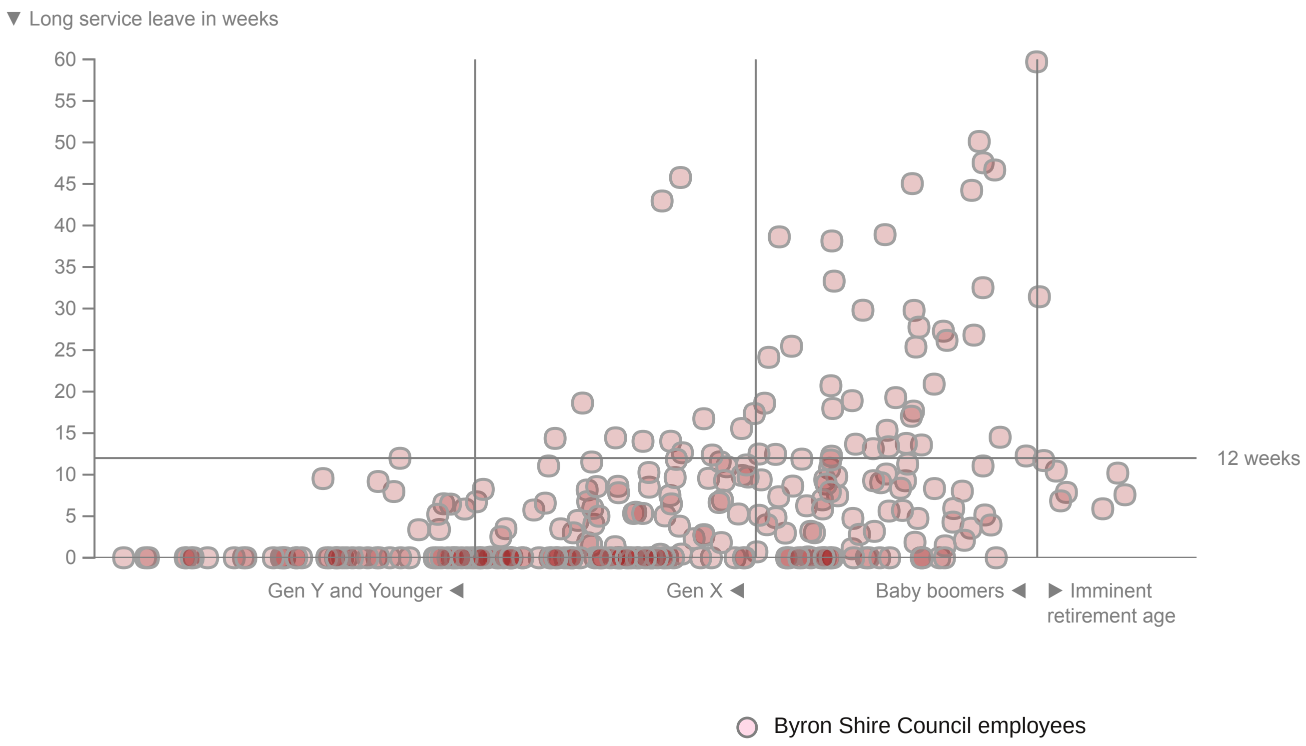
We find much lower percentages of the surveyed workforce carrying more than 12 weeks of long service leave in WA (6%) and SA (11%).

Councils with a significant proportion of their workforce in the baby boomer generation should consider their financial liability, due to the impending retirements of this group of employees. These councils need to develop a strategy, or refresh their policies and procedures around the taking of leave, to avoid a cash flow shock over the coming years, and to help manage the transition from work to retirement for employees and the council.

Potential benefits that stem from implementing an active long service leave management program include:

- An improved skill base, as existing employees accept opportunities to 'act' in different roles
- A more engaged workforce, due to the variety of work on offer
- A shift in the workplace culture, where senior management models the desired behavior of using accrued leave
- A smoother transition from work to retirement, leading to better employee welfare, knowledge retention, and knowledge transfer within the council
- The ability to establish a long-term plan in the event of a skills shortage
- A refreshed workforce, possibly leading to less sick leave and lost time from injuries.

Figure 1.42: Employee long service leave balance



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

• The extent to which excess absenteeism can be attributed to low employee engagement.

Across the survey population in the 2016–17 financial year, the 25% of employees who used a small amount of sick leave took 2.4 days or less (up from 2.3 days or less in the prior year), and on the other end of the spectrum 25% of employees took 9.9 days or more (down from 10.5 days or more in the prior year). The remaining 50% of staff took between 2.4 days and 9.9 days of sick leave – this is the 'normal' range.

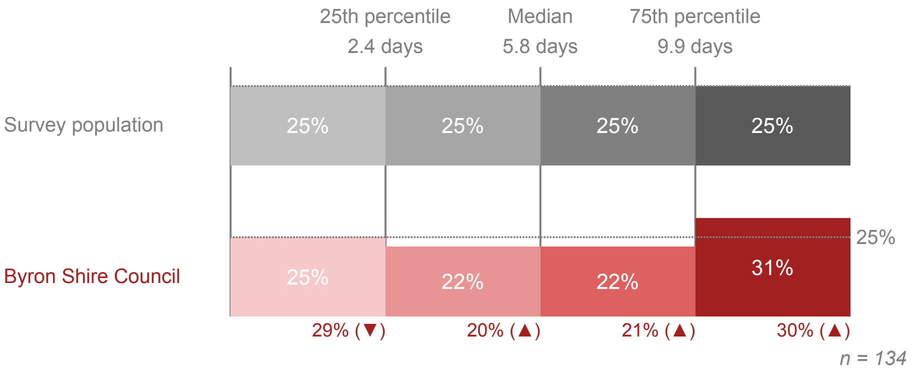
It is important for each council to examine their sick leave profile in Figure 1.43. What percentage of your employees fall within the 'normal' range? If you have more than 25% of employees in the higher range (taking more than 9.9 days), do you understand why certain employees are reporting high levels of absenteeism?

To gain a deeper understanding of your 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 1.44. A high level of absenteeism among employees at the supervisor level can have a demotivating effect on the lower levels of staff, which may lead to higher absenteeism in the team overall.

Key considerations

- What percentage of your employees fall at the top end of the sick leave spectrum?
- Which employee groups are reporting consistent high levels of absenteeism?
- Are you understanding the root cause of critical absenteeism to apply preventative measures?
- Do you equip managers with the ability to manage and monitor absenteeism and look for patterns and trends?

Figure 1.43: Breakdown of percentage of employees taking sick leave by quartile



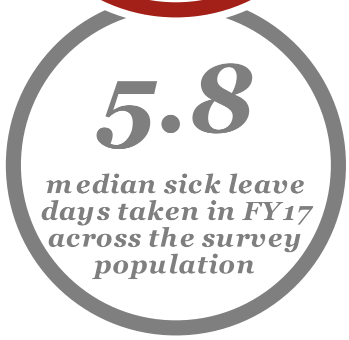
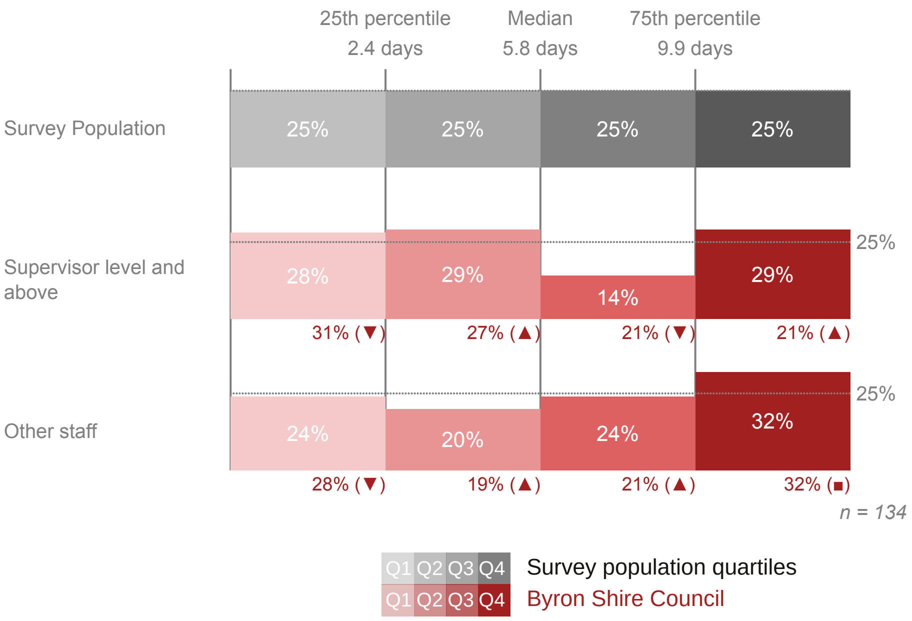


Figure 1.44: Breakdown of percentage of employees taking sick leave by quartile



Are you equipping staff with new skills?

Staff training

Our survey results show that 99% of councils set a formal training budget each year, however, only 24% of councils with a training budget for the 2016–17 financial year actually spent the full amount. This trend has been observed for some years now and remains an issue for the sector. Our new SA councils are more likely to use their training budget compared to other jurisdictions, with one third spending the full training budget. Conversely, WA councils are least likely, with just 16% spending the full training budget.

Those councils that are spending less per FTE on training compared to the full training budget should be examining the reasons behind this decision and the possible ramifications on the workforce.

This lack of spending suggests an actual training strategy may be absent to convert the budget into a mixture of effective technical and soft skills training courses or activities, even though good intentions may have existed during the budget setting cycle. It could also be a sign that employees may not be allocated sufficient hours in the year to develop their skills.

Equipping staff with new skills has become even more important with the rapid change in customer and employee expectations, and the increasing need to innovate ways of working and keep up with technological advancements. Flexibility and adaptability are important attributes and equipping managers as well as junior levels of staff with the confidence to engage and interact in new ways is critical.

If council lacks commitment when it comes to creating opportunities for learning, this may lead to reduced productivity, low staff engagement, loss of staff, reduced management pipeline, as well as an inability to innovate and quickly respond to changing circumstances.

Some ways to provide staff training options without impacting their day to day roles could include:

- Offering short or long–term secondments to other areas of the business or councils
- Providing short and sharp sessions such as 'lunch and learn', e-learns
- Incorporating training into planned social or team bonding sessions.

Figure 1.45: Is your council spending its training budget? (A$)

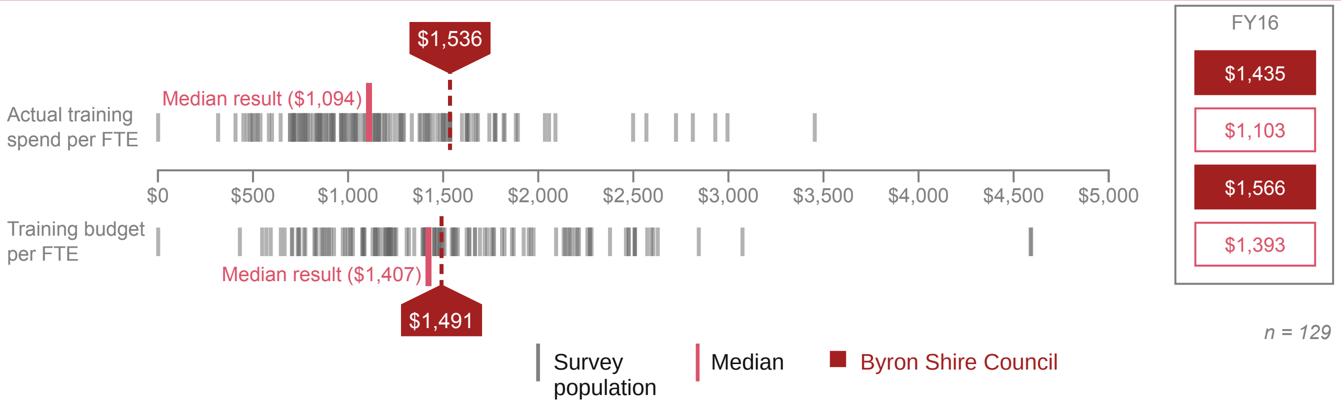
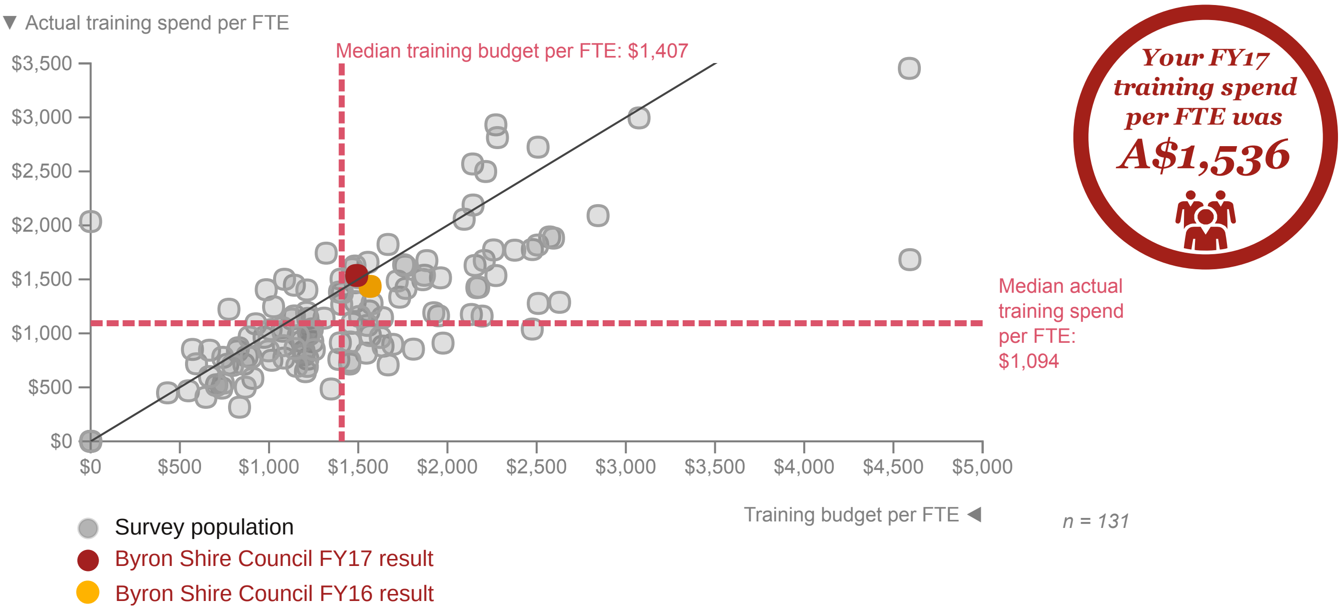


Figure 1.46: Actual training spend against training budget per FTE (A$)



Strategy and performance are intrinsically linked

Performance appraisals

Committing to providing honest and timely performance feedback can have a significant impact on employee morale and productivity, as well as create a culture of continual improvement. These feedback conversations should be focused on how the employee differentiated themselves and areas of focus in the future, as opposed to assessments and ratings.

Our survey continues to highlight that CEOs and directors (75%) are more likely to receive a formal performance appraisal, compared to staff members at any other level, up from 73% in the previous year. Remaining stable is the 69% of managers receiving formal feedback during the year.

WA councils have a strong performance management culture with increases from prior year across all staff levels. At least three quarters of staff within each staff received a formal performance appraisal.

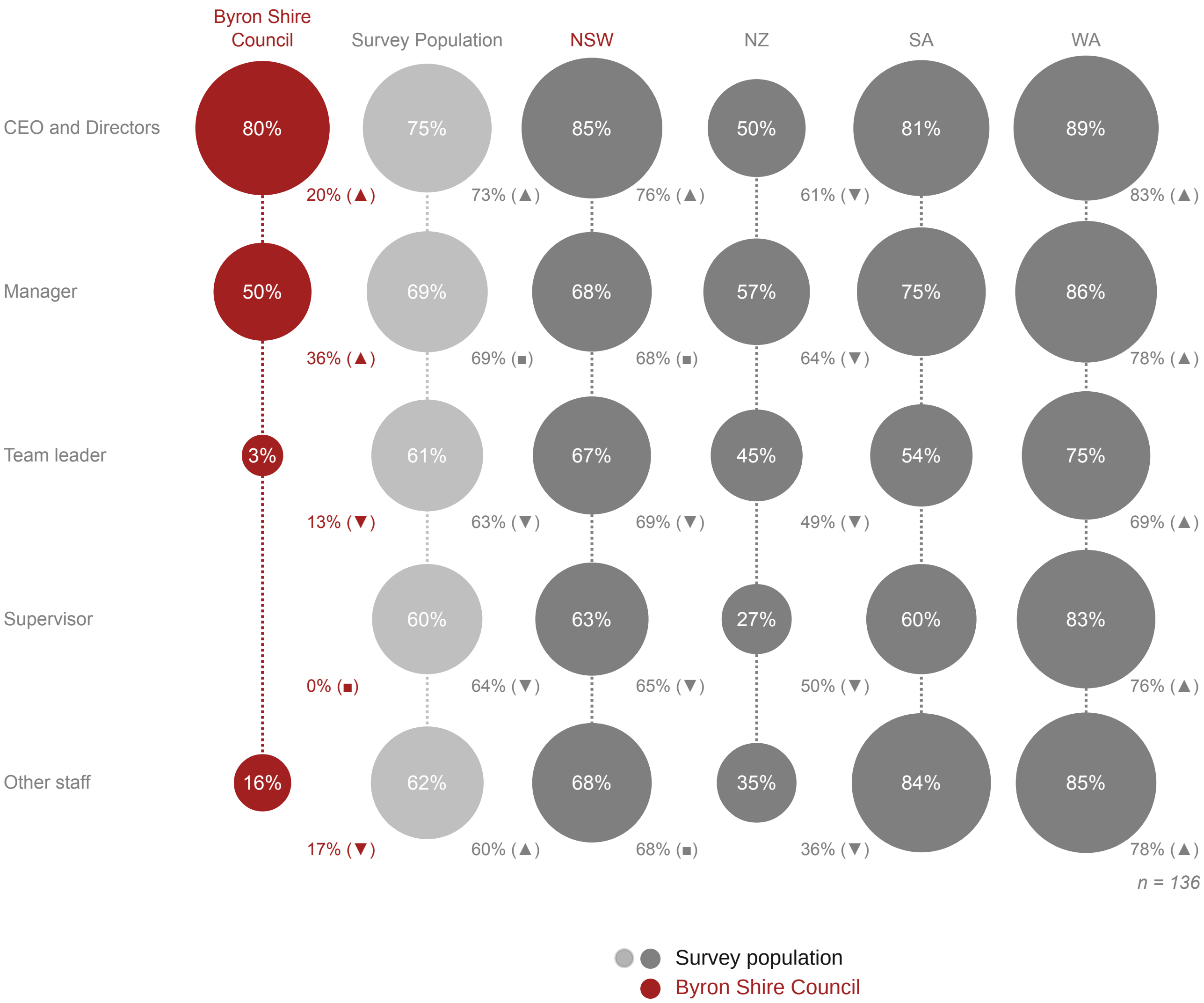
Conversely, we see a dip in the performance management culture across NZ councils. We see a decline in the percentage of employees across all staff levels compared to the prior year. This is particularly apparent for staff at the level of supervisor, which has decreased to 27%, down from 50% in the prior year.

Across all staff levels in NSW councils, the provision of formal feedback either remains unchanged or has reduced slightly, except for 85% of CEOs receiving a performance appraisal, up from 76% in the prior year.

Regular informal feedback and recognition is just as important as annual or half-yearly formal appraisals. It is important to recognise achievements, identify performance issues and plan for further development needs.

We encourage councils to re-balance the conversations to be forward looking, focus on future career paths and the capability and development required to achieve this, along with providing constructive feedback on past performance.

Figure 1.47: How many of your employees had a formal annual performance appraisal in FY17?



Are your workforce costs growing faster than your revenue?

Productivity

It is very challenging to measure productivity; there are many variables that can influence revenue (outputs) and costs. As a result, we present a directional view only, looking at councils' overall relative performance in this area and identifying performance segments on the charts below, as a guide to help councils plan for the future.

Our productivity segmentation measure aims to assess whether councils are improving the balance between the level of their controllable outputs (measured by controllable revenue), compared to the increasing costs of their workforce.

There continues to be a clustering of councils (33%, up from 30% in the prior year) within the 'prudent growth' area of the chart. This suggests councils are increasing their controllable revenues at a faster rate than their workforce costs.

The continuing shift away from the 'austerity' area of the chart, with 18% of councils (down from 23%) sitting in this area and the ongoing 31% of councils in 'aggressive growth', indicates that, during the 2016–17 financial year, while councils have experienced reasonable output growth, it has been difficult to keep up with the growth in workforce costs.

There are many factors which could contribute to these results, and councils should consider how the following may affect their productivity and growth:

- Introduction or improvement of automation, and other process optimisation measures
- Workforce review: does your workforce have capacity? Are all roles needed? Can your current staff levels cope with the ramifications of growth?
- Increase to revenue or top line based on the services you provide and the recovery of costs
- External factors, such as population growth, land values, government changes and legislations, could also be affecting the output growth and therefore overall productivity.

Definitions

Output growth is year-on-year controllable revenue growth that excludes revenue from providing outsourced services, all types of grants and domestic waste management revenue.

Workforce growth is year-on-year growth in total employee costs.

Figure 1.48: Productivity compared to survey population

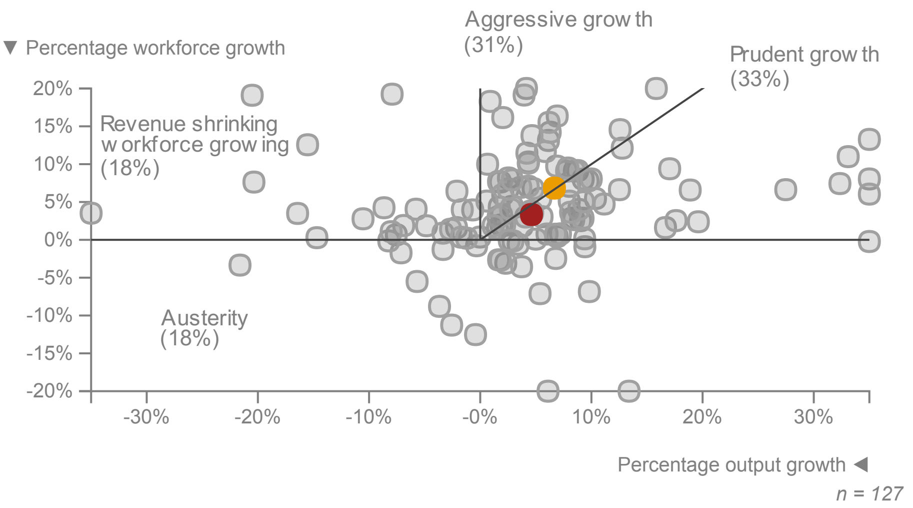
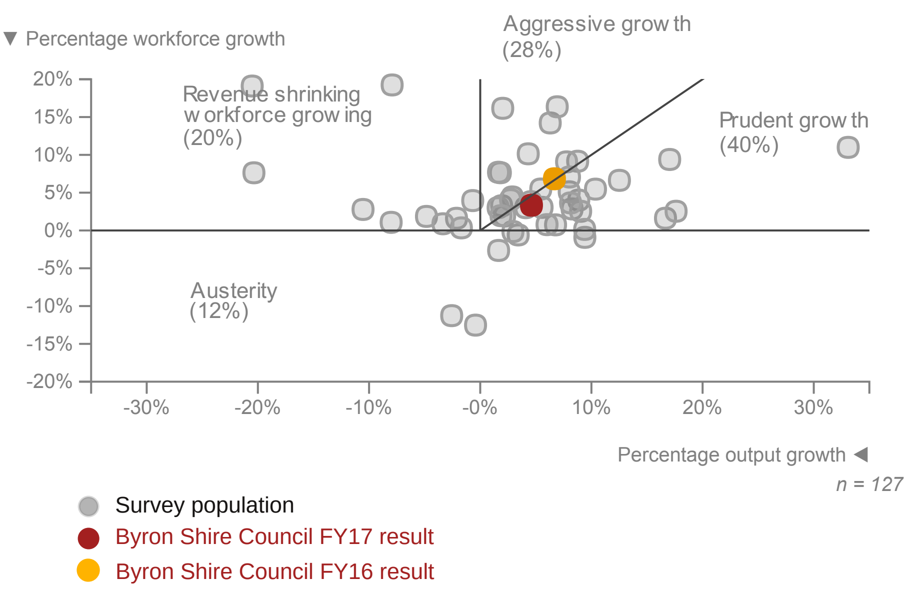


Figure 1.49: Productivity compared to Regional councils



How do you manage lost time injury incidents?

Lost-time injuries

In Figure 1.50, 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.

It is encouraging to see that, during the 2016–17 financial year, there is a decrease in the average rate of incidents across all age groups of workers.

While the two higher age brackets (60+ and 46-60) have seen decreases in the number of incidents per 100 employees, from 3.8 to 2.3 for those aged 60+ and from 3.7 to 2.4 for those aged 46-60, they continue to be the highest relative number of incidents per 100 employees. Councils should further explore the nature of these incidents so they can implement awareness and wellbeing programs that target the 46-60 and 60+ age groups.

NZ councils continue to have a much lower number of incidents per 100 employees (all age brackets at or below 1 incident per 100 employees), and this is reflected in a much lower volume of 11 days lost per 100 employees, compared to 99 in WA, 73 in SA and 63 days lost per 100 employees in NSW councils. 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 incentivises safe work practices.

Key considerations

- Is your number of incidents per 100 employees trending downwards?
- Do you use the data you collect on incidents to support and improve your prevention program?
- What was the nature of the incidents? How did they rate on a scale of very serious to minor?
- Do you regularly report volume of incidents by service area to council?

Figure 1.50: Lost time injury incidents

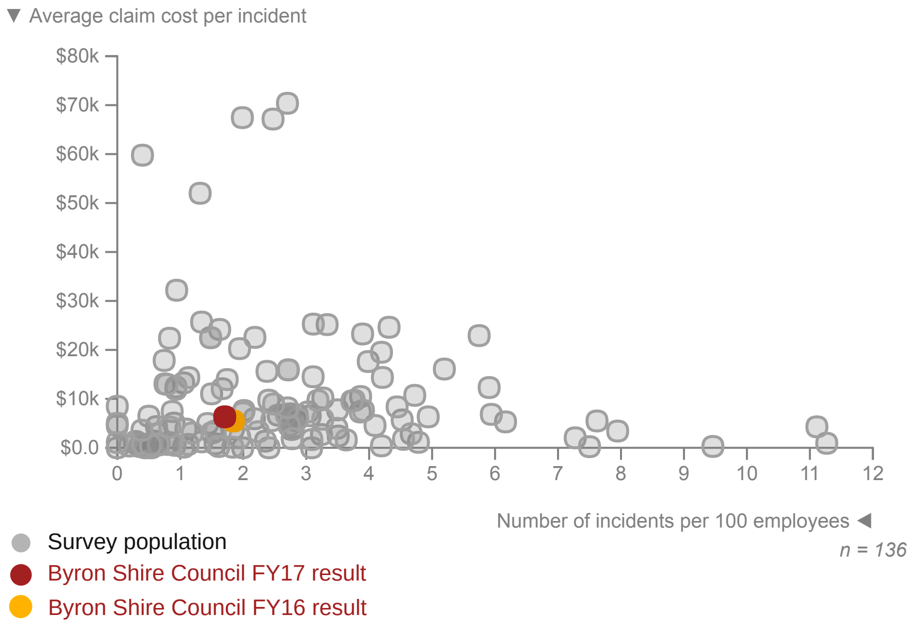
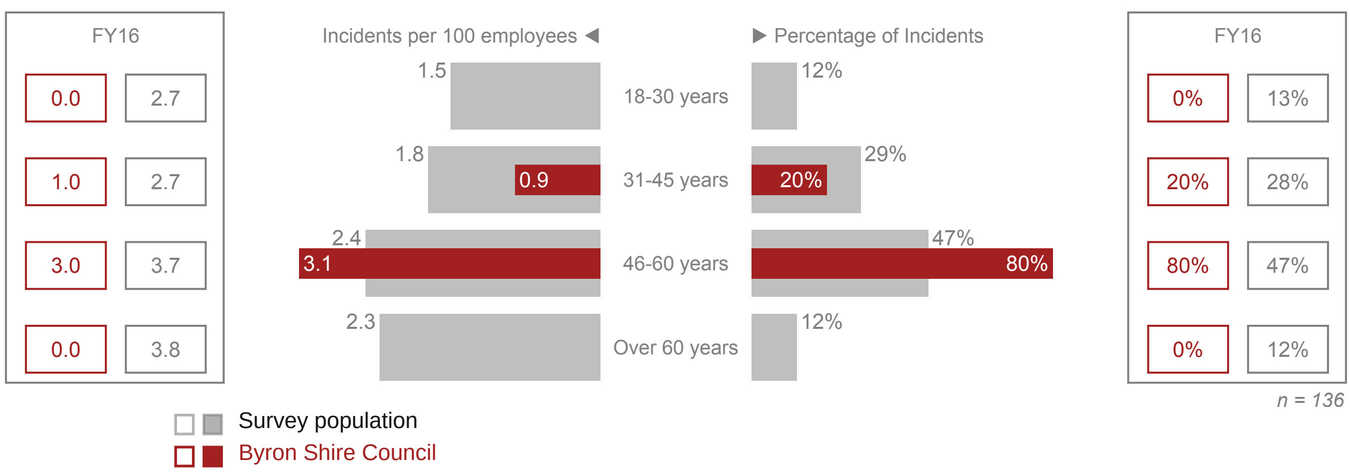


Figure 1.51: Incidents per 100 employees by age bracket



Finance

24% of finance function effort is devoted to business insights

2.2% median cost of finance as a percentage of revenue

7 business days for top quartile councils to close and report financial results

Finance Trend Summary

Byron Shire Council

Measure		FY14	FY15	FY16	FY17	Change from FY16 to FY17
1. CFO works closely with general manager and leadership team	Byron Shire Council	Yes	Yes	Yes	Yes	
	NSW Survey population	44% (Yes)	59% (Yes)	64% (Yes)	61% (Yes)	
2. Finance employees with at least a bachelor degree	Byron Shire Council	21%	21%	18%	18%	■ 0%
	NSW Survey population	34%	36%	37%	36%	▼1%
3. Finance function effort - transactional tasks	Byron Shire Council	67%	67%	61%	52%	▼9%
	NSW Survey population	66%	62%	60%	60%	■ 0%
4. Finance function effort - business insight tasks	Byron Shire Council	8%	8%	10%	10%	■ 0%
	NSW Survey population	17%	20%	21%	22%	▲1%
5. Finance function effort - compliance and control	Byron Shire Council	25%	25%	29%	38%	▲9%
	NSW Survey population	16%	18%	19%	18%	▼1%
6. Cost of finance as a percentage of revenue	Byron Shire Council	1.4%	1.2%	2.3%	1.3%	▼1.0%
	NSW Survey population	1.8%	1.8%	2.3%	2.0%	▼0.3%
7. Frequency of reporting financials to senior management team	Byron Shire Council	Monthly	Monthly	Monthly	Monthly	
	NSW Survey population	50% (Monthly)	54% (Monthly)	52% (Monthly)	64% (Monthly)	
8. Total elapsed days for the budgeting process	Byron Shire Council	140	140	154	120	▼34
	NSW Survey population	141	140	134	136	▲2
9. Rates and annual charges collected by end of quarter 2	Byron Shire Council	58%	57%	56%	56%	■ 0%
	NSW Survey population	57%	56%	57%	56%	▼1%
10. Capital expenditure per resident (A$)	Byron Shire Council	$380	$350	$710	$880	▲$170
	NSW Survey population	$510	$490	$800	$720	▼$80

Finance partnering with the business

The role of finance

The role finance plays within an organisation continues to extend beyond the traditional finance function. Top performing finance teams are playing a key role in supporting the strategic direction and growth of their organisations.

A key feature of these top performing finance teams centres around not being content with business as usual. Instead, focus is on continual year-on-year improvements, challenging the status quo, and being able to add value by collaborating with other functions in the organisation. This is in contrast to teams stuck in the traditional finance function mindset, typically with leaders who aren't committed to agility and innovation.

This aligns with the continued importance of local government having an experienced CFO or senior finance professional who embraces and promotes strategic transformation, while also safely and reliably managing the reporting and control functions of the council.[1]

We continue to see the CFO playing an increasingly important role in the development of the strategic vision in local government, with 72% of councils reporting that their CFO works closely with their CEO and senior executives to define the business strategy (down slightly from 73% in the prior year).

Consistent with the prior year, NZ councils have CFOs who are more engaged in a strategic role (89%), compared to 59% of SA councils and 61% of NSW councils. Importantly, WA councils have seen a significant increase from the prior year, with 84% of CFOs playing a key role in the development of the council's business strategy (up from 71%).

Finance has a critical role to play in ensuring organisations continue to thrive. This requires investment in new practices, technologies, and skills that increase the business' capacity to adapt at pace.[1]

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

1 PwC global Finance Effectiveness Benchmark Report 2017, 'Stepping up: How finance functions are transforming to drive business results'.

Finance partnering with the business

The role of finance (continued)

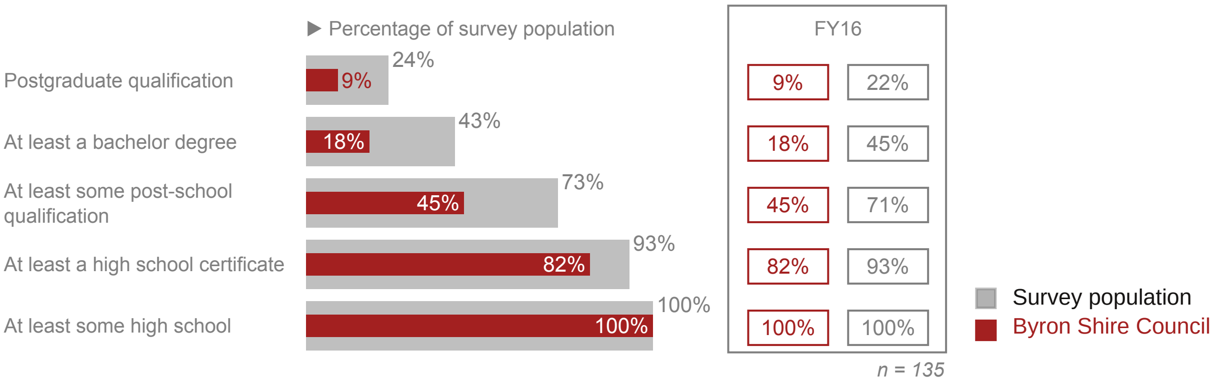
Finance professionals who are experienced, creative and have an analytical mindset are best placed to deliver meaningful insights that drive strategic transformation. Creating a dynamic finance team often attracts high calibre candidates with a higher level of education.

Our overall survey findings show only 43% of finance employees have at least a bachelor's degree. NZ councils tend to employ higher-educated finance staff, with 56% holding at least a bachelor's degree, followed by 49% of SA councils (compared to 36% in NSW and 40% in WA councils).

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?
- Is your finance function embracing change and focused on engaging in a more visual and analytical manner with the business?
- Is your finance team receiving the right amount and type of training and experiences in order to develop their skill set for the evolving expectations being placed upon them?

Figure 2.2: Finance employee qualifications (cumulative)



How are you leveraging technology to create real time insights?

Finance function activities

Our findings show an increase in the time devoted to value-adding business insight activities this year. The upward shift to 24% of time spent on business insight activities (22% in the prior year) has been offset by a reported downturn in transactional efficiency tasks (59%, down from 62%) and a slight uptick in compliance to 17% (16% in the prior year).

This measurement is based on employed resources only, and so those councils that have outsourced or share some transactional functions (eg. 6% of councils that outsource or share accounts receivable/payable and 3% for Payroll) should expect a lower proportion of effort allocated to transactional efficiency.

Increased effort on business insights is reflected across all types of councils, ranging from 28% in metro councils, 22% in rural councils and 20% in regional councils. Our metro council result of 28% surpasses the global benchmark of 24% of time devoted to business insight activities, as evidenced in the 2017 PwC finance effectiveness benchmark report,[2] where results were drawn from over 600 PwC finance benchmark engagements across different industries around the globe.

The global findings highlight how leading finance organisations are delivering greater commercial impact by harnessing the skills of the insight-focused employees to analyse and interpret large datasets.

The key elements of a high performing finance function include three areas[3]:

Business insight relates to effective ways of working so that finance can guide the business to enable sustainable business growth, and provide relevant and timely performance management information.

Efficiency means improving task performance in a timely and cost-effective manner by simplifying processes enabled by technology, and outsourcing and using shared services for non-core activities to make transactions more efficient.

Compliance and control relates to the need to balance sustainable cost without constraining the business by optimising risk management, and remaining flexible enough to accommodate future changes in regulation.

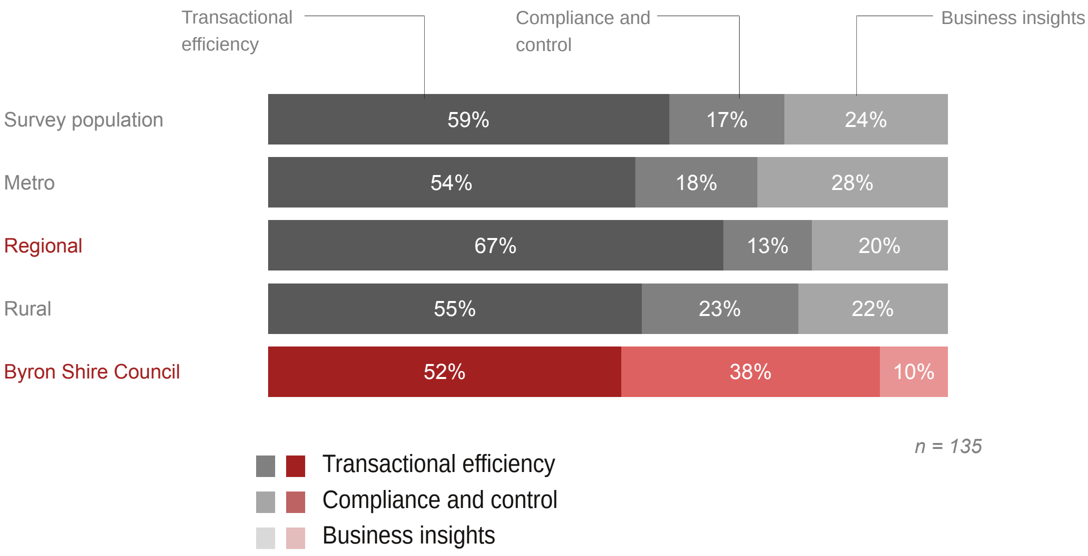
As a result of digital advances, the opportunity now exists for finance teams to transition to more timely and insightful management reporting. Using the latest business intelligence and data visualisation packages allows for more self-service information gathering and analysis that in turn creates more capable users.

In addition, emerging technologies such as artificial intelligence and automation can increase efficiencies and quality within finance transaction processes while reducing costs in the long term. More importantly, investments in new technologies can provide the finance function the capacity to spend more time on analysis and value adding activities.

Key considerations

- When did you last critically assess how much time is spent in finance doing what no longer needs to be done?
- Have you reviewed how many tasks or processes could be automated or eliminated to improve efficiency?
- Have you created an inventory of finance reports produced and then researched how they are being used by the business?
- Have you invested in technology to support better analysis, and reduce the amount of time spent gathering and manipulating data?
- Are your finance teams empowered with online collaboration tools and mobile computing to create flexibility in working practices?
- Have you explored the use of data visualisation tools as a way to provide faster insightful analysis? Gartner's research identifies different options to support organisations wishing to select a product in visual analytics and business intelligence.[4]

Figure 2.3: Finance function effort by process



2 PwC Global Finance Effectiveness Benchmark Report 2017, 'Stepping up: How finance functions are transforming to drive business results'.
3 Ibid.
4 https://www.gartner.com/doc/3611117/magic-quadrant-business-intelligence-analytics. Last visited on 29/11/2017.

What is your finance function really costing you?

Finance function cost

Finance faces ongoing pressure to instil a culture of innovation to deliver value, while at the same time sustaining a focus on efficiency and cost. It is, therefore, important to understand the cost of the finance function when assessing the current value derived and changes that may be required to create further efficiencies.

Based on the most recent global PwC finance effectiveness benchmarking study, global finance functions are costing a median of 0.86% (finance cost as a percentage of revenue), and top quartile finance functions are costing 0.55%.[5]

By comparison, the overall median local government result of 2.2% is regarded as high (albeit a slight fall from 2.3% in the prior year). This decrease in the median finance cost as a percentage of revenue was a result of NSW and WA councils falling, and NZ councils stabilising. Interestingly, the finance teams in these three jurisdictions have been able to provide more value-adding business insights, compared to the prior year; an area that is usually associated with higher finance salaries.

NSW councils have the lowest median finance cost, with 2% (down from 2.3% in the prior year) and have focused more on business insight effort, increasing from 21% in FY16 to 22% in FY17.

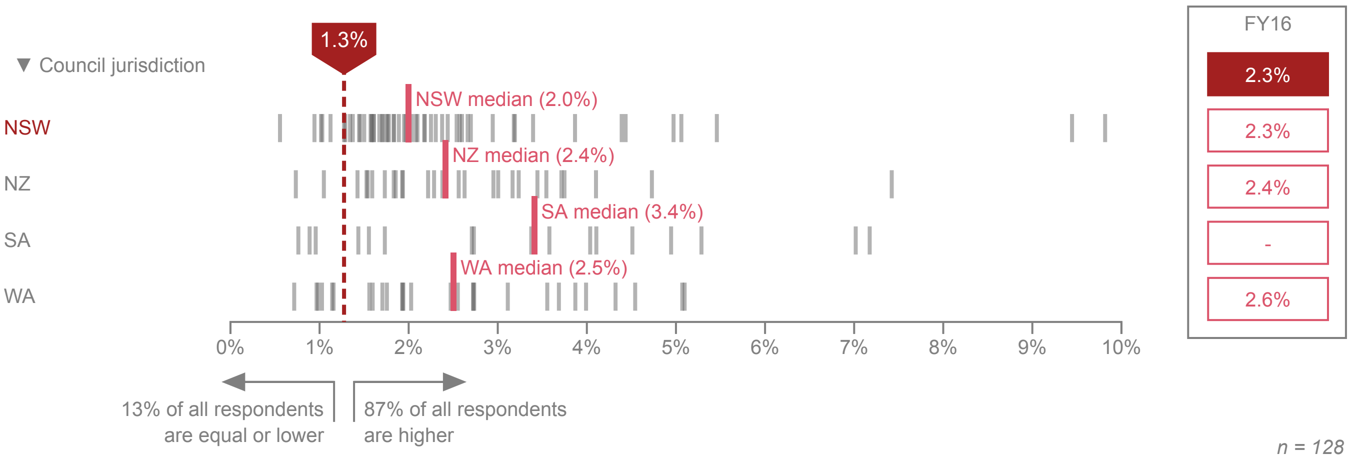
In comparison, our new SA councils spend 1.7 times more on finance as a cost of revenue (3.4%), compared to NSW councils. This is likely related to the 27% of overall finance FTE effort on business insight activities, however this cost does seem high and we recommend a review takes place especially for councils above the median cost of 3.4%.

NZ councils deliver finance with a median cost of revenue at 2.4%, with 30% of finance time devoted to business insights (up from 27% in the prior year). The higher business insight time suggests a strong analytical focus possibly driven by the recent 3 year long term planning process undertaken by NZ councils.

Meanwhile, the median cost of finance in WA councils has reduced from 2.6% to 2.5%, and 19% of time is devoted to business insights (up from 17% in the prior year).

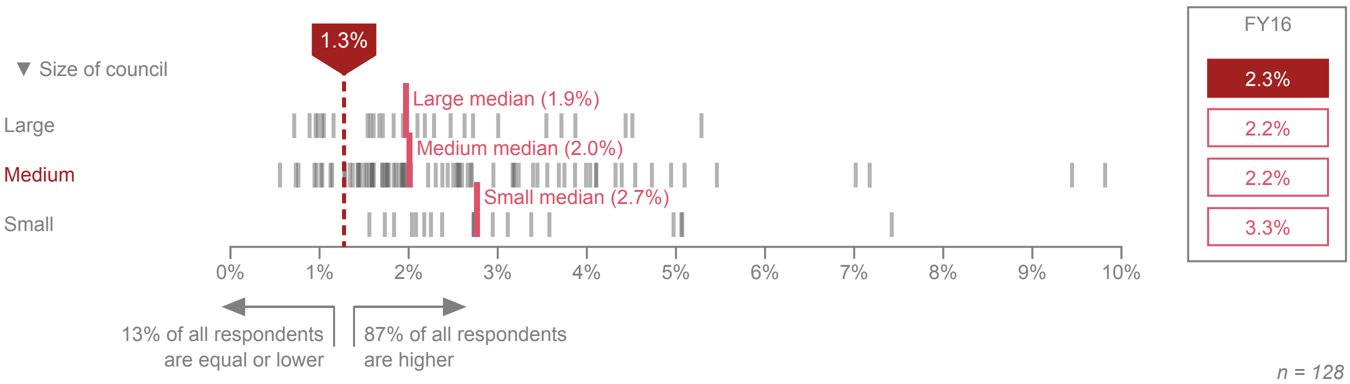
Opportunities still exist for local government finance functions ranging from exploring automation, elimination of low value reports, and improved efficient use of capacity to shared services or outsourcing.

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



n = 128

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



n = 128

Survey population | Median | Byron Shire Council

5 PwC global Finance Effectiveness Benchmark Report 2017, 'Stepping up: How finance functions are transforming to drive business results'.

How efficient is your finance function?

Days to report and manual journals

Month-end close and reporting is a core process within the finance function. It is crucial this is completed efficiently and accurately to support efficient decision making by the CFO and senior management. A prolonged monthly close-to-report cycle time can indicate an unbalanced amount of data-gathering effort and focus, rather than value-driven analysis and interpretation of results.

Our survey results show that the median council operates with a close-to-report cycle within 10 days. However, top quartile councils are able to provide financial results to senior management in just 7 days.

Councils taking more than the median of 10 days to provide management with financial results, have an opportunity to improve this aspect of their finance function. Otherwise, CFOs and senior management have practically no time to interpret and act on the results before the next month-end close begins.

An indicator of an efficient finance function can be the amount of manual journals processed in any given year.

Our findings show that 26% of surveyed councils are processing more than 1,500 manual journals annually. If we assume that each manual journal takes approximately three minutes to process, then this equates to one person spending 75 hours a month or around 10 days per month manually processing journals.

Quality control is also a factor to consider and involves additional manager resource effort to review the manual journals for accuracy and completeness.

An upfront investment in quality control may create efficiencies in the close-to-report process through a reduction in 'wasted time' spent identifying and resolving errors. The PwC finance effectiveness benchmarking study[6] identifies that 44% of processing time could be eliminated by investing in automation and adopting more efficient techniques during management reporting.

Strategies to reduce manual journals include automating all recurring journals and setting materiality thresholds for reclassification entries. This would allow councils to redeploy finance resources to more value-adding tasks, while also creating a more robust control environment.

Key considerations

- Have you standardised your data and investigated or implemented an automated approach to data collation?
- Do you have a smart and efficient close-to-report cycle?
- Are you using low-cost data analytics tools to improve data visualisation allowing for more rapid interpretation of results?

Figure 2.6: Days to close and report

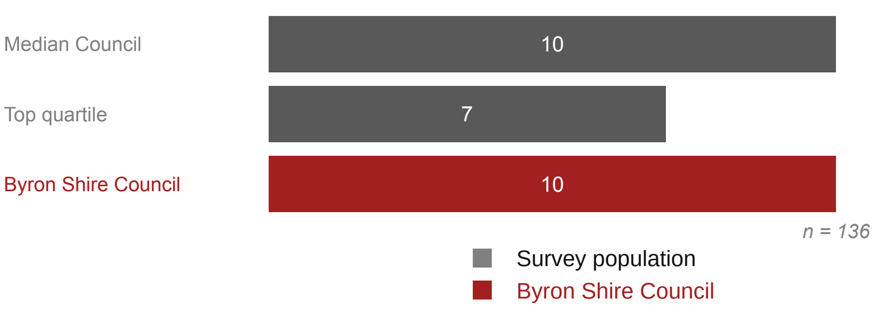


Figure 2.7: What was the total number of manual journals processed in the year ending 30 June 2017?

6 PwC global finance effectiveness benchmark report 2017, 'Stepping up: How finance functions are transforming to drive business results'.

Delivering financial information to senior management

Reporting to management

A key role of the finance function is to provide timely financial reporting to the senior management team. When it comes to reporting on a monthly basis, we observe an upward shift to 75% of council finance teams sharing approved financial information with senior management, compared to 73% in the prior year.

NZ and WA councils are more likely to report monthly, with 96% and 91% respectively. NSW councils have shifted their focus to more timely reporting, with 64% reporting monthly (up from 52% in the prior year). Just over half of SA councils (53%) report monthly, with 41% reporting quarterly.

In small councils, we continue to observe a dramatic upward shift in the frequency of financial reporting to senior management. The move to monthly financial reporting is now evident in 86% of small surveyed councils, compared to just 44% back in FY14. This is a reflection on NSW councils and the improvement they are making, given NSW councils have always dominated the small council survey population.

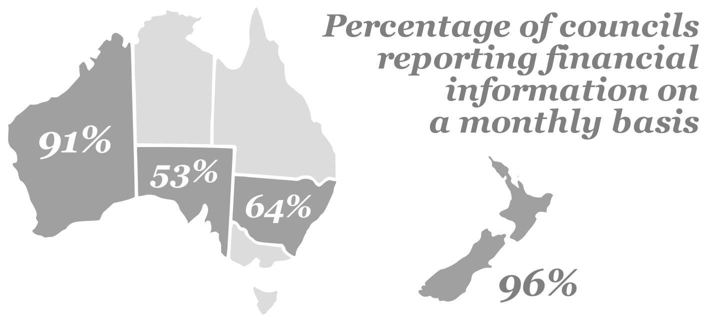
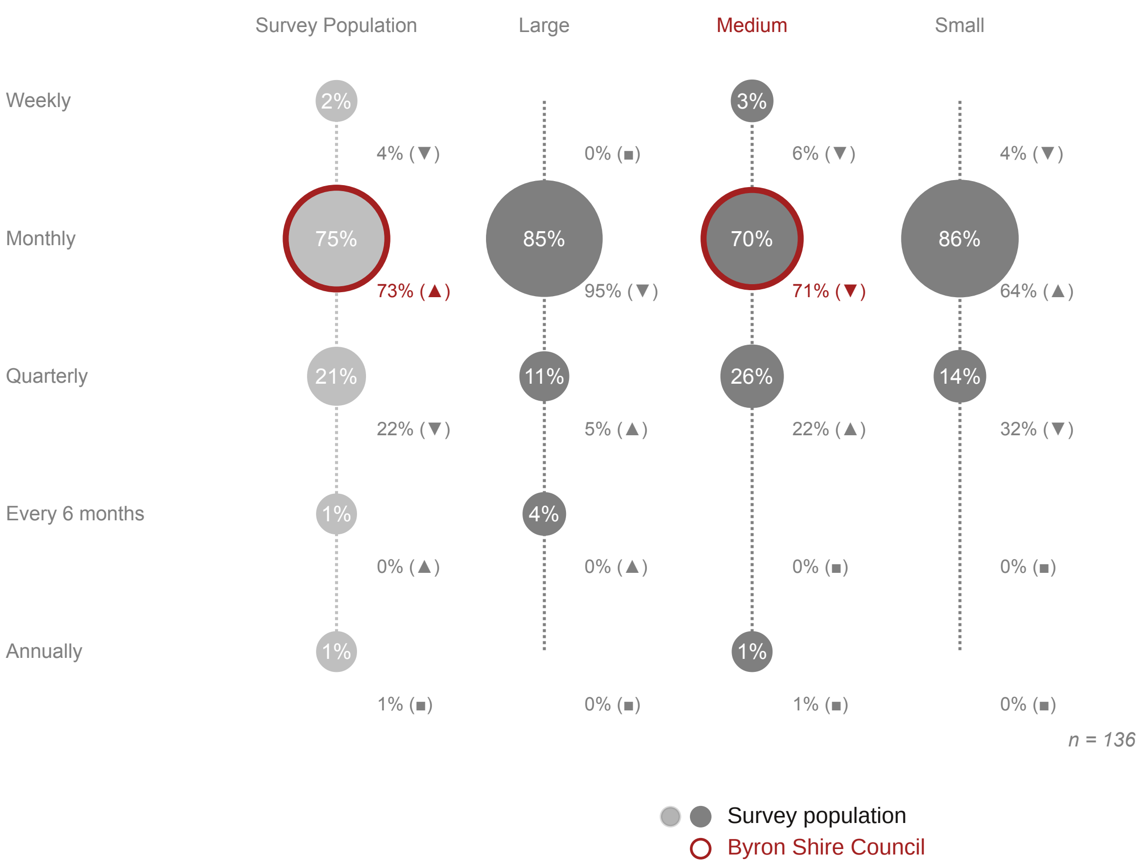


Figure 2.8: How often do you report approved financial information to senior management?



Delivering financial information to senior management

Sharing financial results

In order for the finance function to provide the most relevant financial information at the optimal time, finance team members need to build relationships with their peers in other areas of the business to allow for a better understanding of what key insights are needed to make business decisions.

Encouraging this collaborative approach between the finance team and other business units can lead to improved efficiencies, increased value–add deliverables and a level of empowerment among the finance team.

Our survey results suggest extensive sharing of financial results with the CEO, directors and managers. Lower levels of management are less likely to receive this information however, with our collected responses indicating that 57% of team leaders and 35% of supervisors are provided with the ability to draw insights from financial information.

NZ and WA councils consistently outperform in sharing financial information across all levels of staff in a council, especially when compared to NSW councils. Interestingly, only 85% of managers in NSW councils receive financial information, compared to 100% and 97% of managers in NZ and WA councils respectively. In addition, a much lower percentage of team leaders (44%) and supervisors (28%) in NSW councils are given the opportunity to understand their council's financial results, compared to all other council locations.

SA councils perform well when sharing financial information at the senior management levels (at least 94%), but sharing with team leaders and supervisors falls sharply; just 53% of team leaders and 29% of supervisors receive financial updates.

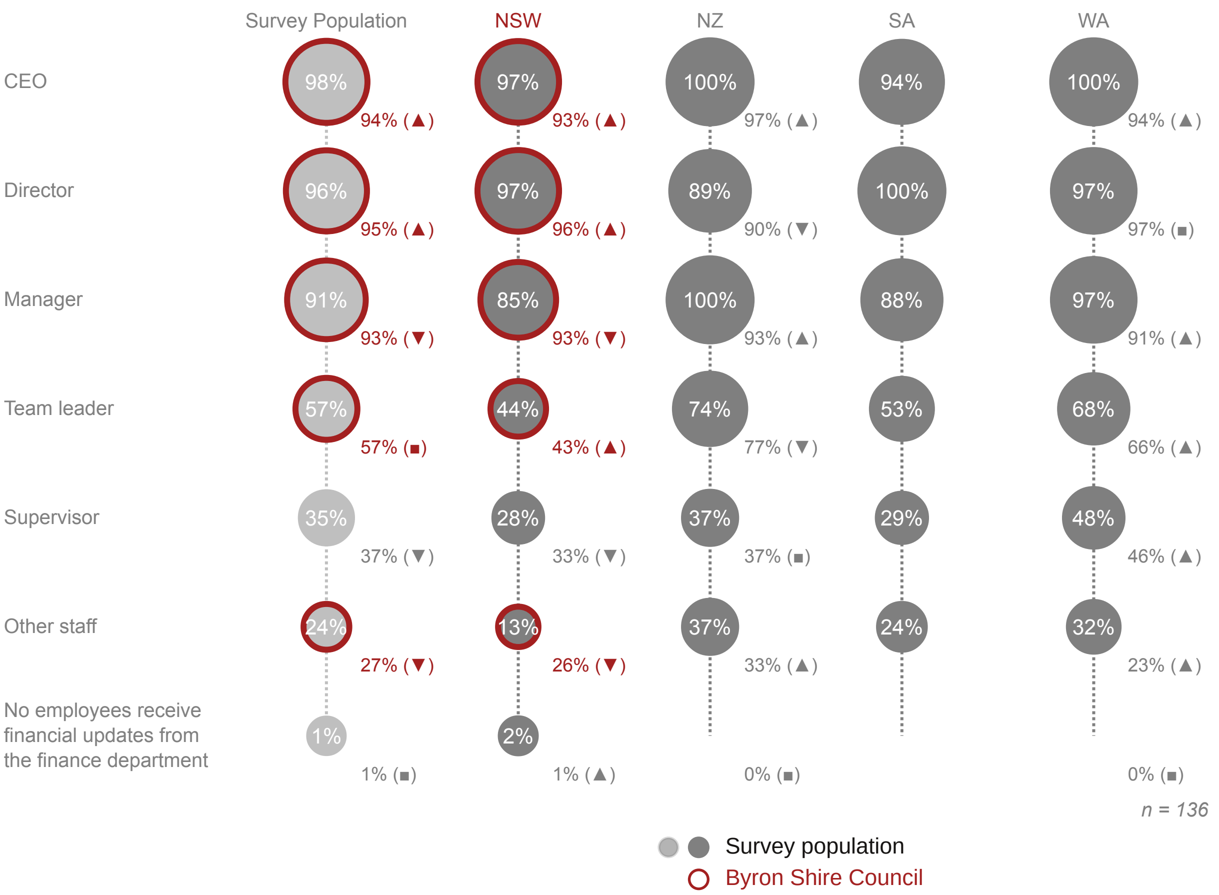
Sharing financial results and business insights with various levels across a council is one way to create a culture where employees within business units become more engaged with the council's key financial performance drivers.

Exposing team leaders and supervisors to a variety of financial metrics allows them to absorb and understand these key business drivers – instilling a sense of ownership and responsibility as they consider what it means to their business unit and team – before they move into the more senior levels of management.

Key considerations

- Are you encouraging finance staff to engage with the business to better understand what insights are needed for effective decision making?
- Is peer to peer relationship building across finance and other parts of the business rewarded and encouraged?
- Are you building resilience in your finance team – are they empowered to initiate more effective planning and cross-skilling between finance staff so they can meet the demands of internal stakeholders?

Figure 2.9: Who receives financial updates about council's performance from the finance department?



Balancing insight and efficiency

Budgeting

Most finance teams would like to focus more on delivering insights and assisting in forward focused business decisions during the budget process, as opposed to just gathering and manipulating data. The PwC finance effectiveness benchmarking study[7] notes that the value of the budget comes from the collaboration on business decisions and connected thinking, rather than the projection itself or the mechanical process behind the budget. When budgets are produced they then need to be used in the business as a critical management tool to drive decisions and behaviours.

Councils can streamline the budget preparation process by identifying bottlenecks in the process. The PwC finance effectiveness benchmarking study[8] sets out that 35% of processing time could be eliminated by investing in automation of the budgeting and forecasting process.

When assessing the time councils spend on the budgeting process, we measure from the date the process officially begins to the date the budget is finalised and loaded into the accounting system. The median results for the 2016–17 financial year budget process remains relatively high across councils of all sizes, ranging from 115 business days in small councils, to 174 business days in large councils. The overall median remains on par with last year at 143 business days.

Analysing by council jursidiction, shows WA councils completing the cycle in the shortest timeframe, with a median of 118 days and a reduction from 121 days in the prior year. At the other end of the spectrum, NZ councils come in with a median of 205 days – adding 26 business days to the budget process from the previous year.

Looking deeper into the budget process in Figure 2.11, we see that finance teams continue to spend most of their time preparing and refining the budget to obtain senior management approval, with 67% of the total budget time spent in this first phase. We continue to see WA councils spending more time (82%) on the first phase of preparation, compared to 63% for both NZ and NSW councils and 66% for SA councils.

While the regulated nature of the local government environment is undoubtedly a factor in the way budgets must be prepared and delivered, councils should remain alert to the fact that a longer process will unavoidably consume more resources from across the organisation.

Figure 2.10: Total elapsed business days for the budgeting process

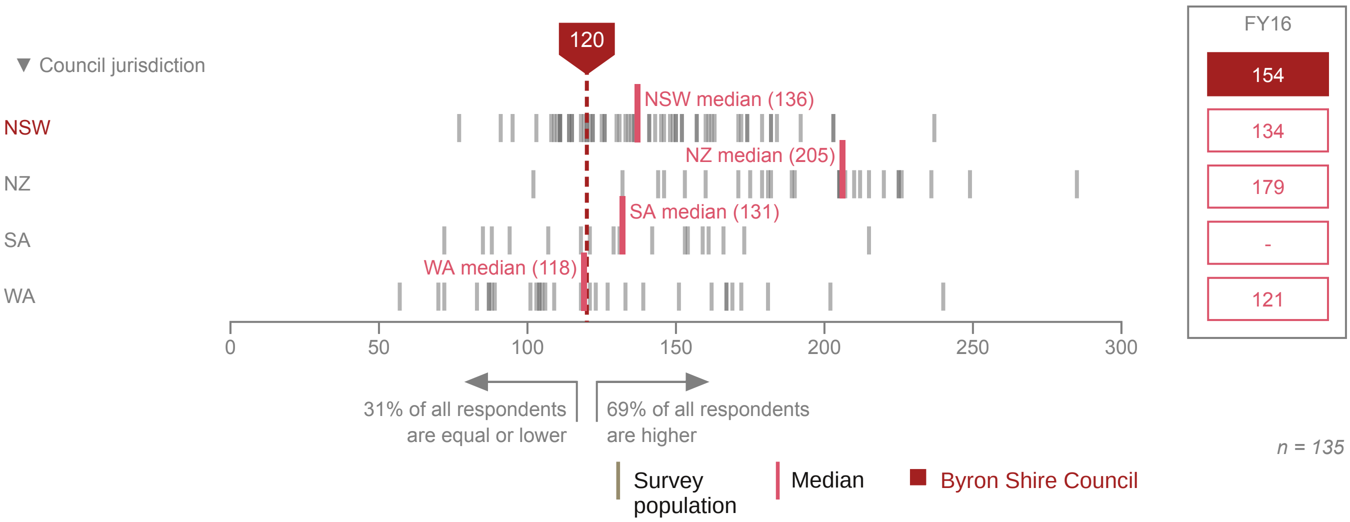
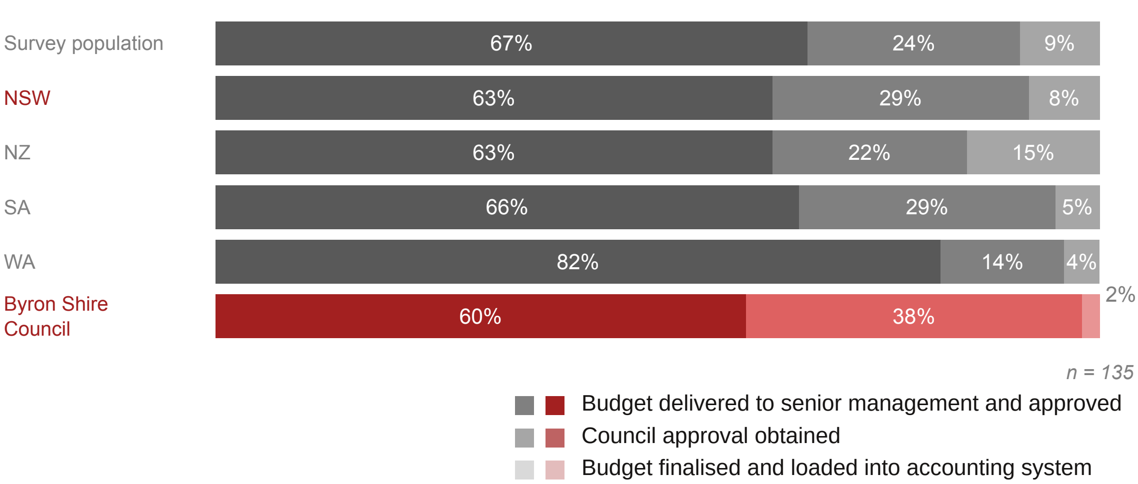


Figure 2.11: Proportion of total elapsed budget days by stage



7 PwC Global Finance Effectiveness Benchmark Report 2017, 'Stepping up: How finance functions are transforming to drive business results'.

8 Ibid.

Balancing insight and efficiency

Forecasting

Forecasts can provide management with the necessary information to assess and respond to changing financial results and can be very valuable in orienting management towards managing emerging events, as well as highlighting business risks and issues in a timely manner.

Management should be understanding and acting on the forecast variances by highlighting appropriate recommendations and remedies required at that time. These actions should be monitored closely to ensure the desired outcomes are achieved.

Although down from 94% in the prior year, NSW councils remain particularly strong in this area with 90% of councils formally forecasting performance.

Meanwhile, 74% of NZ councils formally forecast performance to budget (up from 70% in the prior year).

Across the board, we see a tendency in local government to only forecast every quarter, with just under half of councils (49%) forecasting at this level of frequency. However, there is an upward trend to monthly forecasting, with 35% of councils compared to 26% in the prior year.

In NSW and SA, a small proportion of councils forecast monthly (20% and 27% respectively), with the majority preparing forecasts quarterly (74% and 66% respectively). In contrast, 47% of WA and 37% of NZ councils prepare forecasts monthly.

Key considerations

- Have you considered how automation could improve the time spent on the planning, budgeting and forecasting process?
- What processes do you undertake to understand forecast variances to budget and how do you work to mitigate future risk?
- Do you use your budgets and forecasts as a critical management tool to drive discussion, decisions and behaviours?

Figure 2.12: Do you formally forecast your performance to budget throughout the year?

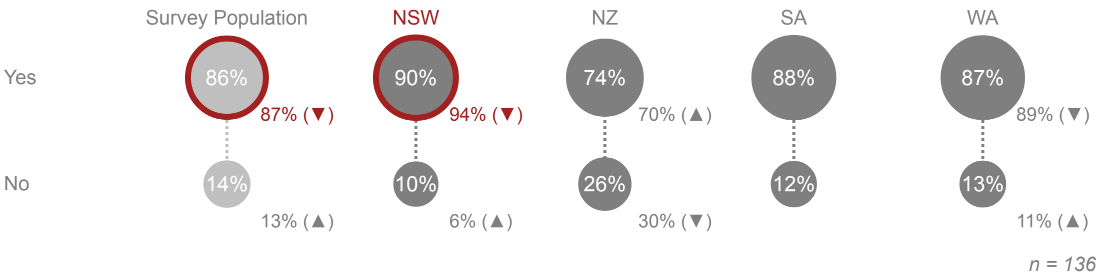


Figure 2.13: How frequently are forecasts prepared?

Source of income

Revenue profile

The mix of income associated with local government can be vastly different between Australian and New Zealand councils due to diverse scopes of service and responsibility as well as a different relationships with other levels of government.

We continue to observe the lower reliance NZ councils place on revenue derived from government grants (7% of income), with most of the revenue funded by residents and businesses through rates and annual charges (61% of all income). We also acknowledge that NZ councils continue to derive a higher proportion of income from alternative income streams, with 14% sourced in this way; this is more than double that of NSW (5%), SA (5%) and WA councils (6%).

In addition, our findings show a contrast among the surveyed Australian councils. NSW councils continue to source a smaller amount of revenue from rates and annual charges (44%), compared to WA councils deriving 55% and SA councils deriving 69% of their revenue from rates and annual charges.

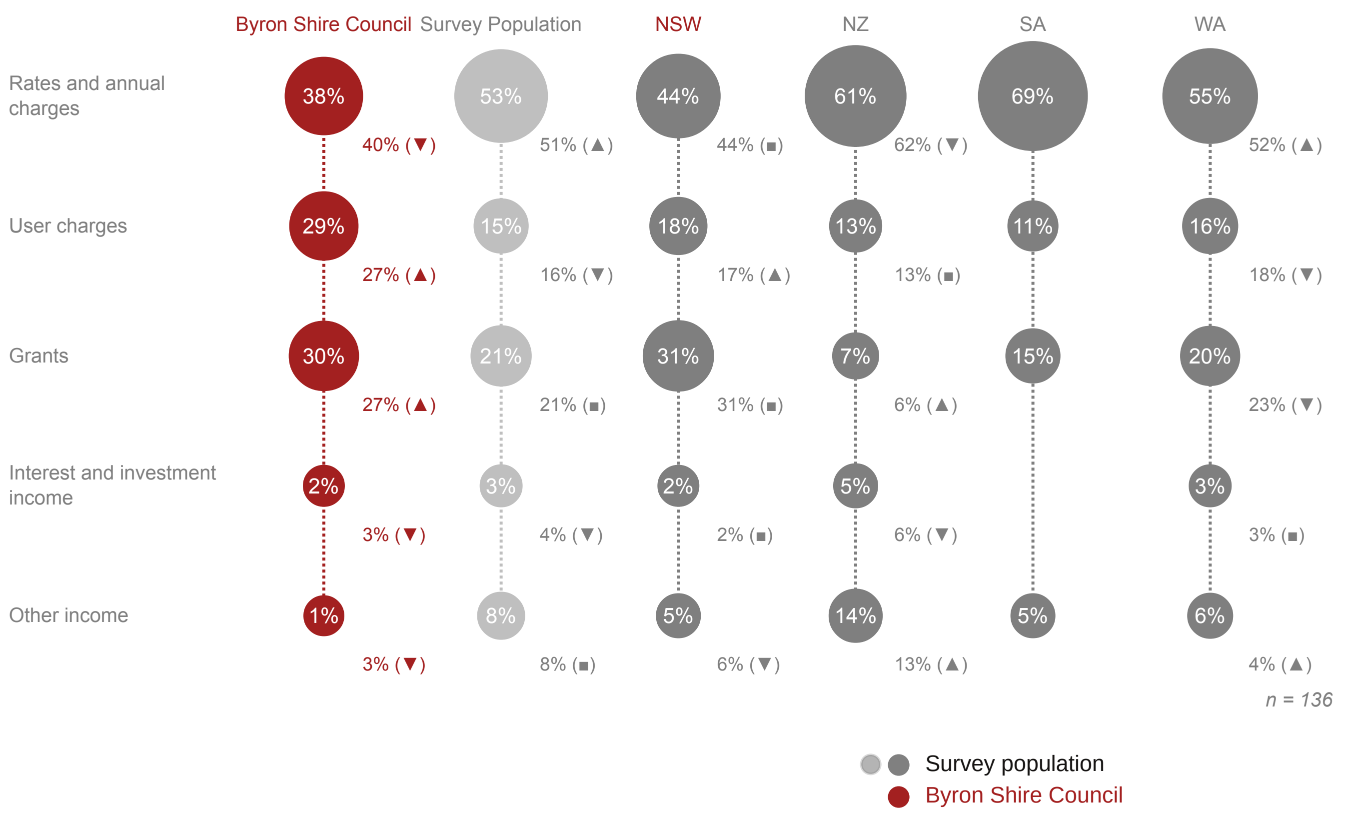
This stems from the fact that over 85% of the NSW surveyed councils are rural or regional councils that rely on government grants to manage their extensive road network. As such, the reliance upon grants differs significantly, with 31% of total income in NSW councils represented by grants (no change from the prior year), compared to only 20% in WA, 15% in SA and 7% in NZ councils (up from 6% in the prior year).

It is essential that councils continually review their current revenue profile, looking for additional or different sources of income. It is important to determine how best to gain more control over this critical component for future sustainability.

Key considerations

- Does your council have the right skills, abilities, and resources to identify additional revenue opportunities?
- What dormant opportunities lie in your existing revenue streams, fees and services?
- Are your finance teams aware of all the various revenue streams available to your council?
- Have you carefully analysed new service pricing options in a bid to optimise revenue?

Figure 2.14: FY17 revenue profile



Optimising working capital

Collection of rates and annual charges

Fast and efficient rates and annual charges collection supports councils to better understand whether working capital is being managed effectively.

Facilitating easy payment options for rate payers, as well as automating financial processes, can help build agility into labor-intensive activities, and improve the relationship between councils, ratepayers and suppliers.

Figure 2.15 shows the cumulative collection of rates and annual charges compared to the survey population, and figure 2.16 displays the quarterly cash collections during the 2016–17 financial year.

Geographically, WA councils continue to front load their cash collections from rates and annual charges compared to the other council jurisdictions, with 60% of this pool of funds collected by the end of quarter one. In comparison, NZ collect 25%, SA 31% and NSW councils collect 34% of their rates by the end of quarter one.

The offer of incentives for annual upfront rate payments or the imposition of a small fee for late payments, continue to benefit WA councils by positively impacting cash flow. Other options used by WA councils include offering discounts and entry into early payment prize draws. Alternatively, if ratepayers choose to pay in instalments, a small interest fee is charged plus an instalment fee for quarters 2, 3 and 4.

The infographic 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.

Figure 2.15: Cumulative collection of rates and annual charges

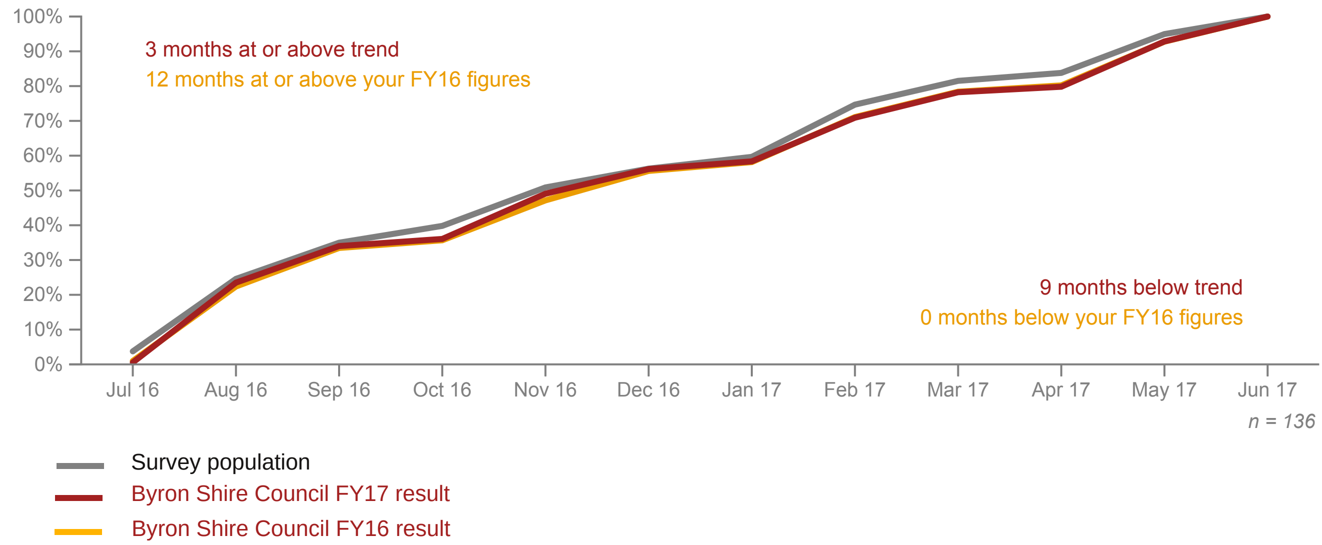
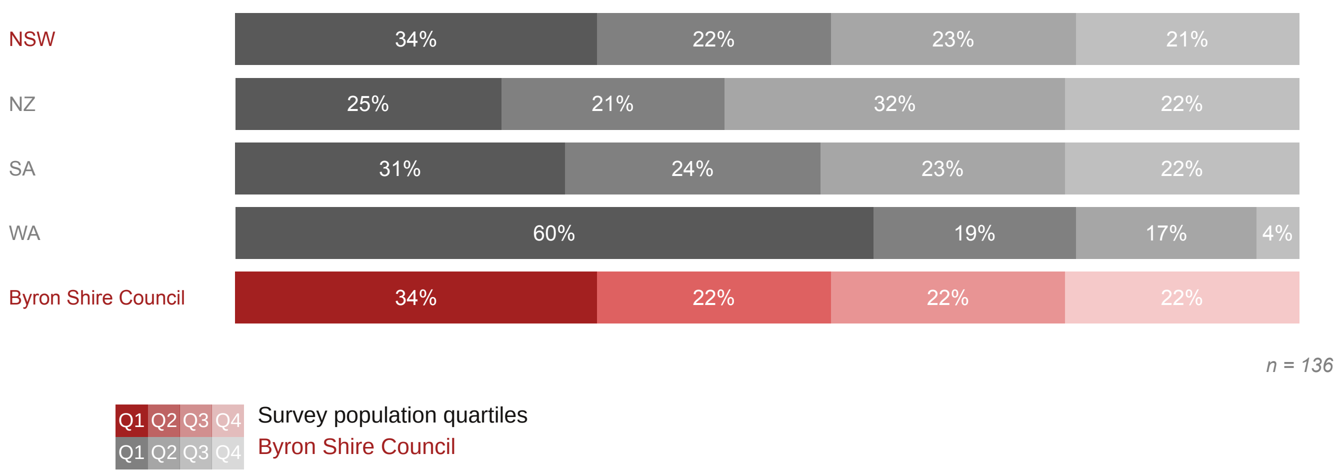


Figure 2.16: FY17 quarterly collection of rates and annual charges



Tracking and managing capital projects

Capital project expenditure

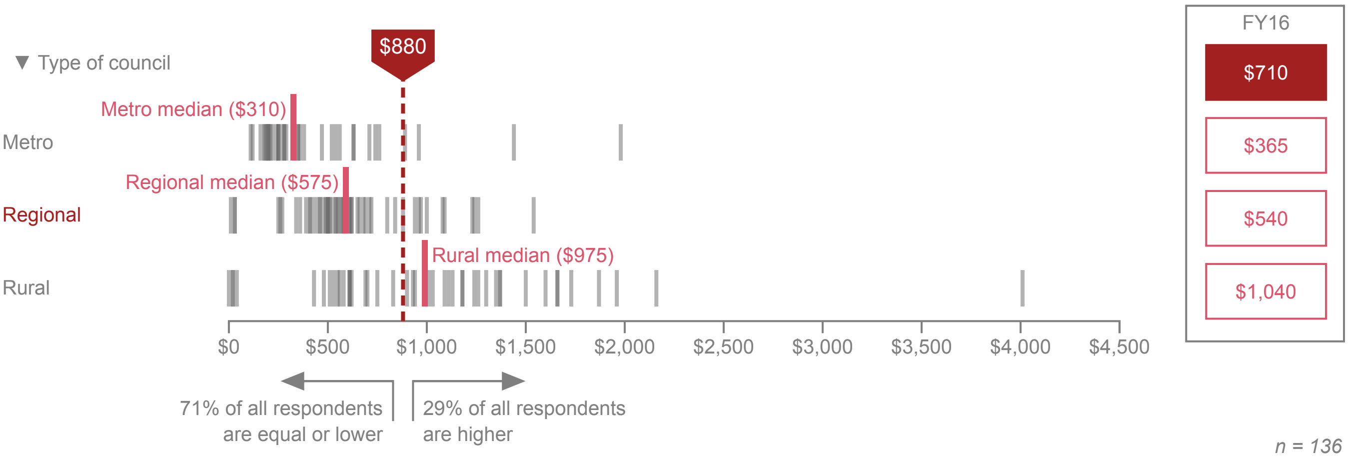
The effective management of capital expenditure is particularly important due to local government's asset-intensive nature and the limited capacity of council operating budgets to absorb variations in the financial outcomes of capital projects.

When analysing capital expenditure per resident by council type, we continue to observe a range from a metro council median of A$310 per resident (or NZ$328) to a rural council median of A$975 (or NZ$1,032) per resident.

A key component of this higher spend per resident in rural councils is the maintenance required for large-scale regional infrastructure such as, but not limited to, roads and bridges. In some cases, this infrastructure investment also benefits the state or jurisdiction such as primary roads running through a local government area connecting key cities or towns.

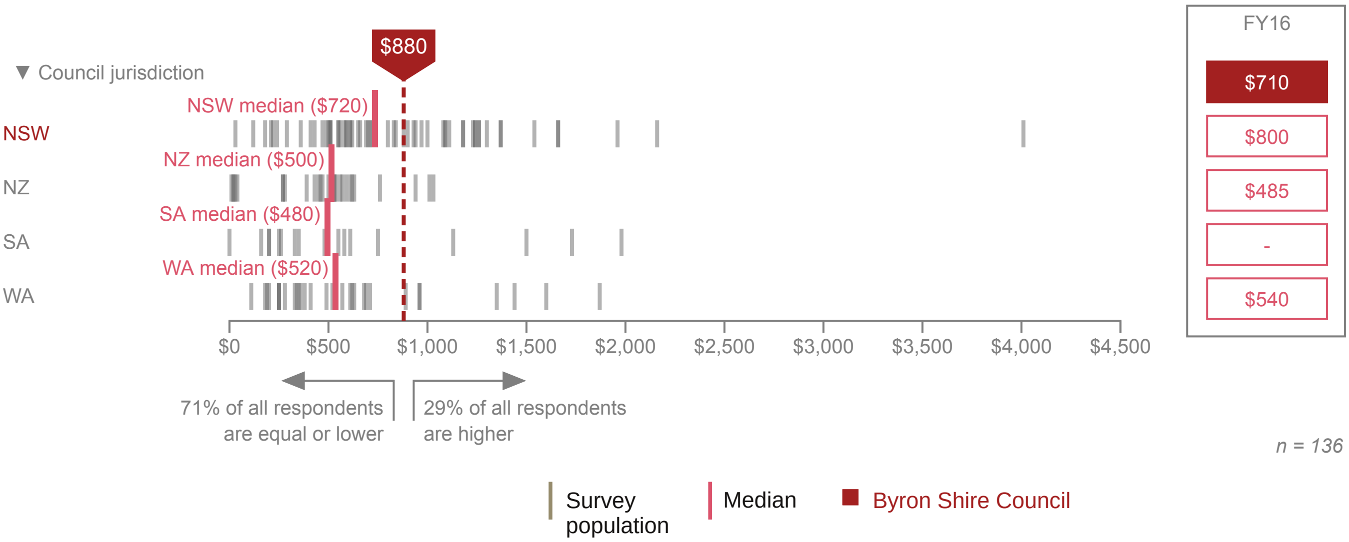
Geographically, NSW councils continue to have the highest capital spend per resident, with a median of A$720 (NZ$762) compared to the other council jurisdictions where the median capital spend ranges from A$480 (NZ$508) to A$520 (NZ$551).

Figure 2.17: Total capital expenditure (A$) per resident (type of council)



n = 136

Figure 2.18: Total capital expenditure (A$) per resident (council jurisdiction)



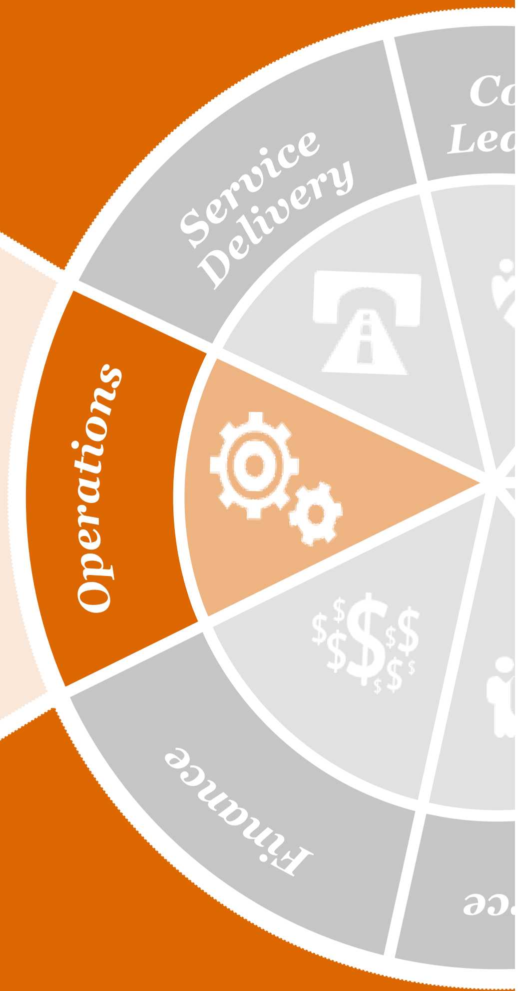
n = 136

Operations

5.2
corporate service FTEs per $10m of total operating expenditure

79%
of councils offer online payments to their customers

69% *of councils outsource or share IT hosting and support of systems*



Operations Trend Summary

Byron Shire Council

● NSW Survey population
● Byron Shire Council

	FY14	FY15	FY16	FY17	Change from FY16 to FY17
1. Corporate service staff per 100 employees	13.2 13.2	14.2 12.4	12.2 13.3	12.6 13.1	▲0.4 ▼0.2
2. Customer service staff per 100 employees		3.4 3.6	2.2 3.7	3.1 3.4	▲0.9 ▼0.3
3. Finance staff per 100 employees		5.2 4.0	4.1 4.4	3.8 4.4	▼0.3 ■ 0.0
4. HR staff per 100 employees		2.6 2.2	2.6 2.4	3.1 2.4	▲0.5 ■ 0.0
5. IT staff per 100 employees		3.0 2.7	3.3 2.9	2.7 3.0	▼0.6 ▲0.1
6. Formal IT stategy in place	Formal 53% (Formal)	Formal 62% (Formal)	Formal 55% (Formal)	Formal 61% (Formal)	
7. Effectiveness of IT systems	Adequate 61% (Adequate)	Adequate 64% (Adequate)	Adequate 64% (Adequate)	Adequate 62% (Adequate)	
8. IT spend per employee (A$)	$7,675 $4,899	$8,191 $5,137	$8,327 $5,535	$6,939 $5,514	▼$1,388 ▼$21
9. Customer service FTE per 10,000 residents	1.9 2.6	2.2 2.4	1.4 2.6	2.3 2.4	▲0.9 ▼0.2

Fostering productive corporate service functions

Corporate services

Productive corporate service functions aim to cultivate effective and efficient business processes in an effort to provide critical information, insights and services across a council. This then enables management to make sound decisions for the future.

Our program focuses on four specific corporate services: customer service, finance, human resources and information technology (IT). These corporate services represent 9% of the total council operating expenses, with 11% in SA, 9% in NZ and 8% in both NSW and WA councils.

The resource split between the four areas has remained largely unchanged from last year, with finance FTEs comprising a third (33%), customer service and IT FTEs representing 26%, and 15% in the HR function. There is an interesting trend in small councils, with the proportion of customer service FTEs declining to 27%, compared to 37% in the prior year. Although finance FTEs now comprise 48% of corporate service FTEs in small councils (up from 44% in the prior year), this is a result of the sharp decline in customer service FTEs, as opposed to a rise in finance resources.

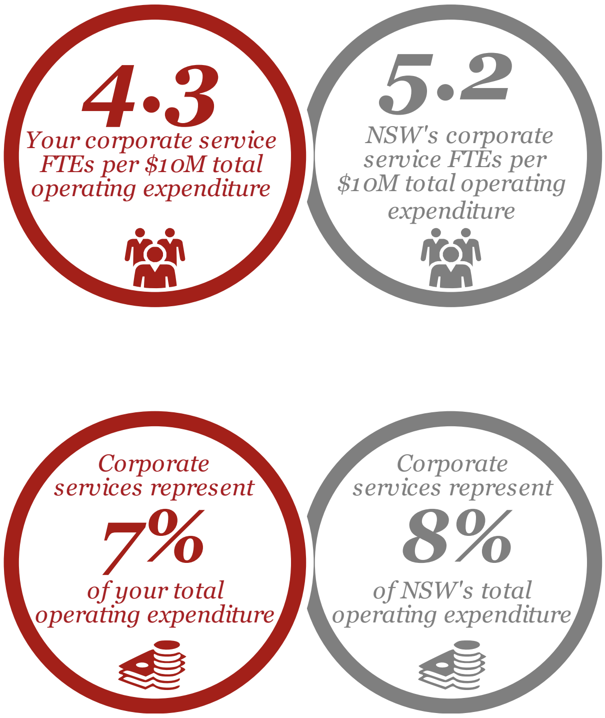
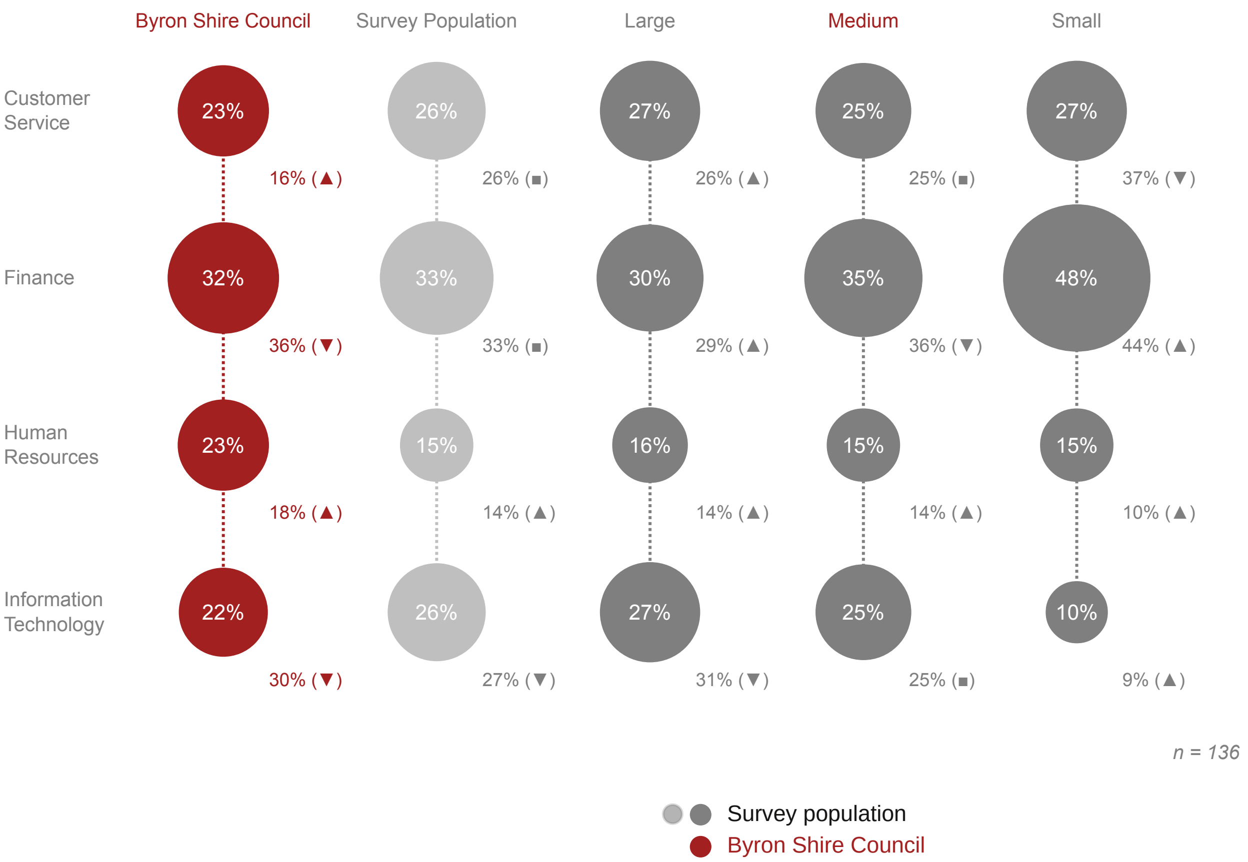


Figure 3.1: Breakdown of corporate service full-time equivalents



Fostering productive corporate service functions

Corporate services (continued)

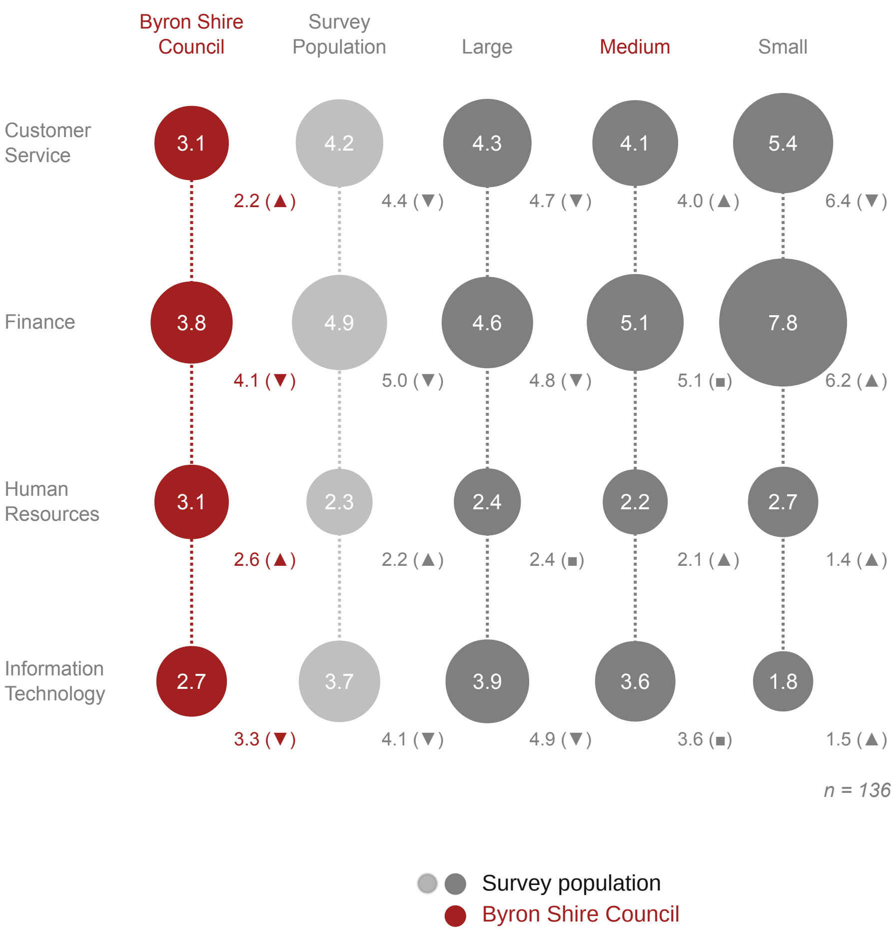
In both large and small councils, we observe a decline in customer service resourcing, with 4.3 FTE per 100 employees in large councils (down from 4.7 in the prior year) and 5.4 in small councils (down from 6.4 in the prior year). The allocation of resources to customer service, when comparing large and small councils, now only differs by 1.1 FTE per 100 employees (compared to a larger 1.7 FTE difference in the prior year).

As expected, large councils have the ability to benefit from economies of scale and this is most apparent in finance where large councils operate with 4.6 FTE per 100 employees, compared to 7.8 FTE in small councils.

Interestingly, in large councils there appears to be a move away from internally resourcing certain parts of the IT function, with IT now operating with 3.9 FTE per 100 employees, compared to 4.9 FTE a year ago. This is likely due to the increased outsourcing of IT hosting/support plus IT helpdesk, with 78% of large councils outsourcing IT hosting/support (up from 68% in the prior year) and 26% outsourcing the IT helpdesk (up from 21% in the prior year).

We encourage councils to consider the impact of the digital revolution when planning ahead and consider emerging technologies to increase efficiencies among internal processes to effectively balance corporate service FTEs and spending. Existing and new council employees play an important role in identifying opportunities to reduce duplication of effort, streamline manual processes and enhance automated reporting through the use of new technology.

Figure 3.2: Breakdown of corporate service staff per 100 employees



Leading councils have an IT strategy

Importance of an IT strategy

Our overall survey results show a decline in the percentage of councils with a formal IT strategy that aligns to the business strategy. This is due to the new SA councils joining our program, with just 36% of SA councils having a formal IT strategy as well as a decline in NZ (down to 52%, from 64%) and WA councils (down to 52%, from 57%). NSW councils, on the other hand, are strengthening in this area, with 61% (up from 55%) now investing in a formal IT strategy.

The 2017 PwC Global Digital IQ Report surveyed 2,216 business and technology leaders and points to a connection between organisations that have more comprehensive digital strategies and those that achieve stronger financial performance.[1] The report goes on to say that a decade of Digital IQ has seen increased awareness of the business value of new technology adoption, but organisations have not adapted quickly enough to stay ahead of constant change. In some ways, they have regressed, as many organisations still take a passive approach to seeking out innovation.

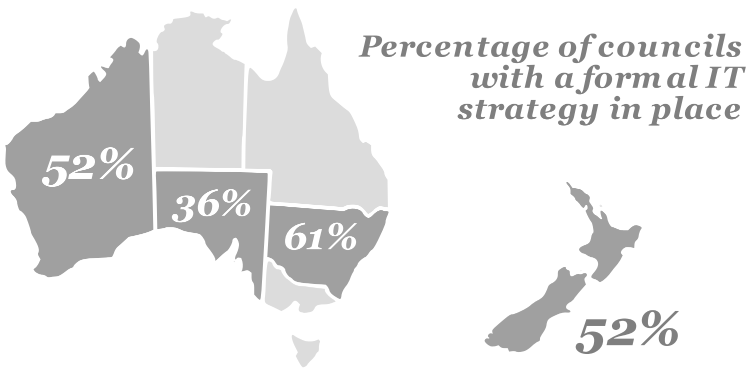
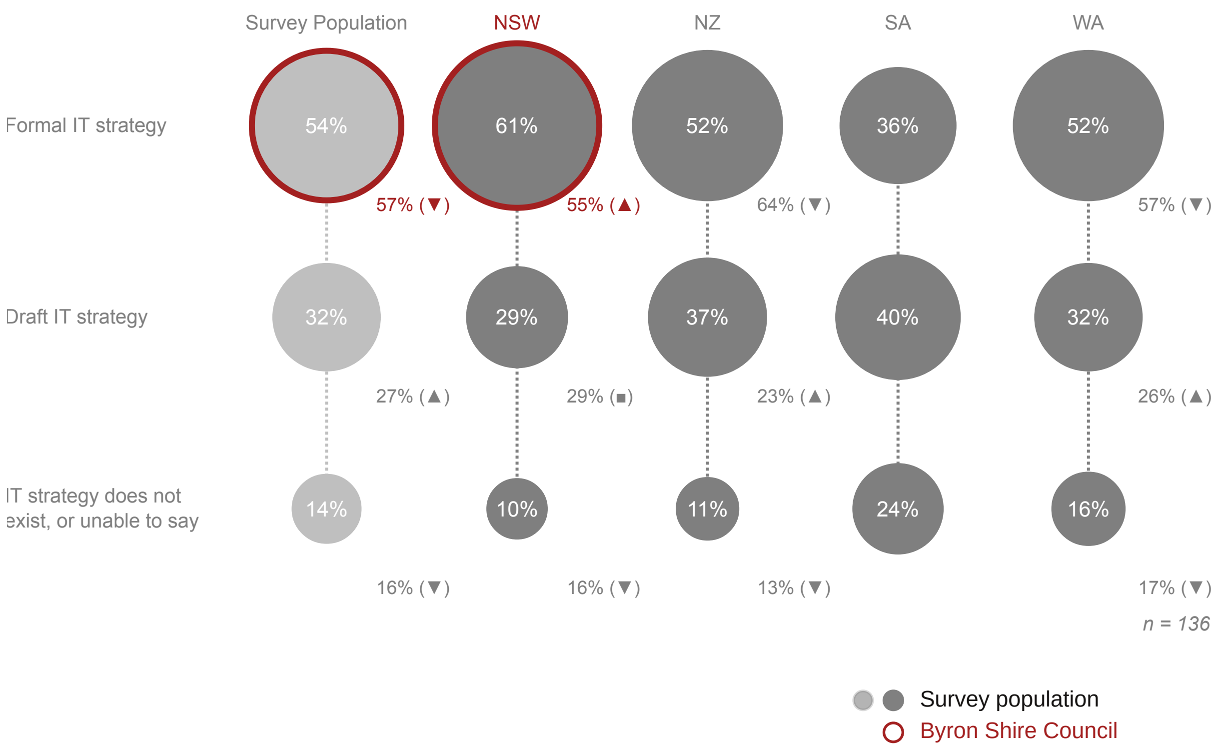


Figure 3.3: Does your council have a formal or draft IT strategy that aligns with the business strategy?



1 PwC 2017, Global Digital IQ Survey, 'A decade of digital: Keeping pace with transformation'.

Leading councils have an IT strategy

Importance of an IT strategy (continued)

Digital strategies play a key role in ensuring that council operations are running as effectively and competitively as possible. Given the decline in the number of councils having a formal IT strategy, it is not surprising to see the majority of councils across all regions reporting just 'adequate IT systems', with the highest being 77% of NZ councils rating their systems as 'adequate'. Encouragingly, we observe 31% of NSW councils citing effective systems, followed by 23% of NZ councils.

The 2017 PwC Global Digital IQ Survey, goes onto explain that CEOs have become the champions for digital, with 68% now championing digital transformation, compared to just 33% back in 2007.[2]

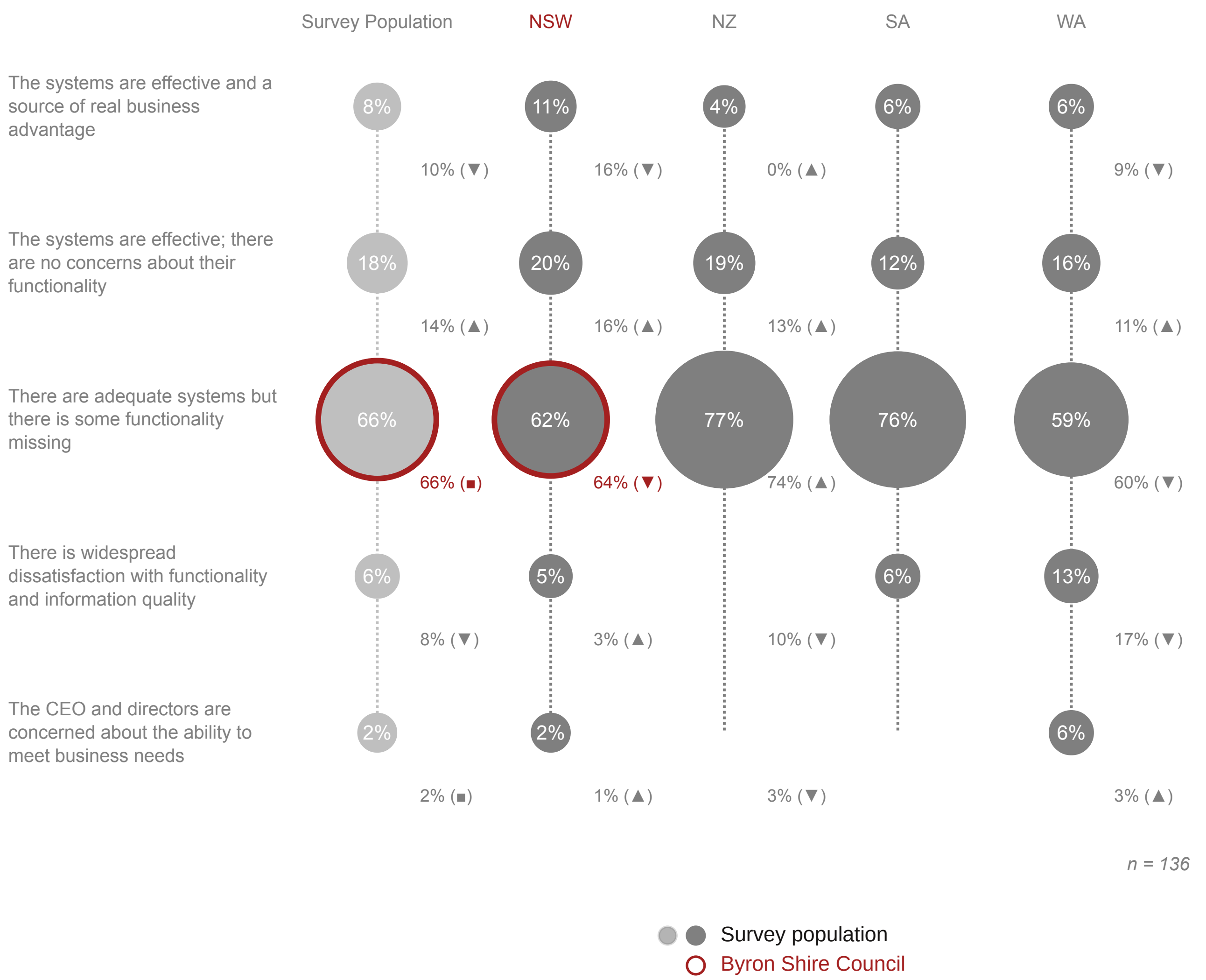
It is crucial that the council leadership team actively supports and collaborates to create a clear vision, comprehensive plan and adoption strategy to support digital transformation in the coming years. This is an opportunity to move away from the status quo and create a dynamic workplace where technology enables efficiency for both employees and a better customer experience for the community.

Focus on human experience: Rethink how you define and deliver digital initiatives, consider employee and customer interactions at every step of the way, invest in creating a culture of tech innovation and adoption, and much more.[3]

Key considerations:

- Have you assigned joint responsibility to both the business and IT to develop and monitor progress of the IT strategy?
- Do you position IT as a central capability identified as essential (not optional) in your strategic plan?
- Is your IT function seen as a core business support function with highly skilled team/s?
- Have you reviewed other councils approach to this key area?

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



2 PwC 2017, Global Digital IQ Survey, 'A decade of digital: Keeping pace with transformation'.

3 Ibid.

Leading councils have an IT strategy

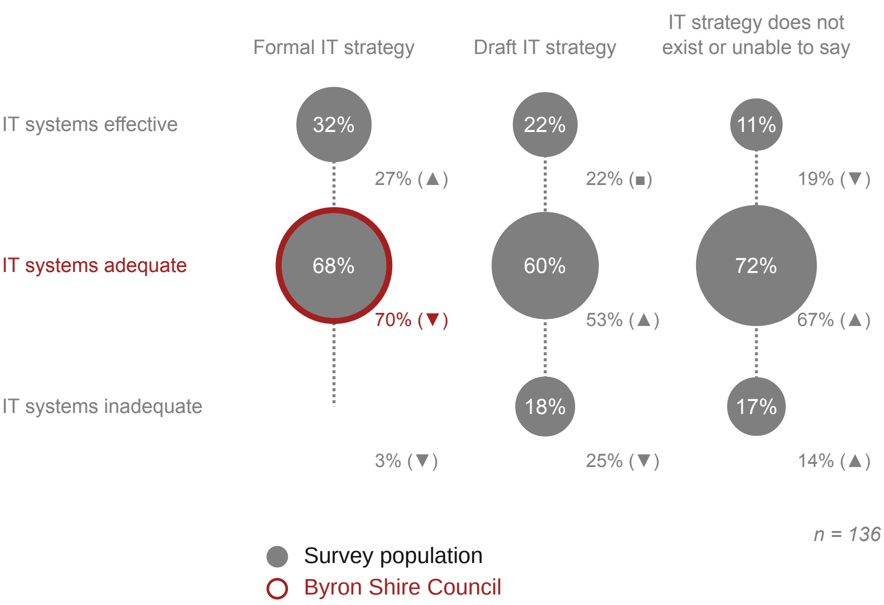
Effective IT systems

The 20th PwC 2017 Global CEO Survey, shows that the number one business priority for CEOs is innovation, and coming in third is strengthening digital and technology capabilities.[4] The focus on both innovation and digital capabilities must be evidenced in an organisation's vision and the implementation of a formal IT strategy then aligns with this vision. Councils without a clear and formalised IT strategy should question how this affects the effectiveness of their IT systems, and whether this is inhibiting innovation to create a better employee and customer experience.

We can clearly see a correlation between councils that rate their IT systems as effective with those that have a formal IT strategy. Councils that rated their systems as effective were almost 3 times more likely to have a formal IT strategy in place (32%) compared to those without an IT strategy (11%). Consequently, there were no councils with a formal IT strategy that rated their IT systems as inadequate, compared to councils without an IT strategy (17%).

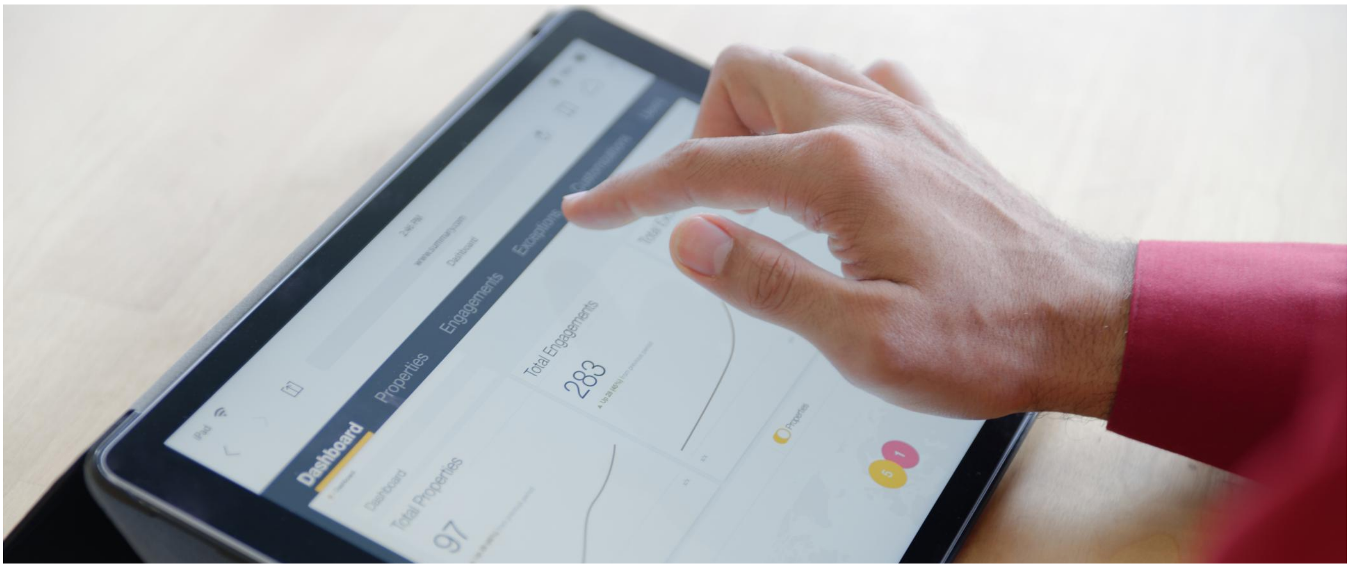
In line with having a formal IT strategy, comes the focus on the storage and use of council data to enable data analytics. This helps senior management better understand current state and start to drive more insightful decision making. Data was once critical to only a few back-office processes in the past, such as payroll and accounting, but today it is central to any business, and the importance of managing it strategically is only growing.[5]

Figure 3.5: Leading councils have an IT strategy



Key considerations:

- Does your leadership team actively champion digital transformation?
- Does your IT strategy align with the council's overall organisational objectives?
- Do you have a clear vision on how digital technologies can help deliver outcomes while also reduce cost?
- How will you acquire and develop the digital skills and capabilities you need in the future?
- How are you using your stored data to drive forward data-driven decision making?



4 PwC 2017, 20th Global CEO Survey, 'The talent challenge: Harnessing the power of human skills in the machine age'.
5 https://hbr.org/2017/05/whats-your-data-strategy Last Visited on 27/11/2017.

Investing in IT

IT spend

IT spend per employee continues to vary significantly geographically and across council size. This is to be expected in a single year given the cyclical nature of IT priorities, projects and investments.

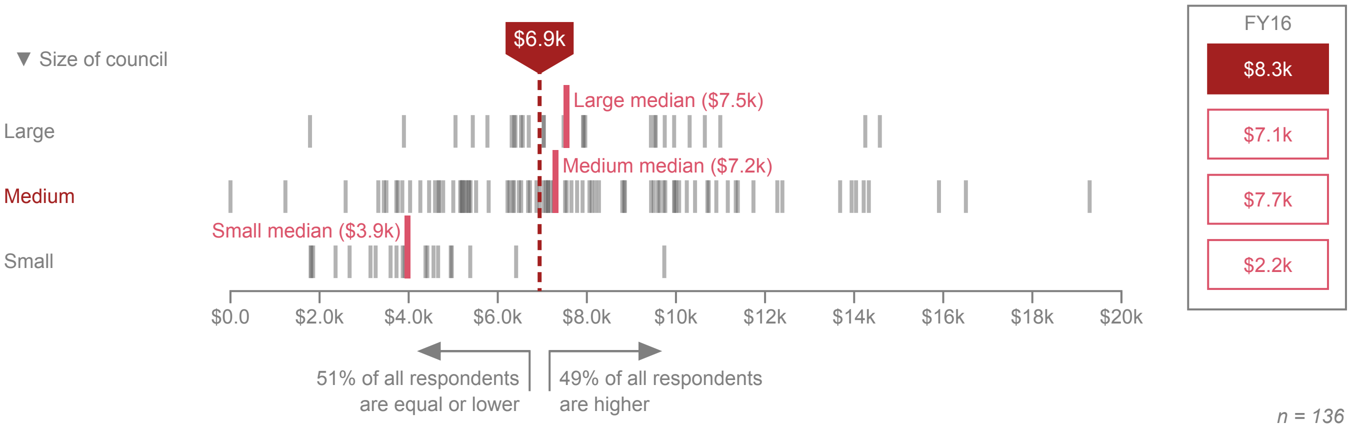
Large and medium-sized councils spend almost double on IT per employee, compared to small councils. However, it is important to note that in small councils the dip last year, in FY16, to a median spend per employee of A$2.2k (NZ$2.3k) appears to be an exception, with the median spend now at A$3.9k per employee (NZ$4.1k); a spend more comparable to FY14 and FY15.

We continue to observe NZ councils spending relatively more on IT, with a median spend per employee of A$10.3k (NZ$11k). This is in stark contrast to NSW councils, with a median spend of A$5.5k (NZ$5.8k) per employee, a static result compared to the prior year. WA councils continue to spend a median of A$7.1k (NZ$7.5k) per employee.

Since joining our program, we see SA councils with the second highest median IT spend per employee, approximately 1.4 times the median spend of NSW councils. While a higher IT spend may indicate strong investment in digital transformation, given only 36% of SA councils have a formal IT strategy, proper consideration of the components of the IT spend and how this links to the business strategy is the next step in certifying that the IT spend is appropriate.

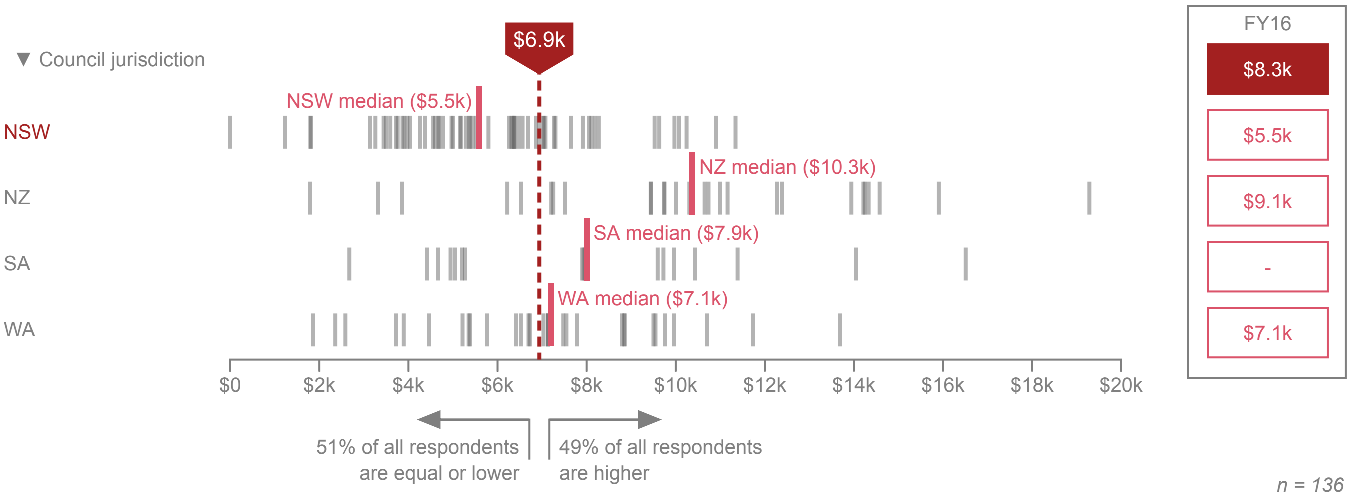
We continue to encourage the council leadership team to identify business areas that can benefit from integrated IT systems, cloud computing, software developments and investment in experienced IT professionals.

Figure 3.6: IT spend (A$) per employee (size of council)



n = 136

Figure 3.7: IT spend (A$) per employee (council jurisdiction)



n = 136

Survey population | Median | Byron Shire Council

Managing your IT projects

IT priorities

Councils are facing greater pressure from both employees and the community to better interact and engage digitally with the council.

At the same time, budget constraints exist suggesting the very real need for a robust balancing act in terms of prioritising the competing demands of IT ongoing maintenance versus new IT initiatives and technology enhancements.

It is important then that IT priorities are aligned in a way to ensure efficient and cost effective delivery. In our program, we asked councils to rank a selection of IT priorities.

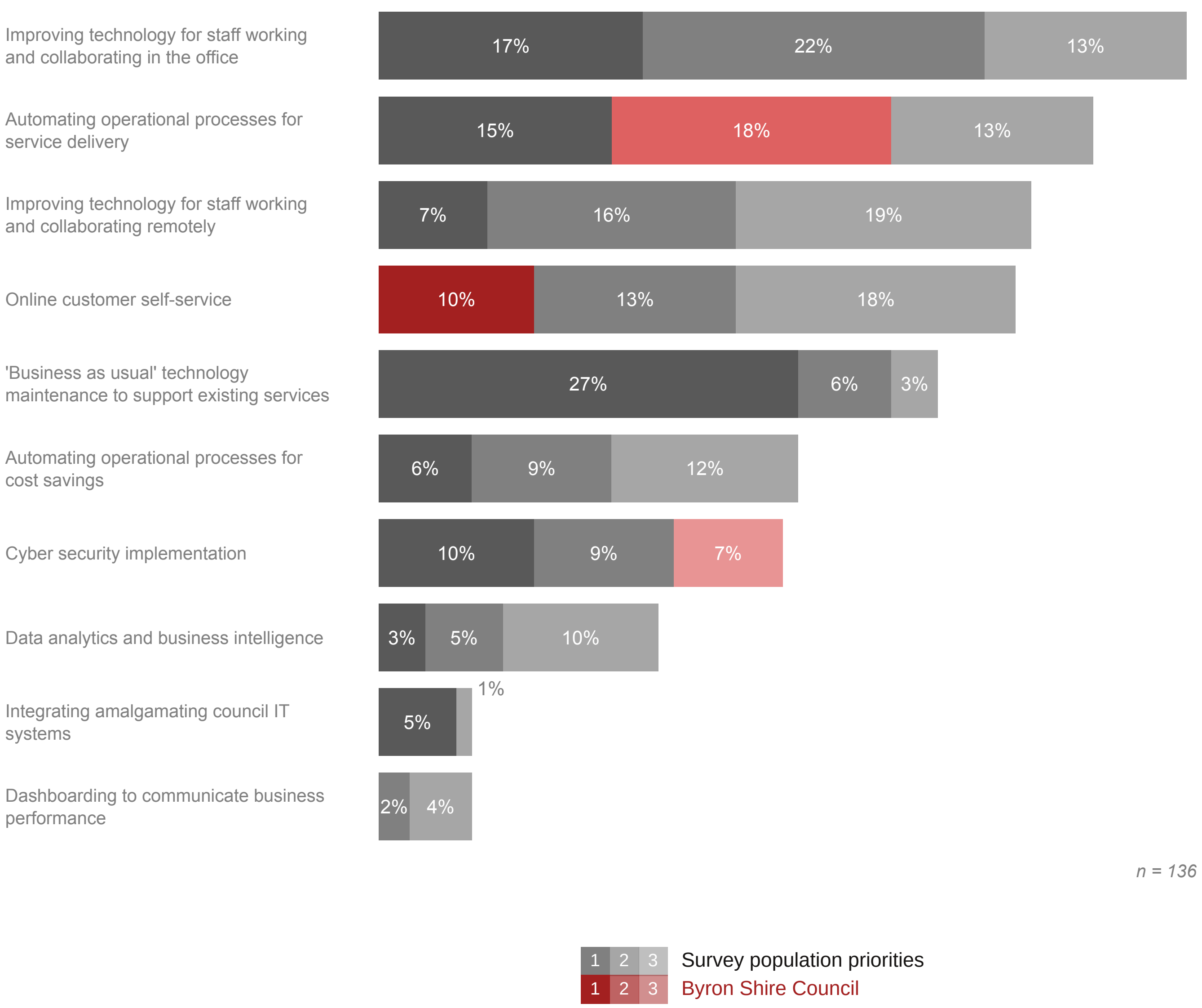
The overall top priority is improving technology to facilitate enhanced staff working and team collaboration in the office (52% ranked this among their top three priorities). This indicates that councils are acknowledging the benefits of employee collaboration through the use of improved technology.

A focus on efficiency puts automating internal operational processes for enhanced service delivery as the overall second priority (46%) and the overall third priority is improving technology to enhance staff working remotely (42%). Online customer self–service is also deemed important by councils, with 41% ranking this as one of their top three IT priorities.

Key considerations:

- Has your council seriously considered the trade-offs to maintaining sub-standard systems versus investing in digital transformation?
- Have you considered the benefits and costs and the associated impact on both the council and the community?
- How are you prioritising this important area of focus and ensuring it remains central to all decision making across the council?

Figure 3.8: What are your top three IT priorities over the next three years?



Managing your IT projects

Top IT priorities by council jurisdiction

The below infographic shows the top three overall IT priorities by council jurisdiction. Councils can compare and contrast to better understand the importance placed on the selection of IT priorities, across the different jurisdictions.

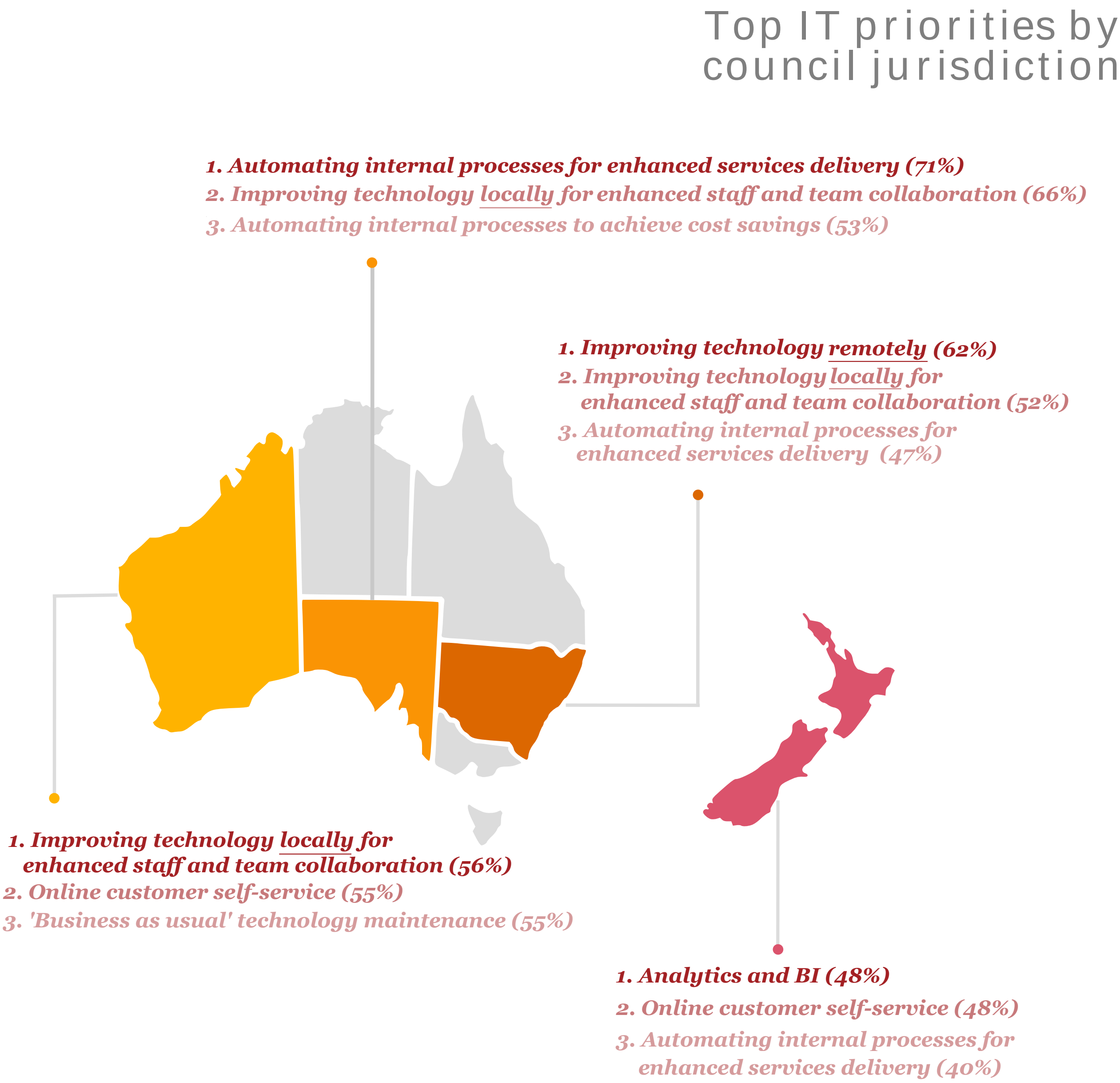
'Business as usual' technology maintenance remains in overall fifth place, however, more councils ranked this as their first priority (27%) than any other IT priority. Interestingly, this is especially apparent in WA councils; 42% ranked this as their first priority.

This highlights the ongoing challenge of councils maintaining aging systems to keep them operating reliably while also facing the pressure to deliver new-generation technologies. It suggests councils are challenged with how to take the next step forward; often legacy systems are customised so upgrading can be difficult and expensive.

Of particular interest, is the increased focus on data analytics and business intelligence (BI), with 18% of councils ranking this in their top three priorities, compared to only 9% a year ago.

This is a result of 48% of NZ councils ranking data analytics and BI in their top three priorities (up from 20% in the prior year). Currently, just 6% of WA, 8% of NSW, and 24% of SA councils are focusing on this important area.

With the growing availability of powerful technology tools, councils must keep up in terms of having the right people to be able to generate this information and create meaningful insights and initiatives for measurement and improvements.



Case study: Digital Innovation

Business Analytics

City of Joondalup, Western Australia

Over the years, the City had identified business analytics as the most effective way to objectively highlight potential links across the business. We recognised and identified an opportunity to improve the agility of the organisation to proactively manage service delivery as opposed to reactive management. Additionally, we wanted to start monitoring our project benefits and organisation efficiency within the City to ensure we are tracking well. We also needed a way to better manage staff availability according to the business demands.

Implementation

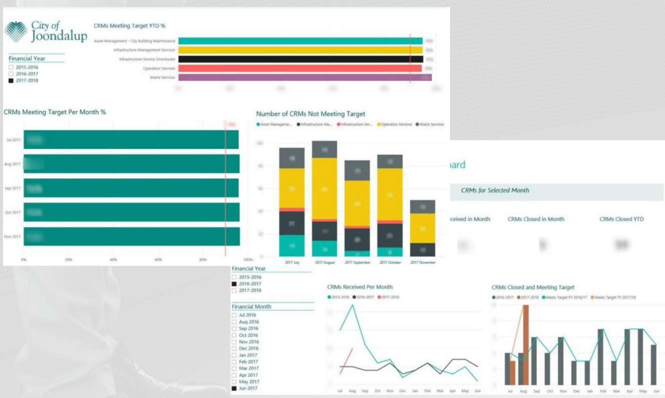
The City is now using data analysis and data reporting for programs such as Service Efficiency and Effectiveness Reviews. We partnered with Telstra to use smart technology to drive service delivery at a nominated park to identify when bins were nearing capacity. We have also used some data visualisation tools such as PowerBI to develop ongoing and real-time service delivery dashboards. These business analytics are now being used in areas such as internal audit, business performance, performance reviews, and operational service delivery. We have also used a lot of the measured metrics from the Performance Excellence Program to help guide areas of business analytics that we should be measuring over time.

Challenges

Our challenge to our users was to really have them get comfortable with the data and to develop data fluency within the organisation. It is key to standardise and agree on business rules and definitions and to understand the relationships between different systems and interpretations. Finally, we had to create and encourage a data-driven culture within our organisation.

Benefits

We have seen numerous improvements across the business as a result of the implementation of these initiatives. We have seen improved response times due to the availability of real time data for decision makers. To easily and quickly drill down and access the data dashboard on a range of devices at any time has facilitated this. In addition, we have improved financial forecasting of labour costs through the analytics. Business users who range from the City's CEO to managers are able to make better, more informed data based decisions on everyday questions. It has really helped in providing insight to the internal audit program to drive areas of review as well. All these in turn have translated to benefits felt by our community as the City can respond to the needs in a more timely and informed manner.



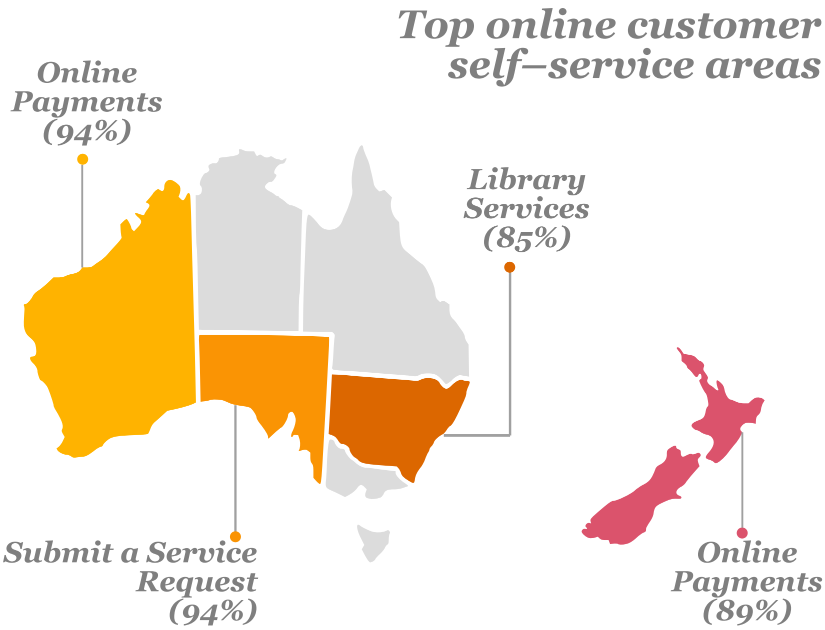
Customer service scorecard

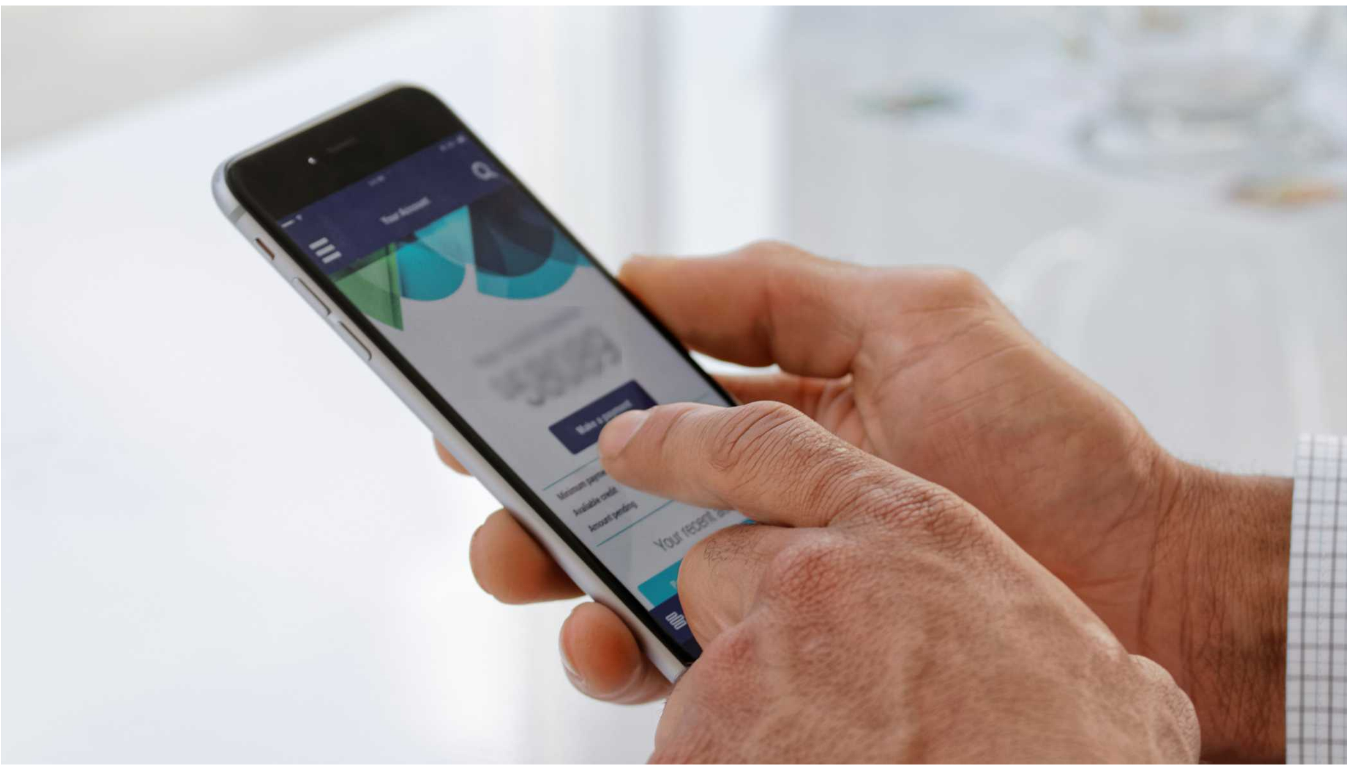
Automating the customer experience

As organisations such as banks and retailers introduce more online and self–service options, customer service expectations are shifting for local government organisations as well. Customers are expecting more flexible, easily accessible and convenient interactions and experiences with their council. The customer service function is often the first interaction residents and businesses are exposed to, whether it be via the website, phone or face-to-face.

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

Automating the customer experience will benefit most, however, councils do need to consider accessibility requirements. After a new digital way of engaging is implemented, councils may still find they have to operate with the old way for a period of time (paper forms, in person counter service) to make sure that everyone can access their services.





Customer service scorecard

Automating the customer experience (continued)

While there are some differences in jurisdictions, the general trend is towards more and more online service delivery and access to customer self–service. Compared to the prior year, more councils are now offering online library services (80%, up from 76%), online payments (79%, up from 78%) and online submission of a service request (68%, up from 64%).

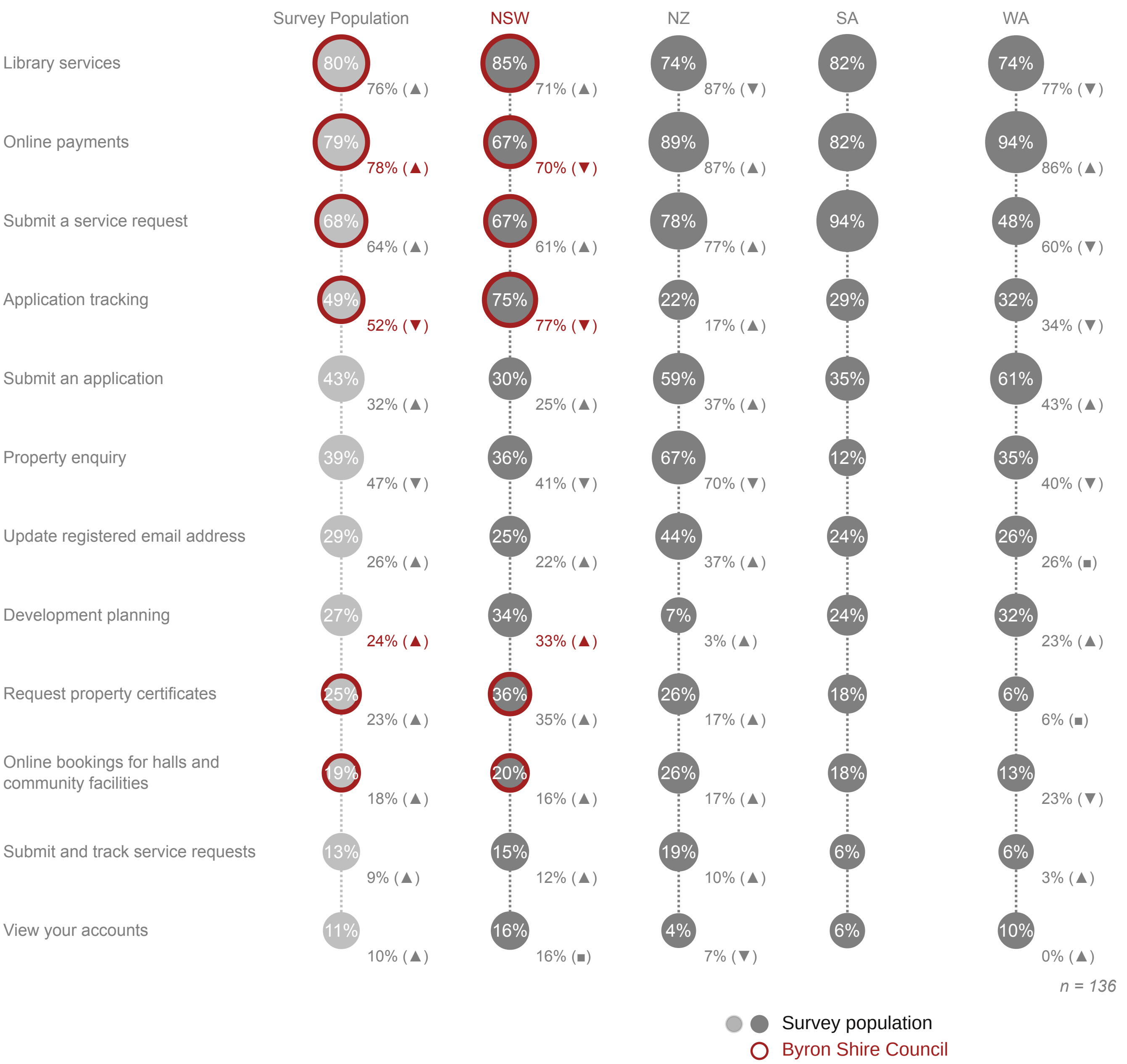
Given 85% of NSW and 82% of SA councils are offering online library services, this is a good opportunity for some NZ and WA councils to further explore how to move to a more digital approach to borrowing and renewing library books; 26% of both NZ and WA councils do not offer this service.

Across the survey population, the largest shift comes from 43% of councils offering residents the ability to submit applications online, up from just 32% in the prior year. Online application tracking is prevalent amongst NSW councils (75%), compared to 22% of NZ, 29% of SA and 32% of WA councils. Interestingly, however, the ability to submit an application in NSW councils is low (30%), compared to 61% of WA and 59% of NZ councils.

An immediate opportunity exists in NSW councils to offer their customers the ability to make online payments, with just 67% of NSW councils offering this service, compared to 94% of WA, 89% of NZ and 82% of SA councils offering this huge time-saving service for residents and businesses.

Finally, SA councils have opportunities to explore online property enquiries (12%), compared to 67% of NZ councils and around 35% of both NSW and WA councils.

Figure 3.9: Percentage of councils offering online customer self–service



Customer service scorecard

Servicing the community

This year we observe a continuation of the downward trend in the median number of customer service full-time equivalent staff members (FTEs) per 10,000 residents across the council population. Overall, in FY17 we see a median of 2.3 customer service FTEs per 10,000 residents, compared to a median of 2.4 in FY16 (and 2.6 in FY15).

Geographically, it is interesting to note that both SA and WA councils have the lowest median customer service FTEs per 10,000 residents, with 1.7. This median result shifts to 2.4 in NSW councils (down from 2.7 in the prior year) and 2.5 in NZ councils (down from 3.0 last year).

In small councils, we see a relationship between a high median of 5.4 customer service FTEs per 10,000 residents and a lower uptake of online self-service offerings. That being said, we do continue to see a downward trend in small councils, with the median customer service FTEs per 10,000 residents falling from 7.6 in FY14 to 5.4 in FY17. However, in comparison to large councils, with a median of 1.2 customer service FTEs per 10,000 residents and medium-sized councils with a median of 2.4, the greater opportunities exist in small councils for further automation and online facilities.

Opportunities continue to exist in small councils for online application tracking (19%) and online payments (43%), compared to 50% and 83% of medium-sized councils offering online application tracking and online payments respectively.

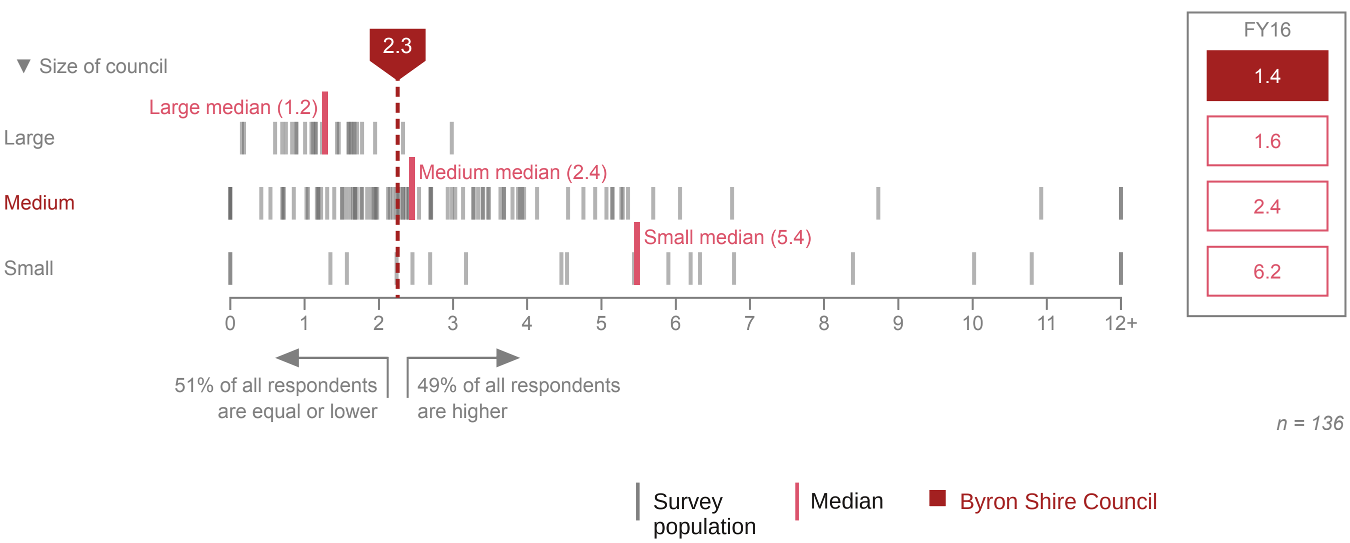
Another area to explore is the sharing of services such as the customer service call centre, along with creating desirable self-service options for the community. Further in this section, we explore the proportion of councils outsourcing or sharing different corporate service areas, and our survey shows that only 14% of small councils operate an outsourced or shared customer service call centre, compared to 56% of large and 43% of medium−sized councils.

It is understood that access to reliable, fast internet is a critical success factor to making these shared arrangements work. However, as high-speed network access continues to improve in rural and remote areas, there will be more opportunities to bring different ways of serving the community. It is likely there are models where shared services can be possible both to enhance the customer experience and reduce costs.

Key considerations:

- Are you keeping up with customer expectations by providing access to information and certain services at anytime?
- Do you know where the pain points are in the corporate service functions that could benefit from automation streamlining?
- Have you comprehensively reviewed your corporate services processes via formalised service reviews?
- 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?
- Have you explored doing things differently either by sharing the customer service call centre with nearby councils or regionally?
- Do you understand your changing customer profile mix and how they would prefer to interact with your council in the future?

Figure 3.10: Customer service full-time equivalents per 10,000 residents



Looking at different ways to deliver corporate services

Outsourcing or sharing corporate services

There are a variety of ways to deliver corporate services; outsourcing or sharing corporate services is one way to potentially optimise operational effectiveness. In building a sustainable operating model, any form of outsourcing or sharing should aim to support councils to achieve high quality service levels and build better resilience into the service, via increased efficiencies, delivery of better value directly to users and ultimately generate cost savings that can in turn be invested into other services, new initiatives and building of enhanced skill capability among staff members.

Our findings show that the top two corporate service areas that are either outsourced or shared remain consistent with last year, with legal (90% of councils) and IT hosting and support of systems (69%). In third place, a new corporate service area included in the FY17 survey, recruitment (44%), followed closely by customer service call centre and procurement (41% and 40% of councils respectively).

More councils are now opting to outsource or share IT hosting and support of systems, with 69% of councils employing this delivery model, compared to 62% last year. This increase is most prevalent in NSW councils (64%, up from 56% in the prior year) and NZ councils (89%, up from 70%).

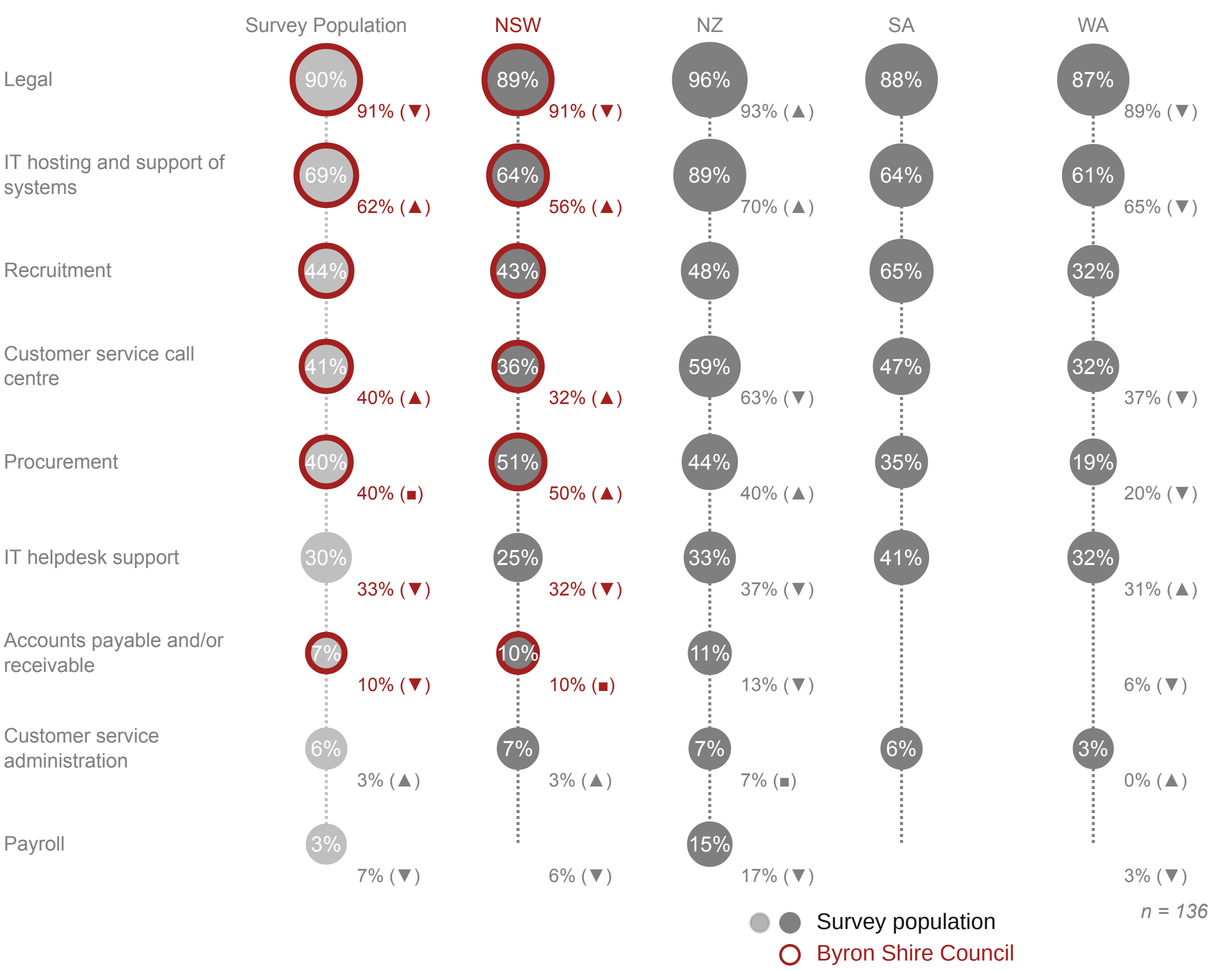
The outsourcing or sharing of the IT helpdesk is not as widespread, with just 30% of councils delivering support in this way. When it comes to size of council and future plans for outsourcing or sharing of the IT helpdesk, it is interesting to note that small councils have no plans to outsource or share this area in the next two years, compared to 19% of large and 8% of medium-sized councils.

With the expanding focus on IT capabilities and initiatives, councils should be cognisant of the growing demand for IT support and the specialist skills required. If existing staff do not have the skills to support the next generation of software and tools then this could create bottlenecks and hold councils back from enhanced service delivery, if not addressed.

Key considerations:

- Have you critically evaluated your current model for delivering your transaction-based services?
- Have you explored the possibility of sharing services with nearby councils especially for a geographic specific activity?
- Are you getting the most from your current resources or could you vary the way services are delivered to create more time for value-adding activities from your existing staff capacity?

Figure 3.11: Percentage of councils outsourcing or sharing corporate service areas



Looking at different ways to deliver corporate services

Outsourcing versus shared services

The key objective of sharing services is to provide enhanced service delivery and customer experience. The focus is to obtain economies of scale and centres of excellence by standardising, re-engineering and consolidating processes; thereby allowing councils to use information more effectively.

The option to outsource services is useful when the service is better able to be delivered by another party. This will mean providing a viable option enabling councils to access best in breed services. It can also allow councils to then focus on their core strengths. However, to be successful, councils need to identify and address cultural barriers that may impede the success of these strategies.

It is also crucial to establish a clear vision and formal service-level agreements between councils and service providers. Where feasible, councils should continue to consider the benefits of sharing resources in regional areas especially with the growing network of regional clusters; this creates a consistent regional approach on important matters for employees and/or residents.

Taking a closer look at the outsourced or shared corporate areas shows that legal services continues to be primarily outsourced with 84% of councils choosing this option, while 6% elect to share this service.

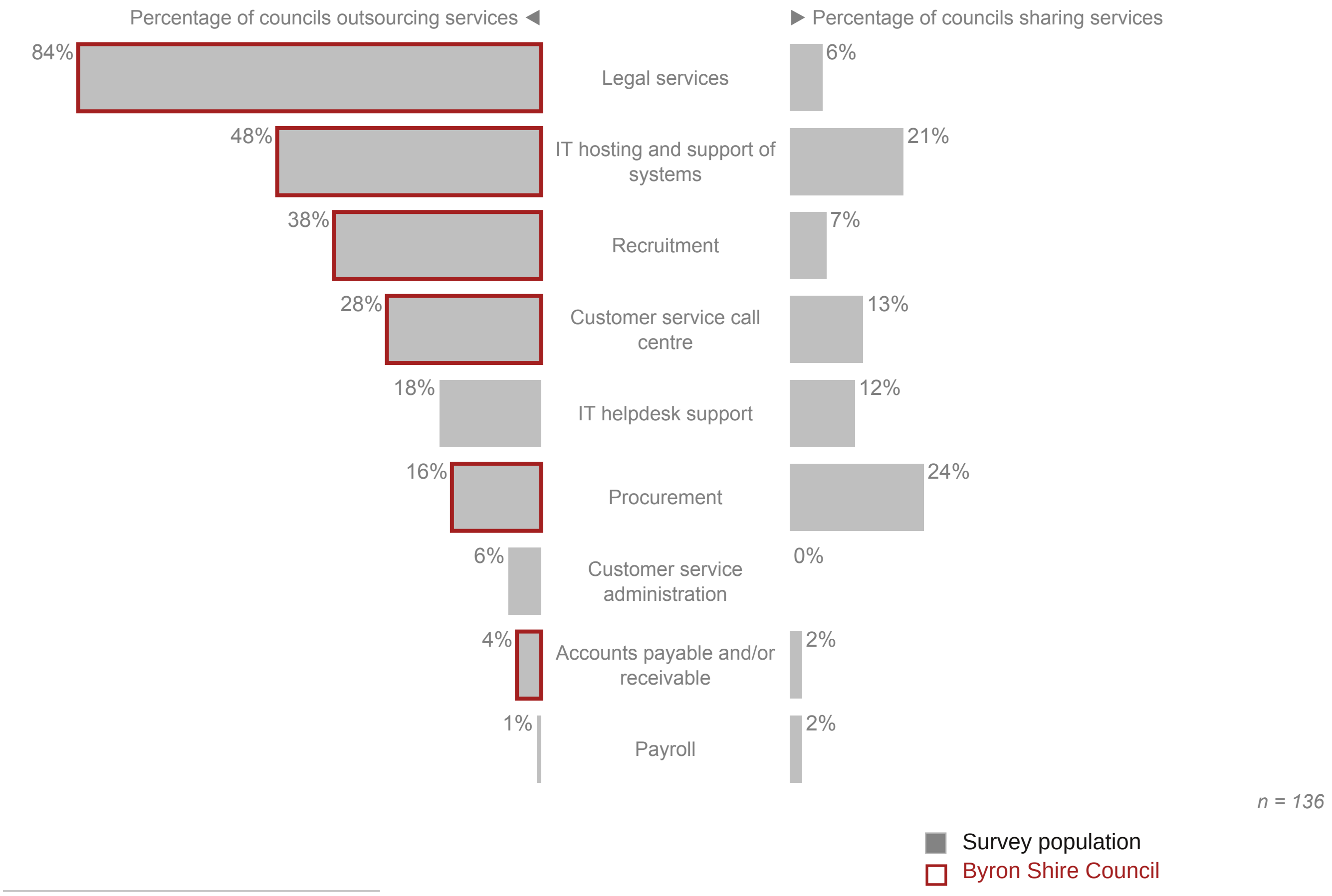
IT hosting and support of systems is 2.3 times as likely to be outsourced (48%), compared to 21% of councils sharing this service. On the flipside, we note that sharing procurement with other councils is more prevalent than outsourcing; 24% of council share procurement, while 16% outsource this service.

We acknowledge that councils differ in their approach to how they deliver corporate services, and there may be good reasons to keep service delivery in house. However, there are areas of operations that are more transactional in nature that may benefit from a collective delivery model across councils.

One example is payroll. According to the 2017 payroll benchmarking survey conducted by the Australian Payroll Association,[6] where over 2,000 Australian organisations were surveyed, the payroll function is outsourced in 21% of the surveyed organisations.

In comparison, our findings show that NSW, WA and SA councils do not outsource or share the payroll function. However, of the 27 NZ councils surveyed, three councils do share the payroll function and one council outsources. Due to the transactional nature of the payroll function, the potential for either sharing or outsourcing this service is applicable to all councils.

Figure 3.12: Outsourcing versus sharing of corporate service areas



6 Australian Payroll Association, 2017, Payroll Benchmarking Survey.

Looking at different ways to deliver corporate services

The future of outsourcing or sharing corporate services

In our final analysis of outsourcing or sharing of corporate services, 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.

Across all councils we continue to see limited demand for altering the way corporate services are delivered.

This is especially prevalent in areas like payroll and finance accounts payable/receivable, which actually have good track records for being delivered as an outsourced or a shared service function due to their transactional nature, with only 7% of councils in payroll and 5% in finance considering a move towards outsourcing or sharing in the next two years.

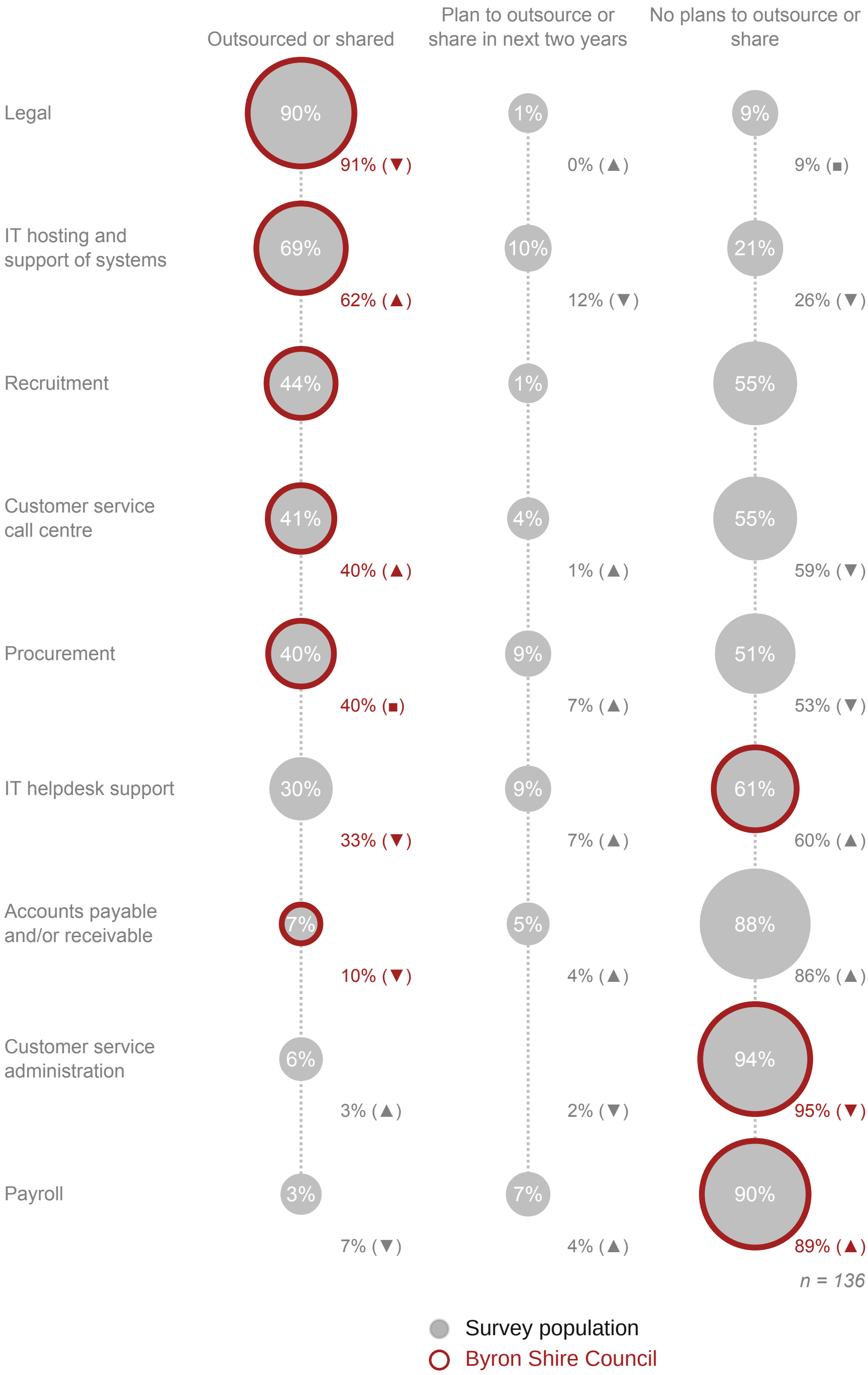
When looking at the future plans for the payroll function, we see some interest in altering the delivery model; 11% of NZ, 6% of both SA and WA, and 5% of NSW councils.

We continue to observe just over half of the surveyed NSW councils outsourcing or sharing the procurement function, compared to 44% of NZ, 35% of SA, and 19% of WA councils. SA councils show the most interest in altering the procurement delivery model, with 18% planning to outsource or share in the next two years, falling to just 3% of WA councils.

Overall, councils are more interested in the outsourcing or sharing of IT hosting (10% of all councils) and IT helpdesk support (9%) over the next two years. NZ councils (15%) are most interested in altering the delivery of the IT helpdesk, while NSW (10%) and SA (12%) councils are focused on IT hosting outsourcing or sharing. We see 16% of WA councils planning to outsource or share IT hosting and the same proportion planning to do the same with the IT helpdesk over the next two years.

The opportunity exists for more collaboration with nearby councils by investigating how corporate services may be shared with each other, or outsourced to service providers with specific expertise.

Figure 3.13: Current and future outsourcing or sharing of corporate service areas



Case study: Digital Innovation

Living Labs

Wellington City Council, New Zealand

Wellington is New Zealand's foremost "smart city", deploying a wide range of technologies to help us achieve the strategic outcomes for our city. A key driver for developing this capability is growing our community resilience and ensuring we have successful street environments, now and into the future.

To achieve Wellington's strategic goals we set out with an aim to understand how the city, its people and organisations function and interact when it comes to achieving the high quality of life for which Wellington is known. This took the form of a series of workshops attended by over 100 people from different agencies, emergency services, health providers and communities to learn how we see the city, how we interact in solving problems, and where the common goals and operational interactions lay. Based on those meetings, we partnered with NEC (NZ's smart cities business) to help determine how Smart City Technology could help us measure, understand and/or collaborate to produce better services and solutions to problems.

Implementation

Wellington's Smart City is unusual in its very strong socially driven implementation lead by Jenny Rains, from Council's Community Services Business Unit. By partnering operational staff with technologists, Community Services have been able to digitise reporting from Council's Local Host teams (local hosts are city ambassadors assisting retailers and tourists, reporting damage to council assets and working with vulnerable people in the street). This reporting has been able to make the hosts more effective day to day and inform strategic decisions around liquor licensing, urban design and council policy. This view has been extended to bring in information from council's other points of contact with the public, including from our call centre, field workers and citizen reports. This view of the street has been augmented by the use of sensors and machine learning layers measuring patterns of behaviour such as begging, breaking glass, aggression and pedestrian flows.

Benefits

The data delivered by these systems has been used to provide greater insights into our street environments. This has assisted more effective event planning, social service delivery, liquor licensing processes and urban design responses. The unified view and common city platforms have also allowed agencies, such as the health board, police and other services to contribute data and gain common insights – this means that we can work together more effectively to deliver results and address situations earlier. This common information has also been able to be used with other Smart City projects such as pedestrian flows and the Virtual Reality Digital City Model to better engage on issues and generate deeper understanding.

Challenges

Wellington has pioneered the use of many of these technologies in city making in this part of the world, and this has meant taking an approach of developing a privacy by design methodology and exploring the closed, shared and open model of data in government. There have been further challenges with the speed that technologies develop and when to invest, many of which have been ameliorated by the use of open source software layers, a modular approach and our partnership approach.

Service Delivery

47% *of total waste management operating cost relates to outsourcing*

39% *of councils completed service reviews and formally reported outcomes*

12.4% *median staff turover 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**	132 councils	A$292	A$138 - $700
Roads & Bridges	125 councils	A$261	A$76 - $1130
Water	62 councils	A$204	A$6 - $439
Sewerage	63 councils	A$184	A$31 - $308
Solid Waste Management	121 councils	A$127	A$56 - $238
Other transport infrastructure	84 councils	A$97	A$1 - $209

* 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

NSW Top Services

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

	Number of councils*	Average operating expense per resident*	Range of operating expense per resident^
Governance & Administration**	58 councils	A$302	A$139 - $687
Water	36 councils	A$282	A$98 - $591
Roads and Bridges	58 councils	A$280	A$67 - $1177
Sewerage	37 councils	A$245	A$87 - $343
Solid Waste Management	56 councils	A$184	A$70 - $257
Parks & Reserves	55 councils	A$72	A$26 - $173

* 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

Each council delivers a range of services to meet the unique needs of its community. In a sense, each council is therefore unique, because no two councils deliver the exact same set of services, and each council serves a community comprising of different people with different needs. This fundamental feature of local government makes comparisons challenging for many important issues.

Rather than attempting to compare councils overall, this section of the report aims to look at councils from the viewpoint of the services that are being delivered, and the resources that go into delivering those services. Workforce costs remain a major controllable component of total council expenditure (median of 35% of total costs), and so the core of this analysis is to use workforce data as a key to unlocking insights about service delivery.

Councils are constantly balancing various tensions in the investments made in the workforce. Firstly, there is the tension between the need for resourcing in direct service delivery, and resourcing in the support of central administration functions. Secondly, there is the challenge of optimising the skilled support in management layers with the right number of resources in direct service delivery. And of course it is not necessarily only the current resourcing, but also the future resourcing needs of the council, that matter.

This section of the report provides you with information about how some of these challenges and tensions are being resolved by peer organisations. The allocation of resources within service areas, as well as overall, is one of the most important areas of management, given the competitive pressures on skills, capacity and increased community demands.

Understanding the relative size and shape of your various services, in terms of workforce and cost, is important, and this program enables our participating councils to see relevant comparisons of their service delivery profile, compared to other councils' profiles.

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

- the profile and scope of services delivered by councils
- the way services are delivered (outsourced vs insourced) across councils;
- the associated costs in delivering these services; and
- the workforce make-up within various services delivered by your council.

We continue to learn from our participating councils and have made enhancements throughout this section. We can see that councils are improving their attribution of costs and resources across services, and we expect participating councils to further refine and improve their data submission accuracy during the next data collection round.

Methodology

Participating councils map their council cost centres to a defined set of 32 service areas. 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. The participating councils allocate the FY17 cost 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 practical approach is to focus on the linking of 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 ie. non direct workforce service costs. While 'Governance and Administration' is not technically a service area, the total cost of this area is a useful component for comparison purposes, so we have treated it as a standalone area.

Overview

Understanding this section

Each participating council will have the ability to view a variety of metrics for their top five service areas (displayed in red) either ranked by service cost or service FTE (this is noted on each chart). In addition to the top five services, we profile 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.

To assist participating councils with more valuable comparisons to the overall industry, we show these councils what the survey population result would look like if it was the same size as their council. Therefore participating councils will now see relevant metrics for cost or FTE for their resident population, and the survey population result will be adjusted to reflect the total cost or FTE for your resident population.

When calculating FTE and headcount, we have used the closing balance at 30 June 2017 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 councils did not provide service delivery cost or FTE data, they will see the results for the survey population's top five service areas plus 'governance and administration'. However, as no data was collected from this group of councils, the red indicator will be missing.

Delivering council services - cost and resourcing

Service delivery operating costs and FTE breakdown

In Figure 4.1, we have shown 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'.

Based on the data submitted, you will see your total cost and total full time equivalent staff (FTE) during the 2016–17 financial year, across your featured service areas.

The survey population, by service area, is represented by other participating councils that also provide the same service.

For example, a council may have 50,000 residents and spend $10.0m on solid waste management (equating to $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 survey population to deliver this service to its 50,000 residents - the question then becomes 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? Some of these questions may be answered further in this section.

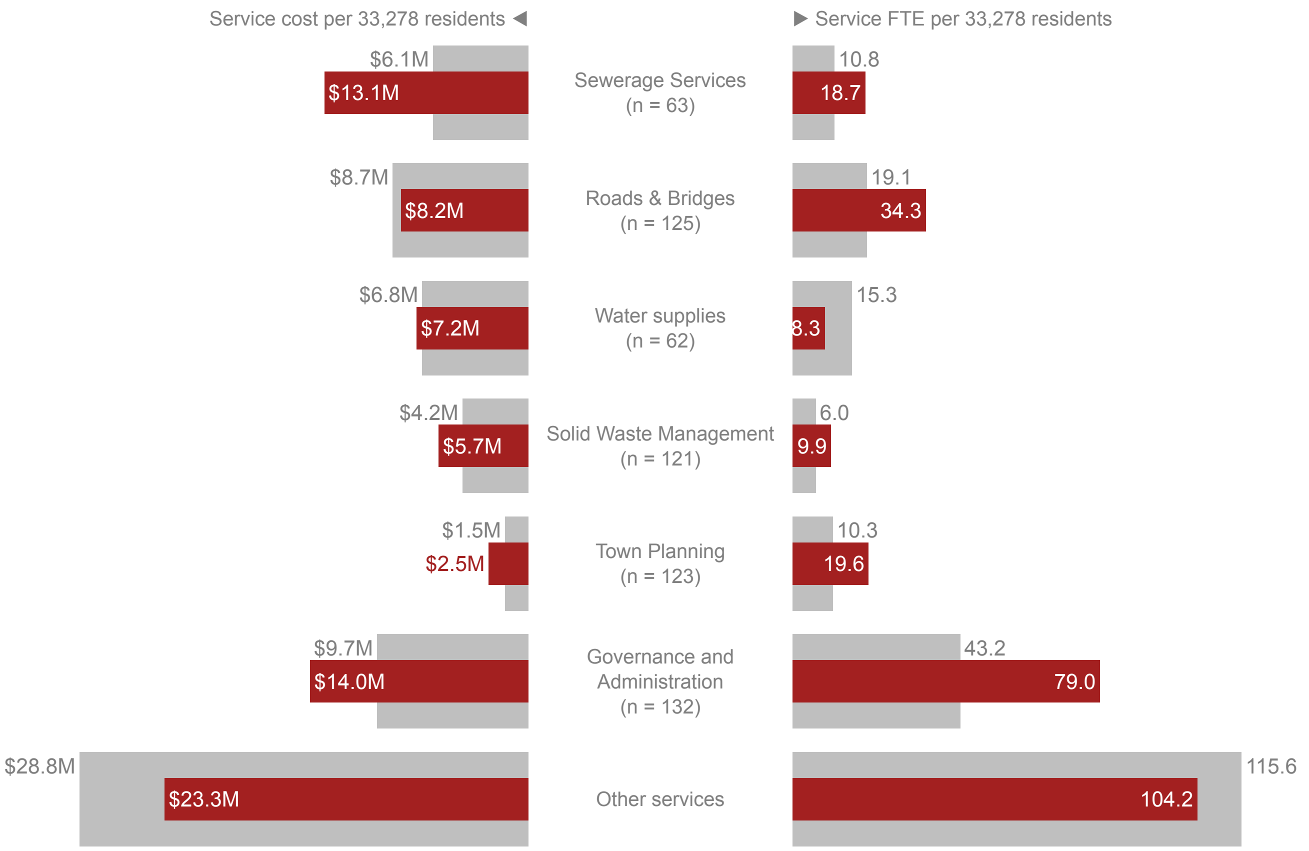
Definition

FTE: Total number of full time equivalent employees at 30 June 2017, including a casual FTE component based on casual hours worked throughout the years.

If your council did not provide the service delivery cost breakdown, we have shown the survey population's top five services, ranked by total service cost, as well as governance and administration. The remaining services are consolidated into 'Other'. These councils will still see these figures adjusted to their number of residents.

For easy comparisons, we have remodelled the survey population result to represent the same size as your council. This means you can observe and compare the average equivalent resources (cost and FTE) of the survey population for each service area, as if this survey population had the same number of residents as your council.

Figure 4.1: FY17 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.

Method of delivering council services

Insourcing and outsourcing

On this page, we have shown the extent of current insourcing and outsourcing by service area. We have calculated the total insourced expenses as a percentage of total service area operating expenses, and likewise for the outsourced contract value expense for each service area (if any).

We show each council their top five services (ranked by service operating expense) as well as governance and administration. Councils that did not provide service delivery cost breakdown will see the population's top five service areas (also ranked by service operating expense) across the survey population.

Our overall findings show that during the 2016–17 financial year, solid waste management is the top service area where a substantial component of this service uses an outsourced model: 47% of the total solid waste management operating expenses is represented by outsourced contract expenses.

This is followed by emergency services, fire levy and protection, with 36% outsourced contract value and then in equal third place, other transport infrastructure and camping areas and caravan parks, with 34% of the total service area expenses dedicated to outsourcing.

Looking across the council jurisdictions, we observe a greater extent of outsourcing of services by NZ councils; outsourcing expenses comprise 29% of total operating expenses. In comparison, SA councils spend 17%, WA 15% and NSW councils spend 14% of operating expenses on outsourced delivery.

Outsourcing expenses as a percentage of total operating expenses

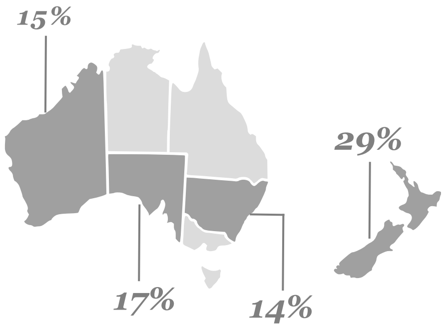
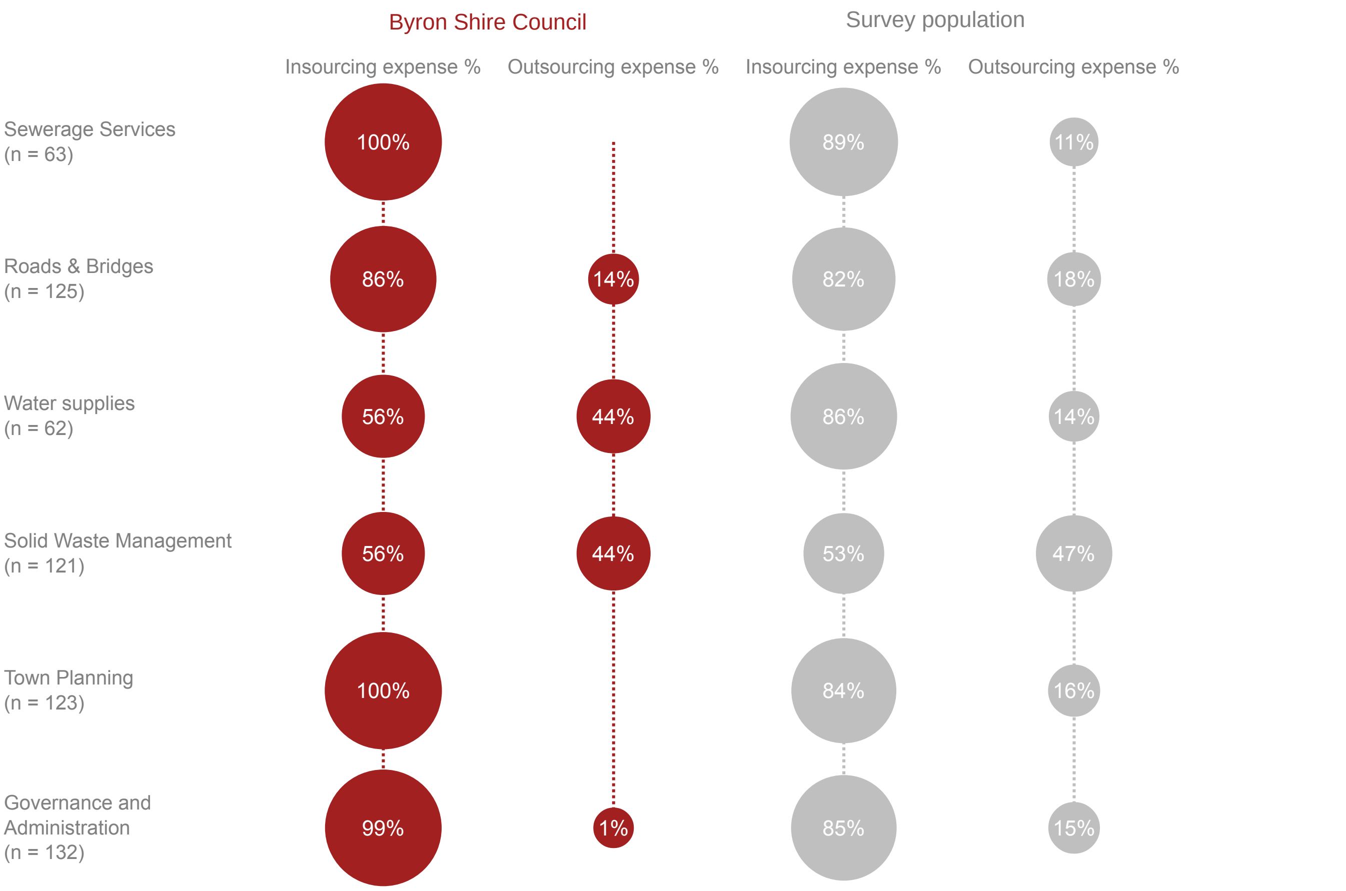


Figure 4.2: Council insourcing and outsourcing expense as a percentage of total operating expenses by service area^



^ 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
Byron Shire Council

Are you conducting regular service reviews?

Service area reviews

Service delivery reviews 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 any changes to make to service delivery in order to provide enhanced benefits to stakeholders within the constraints of financially sustainability.[1]

Our results show that 58% of councils conducted at least one service review in the 2016-2017 financial year, compared to 60% in the prior year. There were 39% of councils that then went on to report the outcomes of the service reviews to senior management.

Due to the NSW Government requiring service reviews to be completed for amalgamating councils in the 2016-2017 financial year, we see an uplift in the percentage of NSW councils conducting service reviews, with over half of the NSW councils (52%), compared to 43% in the prior year, prioritising these strategic reviews.

In contrast, there was a decline in the proportion of WA councils (48%, down from 69% in the prior year) performing at least one service review in the past year.

Meanwhile, we continue to observe a high proportion of NZ councils seeing this as an important element in business operations, with 85% of NZ councils performing at least one service review in the past year.

While there is no prior year data for SA councils, we see over half (53%) having performed service reviews and 35% that formally reported their outcomes in FY17.

Service delivery reviews are an ongoing process to ensure council is delivering what the community needs in the best possible way, especially with changing community needs and emerging external factors - such as the need to respond to climate change.[2]

Figure 4.3: During FY17, did your council complete service reviews?

1 Hunting, S.A., Ryan, R. & Robinson, T. P., 2014, Australian Centre of Excellence for Local Government, University of Technology, Sydney, 'Service delivery review: A how-to manual for local government', 2nd Edition

2 Ibid

Which service areas are being reviewed?

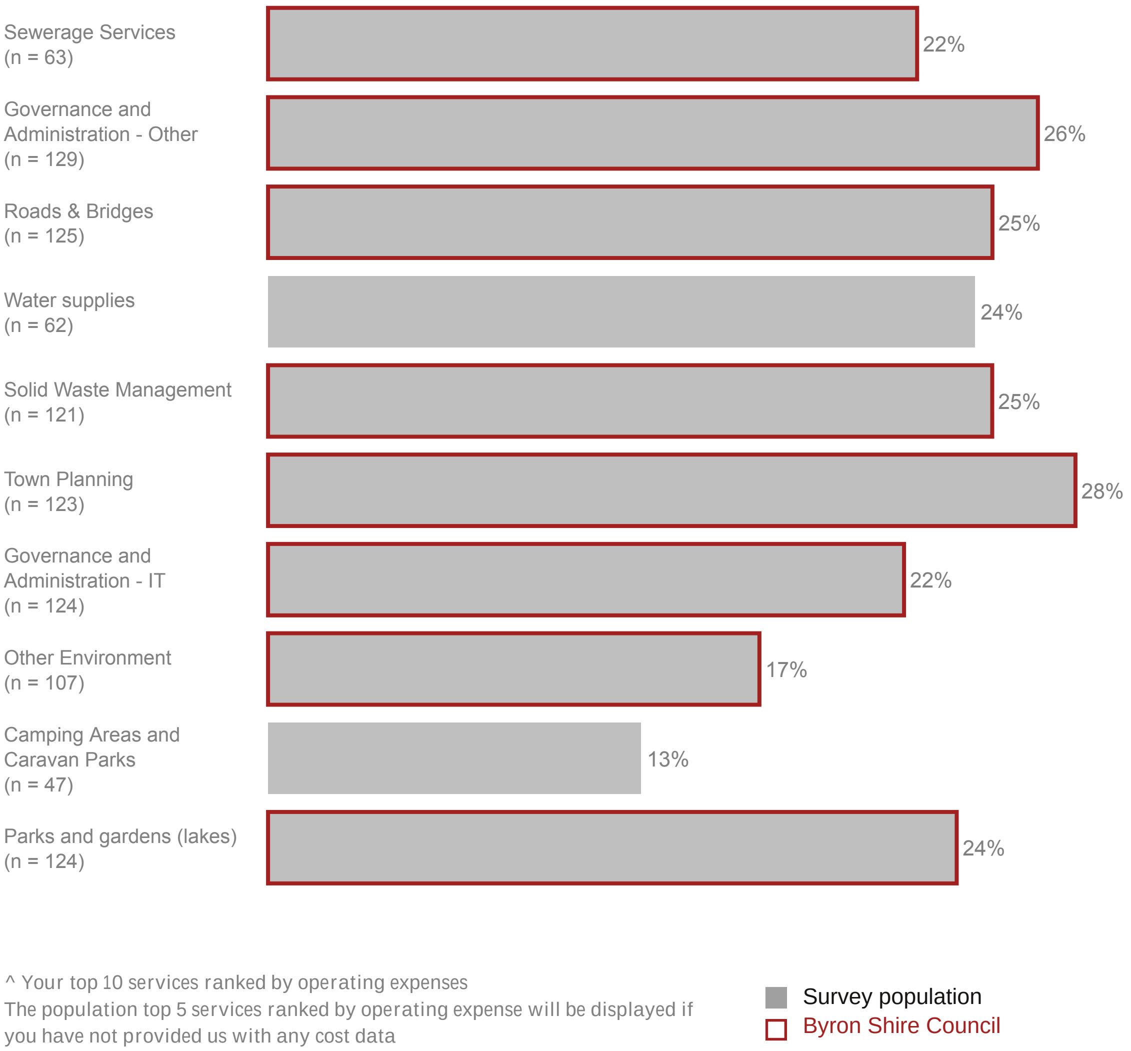
Service area reviews

In our survey, councils were asked to indicate whether a service review was performed across the council's range of service offerings.

In the chart below, we show each council their top 10 service areas using reported operating expenses as an indicator. We then highlight in red if your council indicated that at least one service review was performed in the 2015-2016 financial year, across your top 10 service areas, compared to other councils that provide the particular service.

Councils that did not provide operating expenses by service area will see the survey population's top 10 service areas and the percentage of councils that performed service reviews (adjusted to represent a percentage based on 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 5 services ranked by operating expense will be displayed if you have not provided us with any cost data

Organisational design by service area

Span of control

In our workforce section of this report, we discuss the merits of structuring resourcing requirements with a focus on maintaining the optimal size of management. Across all council functions and activities, the overall median span of control for the survey population is 3.4 'other staff' per supervisor and above.

Looking at the three service areas with the highest proportion of overall FTE, we observe a narrow span of control in governance and administration, with a median of 2.8 other staff per supervisor and above, and in roads and bridges (3.0). Parks and gardens has a slightly higher span of control, with 3.8 which is likely to be driven by a workforce that is oriented towards frontline resources executing well defined duties.

It is important for councils to assess whether the current workforce structure in various service areas is ideal for their operations, and consider whether there are too many layers of management. The ideal span will be influenced by the nature of work involved. Important factors to consider are manager capability, the complexity of work in the various service areas, and whether the service area is outsourced (a lower span of control in the employed workforce is to be expected if delivery of the service has been outsourced).

To further explain span of control and enable councils to better understand how their staff level mix compares to other councils, we have displayed your council's closing full time equivalent staff level (FTEs) by supervisor level and above and staff below supervisor (across your top five service areas, if you provided FTE mapping) as well as governance and administration.

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 this is due to an absence of staff above the supervisor level.

Survey population
Byron Shire Council

Figure 4.5: Span of control median by service area^

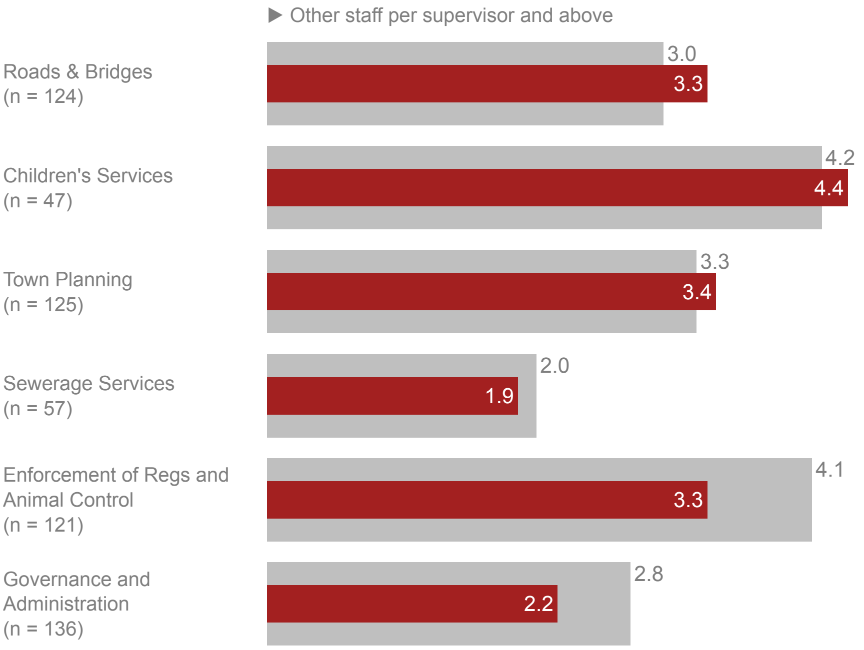
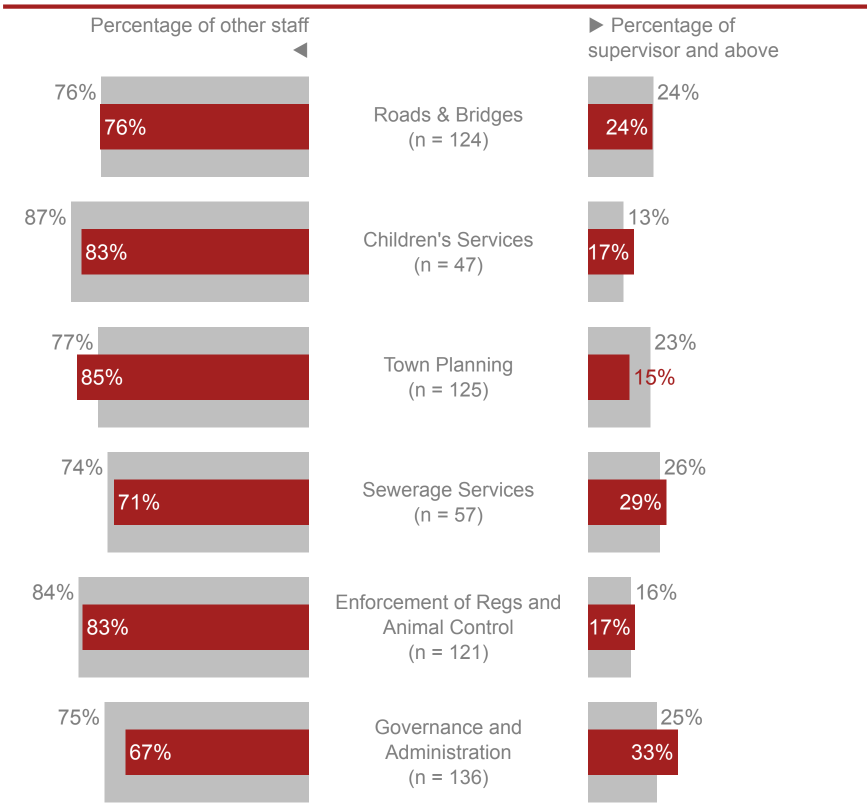


Figure 4.6: Closing full–time equivalents (FTEs) proportions by staff level^



^ 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

Talent management

Gender diversity and staff turnover

Councils are now able to see the extent of gender balance within the various service areas. The extent of gender–segregation that remains in certain workforces reveals that many councils may have achieved overall gender balance within their workforce only as a result of the mix of services delivered, rather than because of any steps taken to dismantle traditional barriers to equity.

There are very low levels of female representation in traditionally male-dominated service areas, such as footpaths (7% females), street cleaning (7%), and roads and bridges (8%). Likewise, we observe female-dominated workforces in children services (95%), aged care (86%), and library services (83%).

The service area with a balanced gender ratio (when averaged across all councils that provided service area breakdown) is town planning. This is followed by camping areas and caravan parks, with 52% female representation.

In our workforce section, we have discussed the staff turnover rate in depth and have made note of the overall median turnover rate of 10.8% (excluding casuals fixed-term contract employees), across all service areas in the 2016–17 financial year.

We can now provide councils with a better understanding of which service areas may be more prone to higher staff turnover levels, or alternatively service areas where the turnover rate is so low that it limits opportunities to promote key internal talent or hire employees with new or diverse skills.

Looking at the three service areas with the highest proportion of overall FTE, we observe minimal churn: a median staff turnover rate of 7.4% in governance and administration, 6.8% in parks and gardens, and 9.6% in roads and bridges.

Service areas that were more prone to staff turnover were agriculture (12.5% median staff turnover rate), town planning (12.4%), and children services (11.7%).

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^

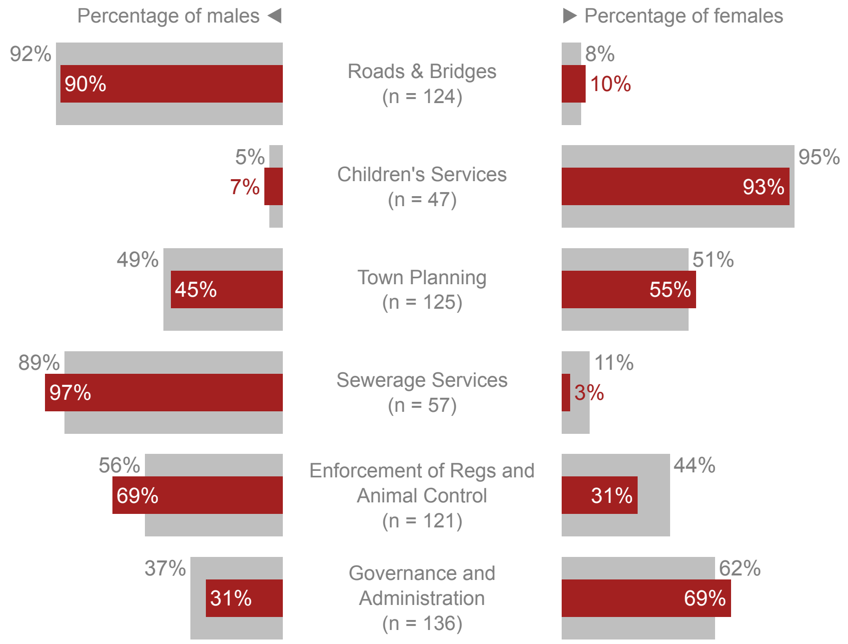
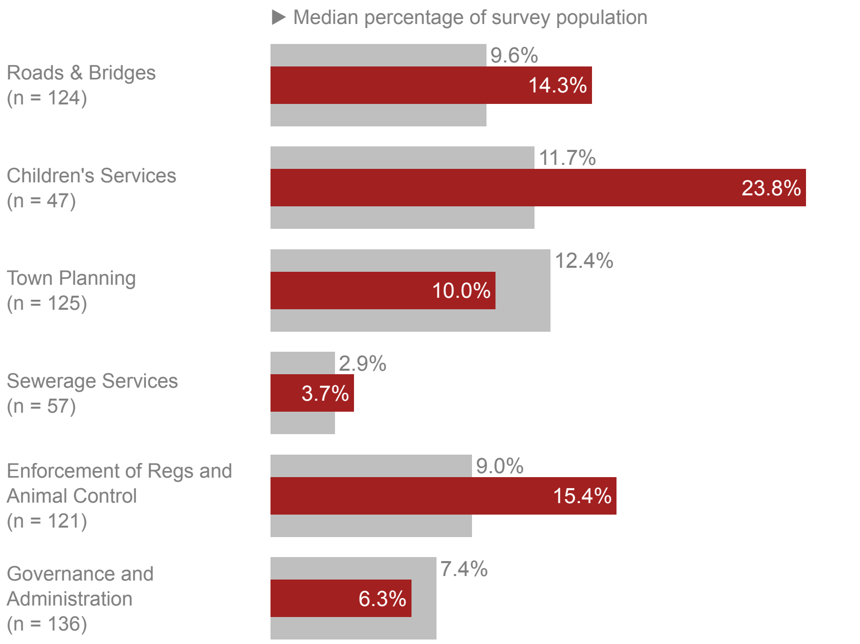


Figure 4.8: Staff turnover rate median by service area^



^ 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
Byron Shire Council

Talent management

Generational diversity

In our workforce section (refer to Figure 1.35), we have discussed the fact that baby boomers still dominate the workforce at councils, comprising 39% of the workforce, followed by 34% Generation X and 27% Generation Y and younger.

We are now able to analyse the generational mix at a service level. Figure 4.9 highlights the top service areas ranked by FTE and their associated generational headcount mix. This will allow councils to quickly identify service areas requiring a focus on succession planning.

Our results show that the following four service areas (with a high proportion of overall FTE) face a high level of potential retirements in the next 10 years, given the dominance of the baby boomer cohort: roads and bridges (49%), libraries (48%), parks and gardens (41%), and governance and administration (36%).

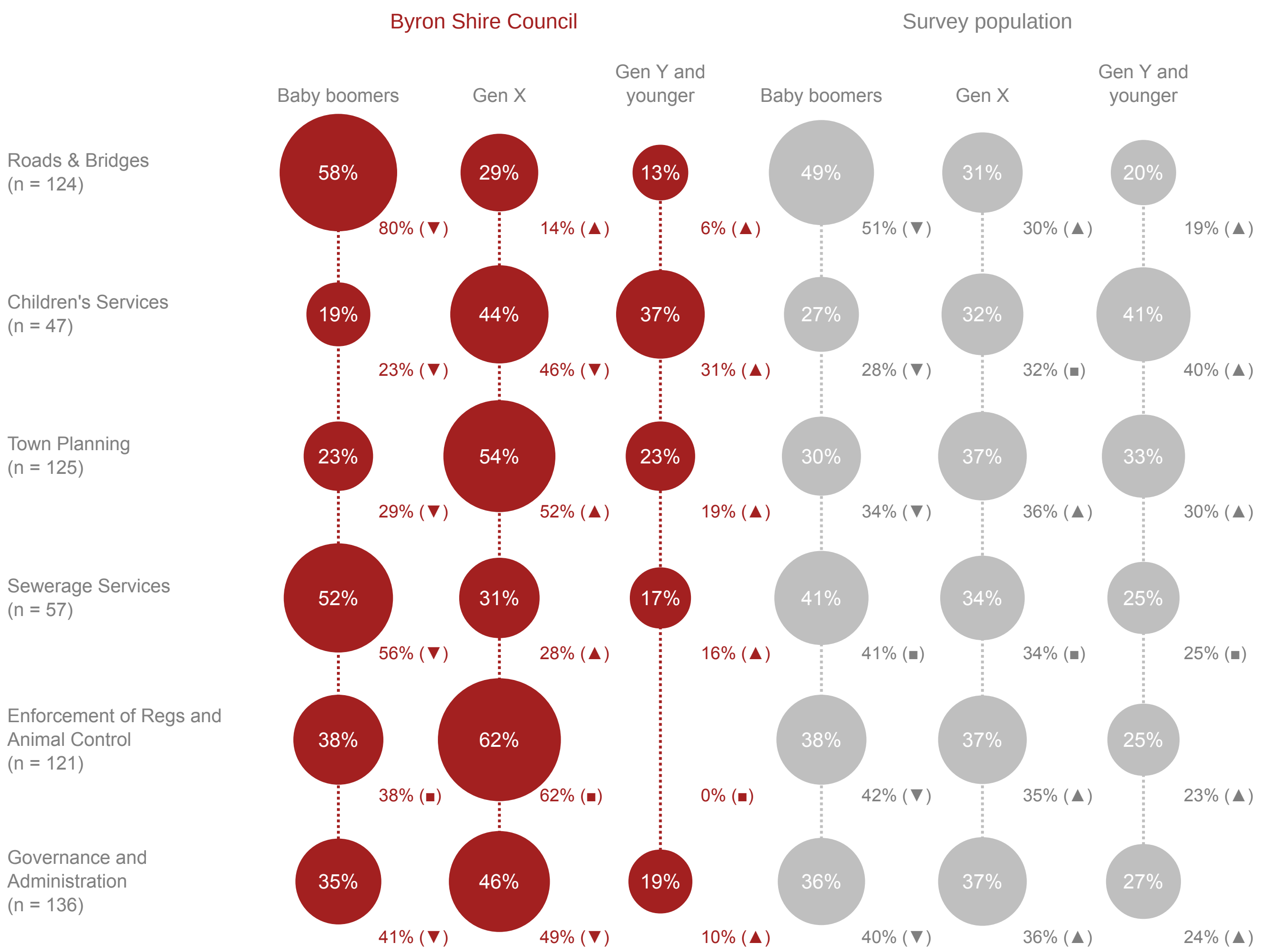
It is crucial for councils to review their generational profiling within these service areas, with a focus on establishing a succession planning program to minimise the risk of losing vital talent, local government expertise and leadership skills.

In addition, councils can be investigating flexible working options that allow for smoother transition from work to retirement. Councils may find that some service areas will require a mix of resourcing strategies, with a need to ‘grow their own talent’, job share, or consider outsourcing or sharing resources with nearby councils to supplement in-house resourcing.

Other service areas, albeit with a lower proportion of overall FTE, that may face resourcing challenges over the years are aged care (54% of baby boomers), street cleaning (53%) and solid waste management (48%). At the other end of the spectrum, we observe the following service areas with a higher proportion of Gen Y employees being beach control (63% Gen Y), pools (51%) and children services (41%).

It is important for councils to analyse their own workforce generational mix and start planning now for the future and wellbeing of their employees. We encourage councils to engage with existing employees in this planning process, and to utilise their extensive knowledge of their service area, as they are likely to have good innovative ideas about how to ensure 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
Byron Shire Council

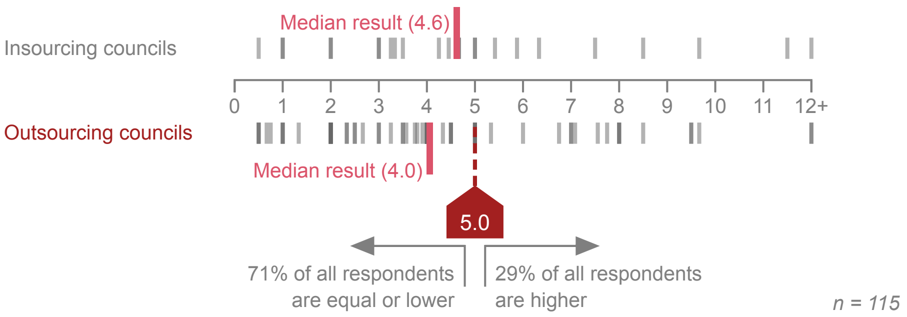
Solid waste management deep dive

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’ SWM councils to assist with comparisons. If the council’s SWM outsourced contract value was more than 25% of the total SWM cost then it was 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 wil be " - " if you have not provided us with any cost data for this service.

Figure 4.11: Staff turnover rate - Solid waste management

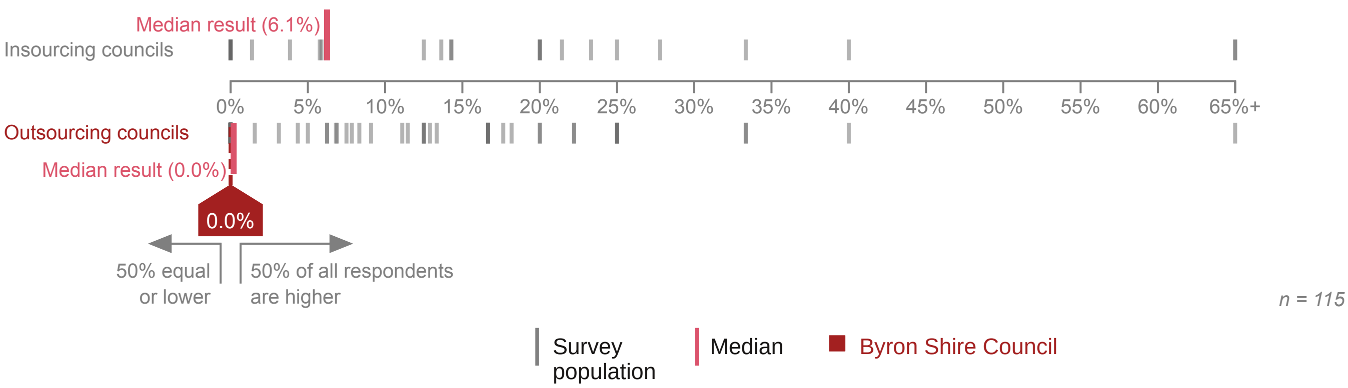
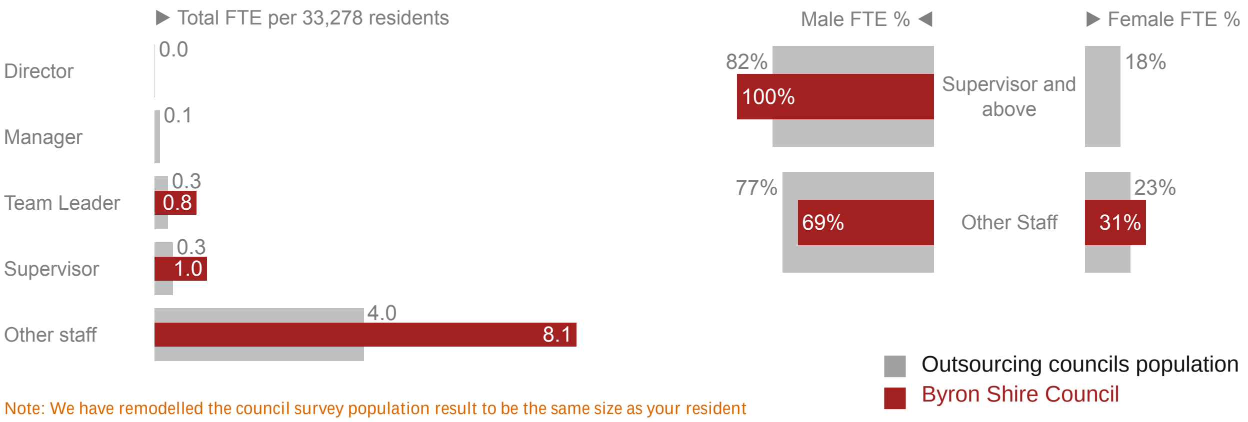


Figure 4.12: Staff level FTE breakdown and Gender split - Solid waste management



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.

Solid waste management deep dive

Waste allowance, volume collected and waste activity cost analysis

The cost of providing a council's solid waste service to citizens is a function of many factors.

These may be environmental factors, such as the nature and density of dwellings serviced, that are unique to your council, or the nature and scope of the service that is provided. Government landfill waste levies also impact cost considerably and these vary widely by jurisdiction.

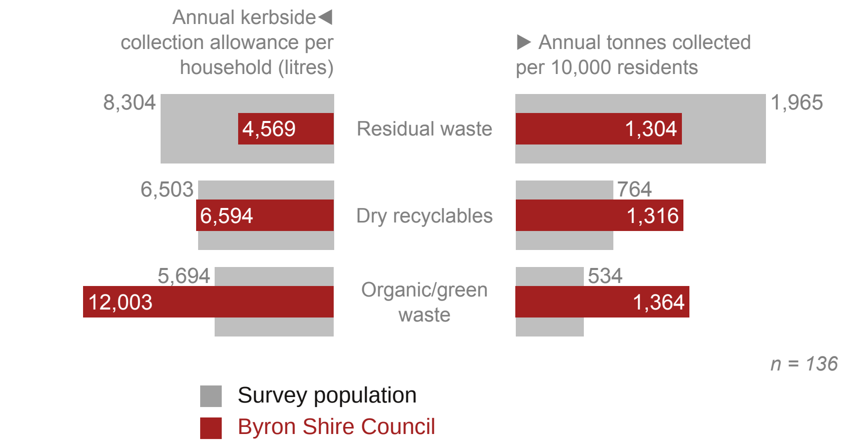
Councils can use this section of the report to further analyse and compare key cost metrics across solid waste management.

We have highlighted the following factors so councils can better understand how they contribute to the cost of providing solid waste management services to the community; household waste allowance and collection patterns, volume of actual waste collected in FY17 as well as the breakdown of cost by waste activity.

We observe higher waste costs in NSW councils, especially in processing and disposal costs per tonne collected. This may be a result of councils opting for further processing of residual waste (see our case study in this section) as well as the imposed government landfill levy.

We recommend councils to use the council comparative analysis tool (CCAT) to further explore the results.

Figure 4.13: Annual kerbside collection allowance and actual waste collected



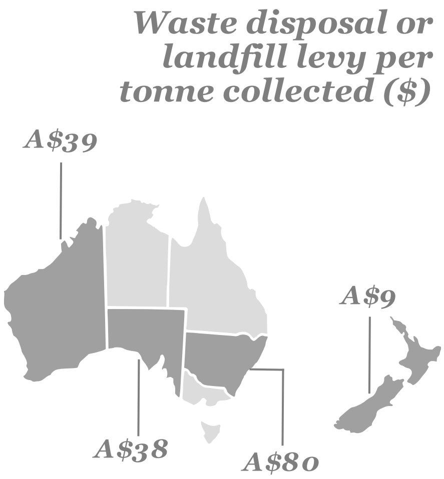
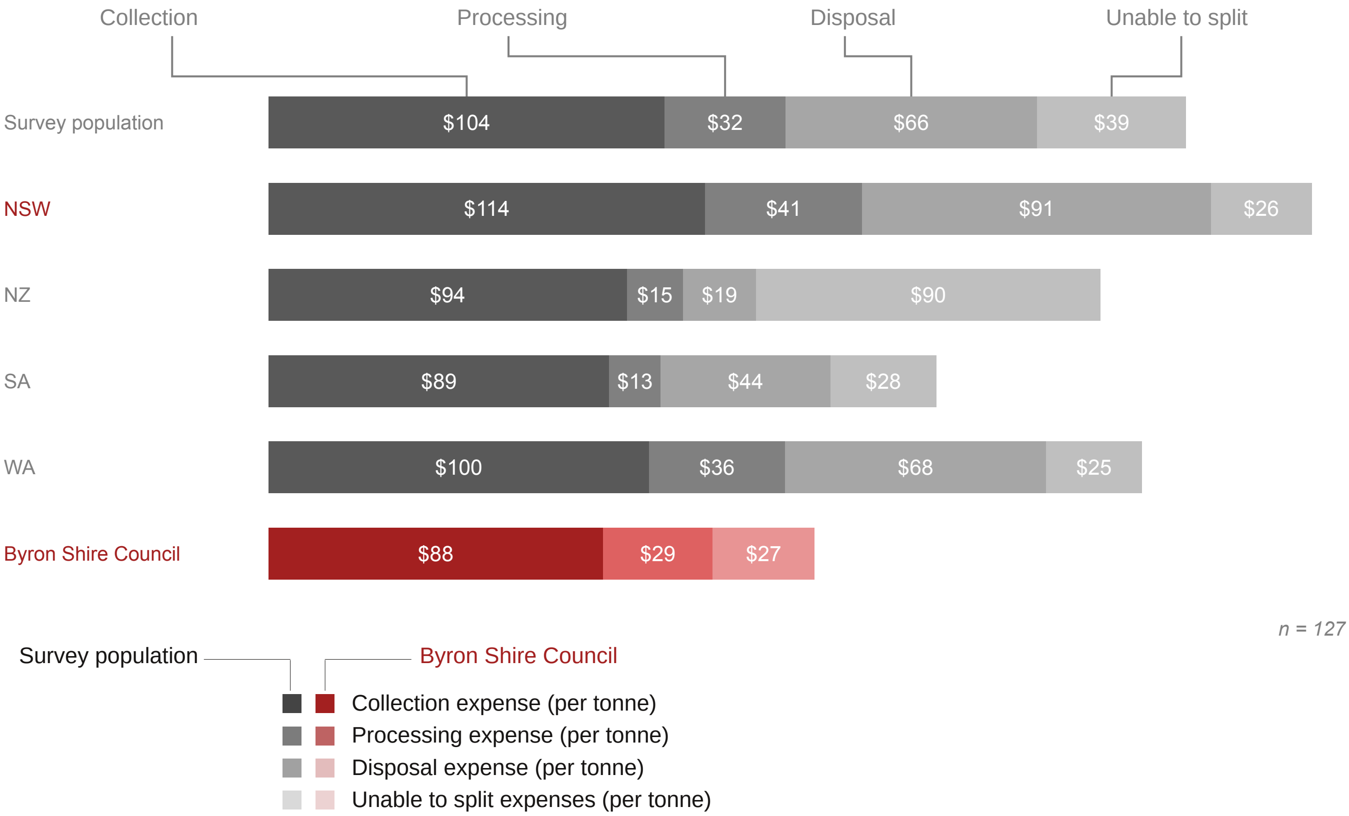


Figure 4.14: Waste annual operating costs (A$) per tonne collected



Solid waste management deep dive

Cost analysis (continued)

We have provided the annual median solid waste management cost per resident for your council, compared to the median by each jurisdiction.

In addition, councils can also better understand the cost breakdown, taking into account outsourcing costs as well as insourcing costs per resident.

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

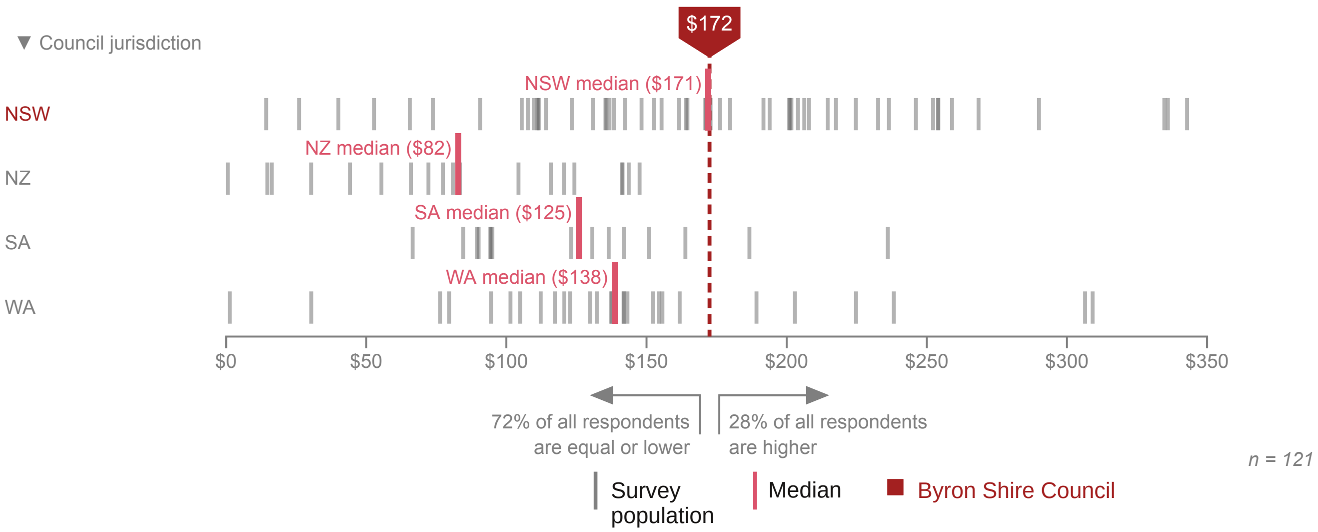
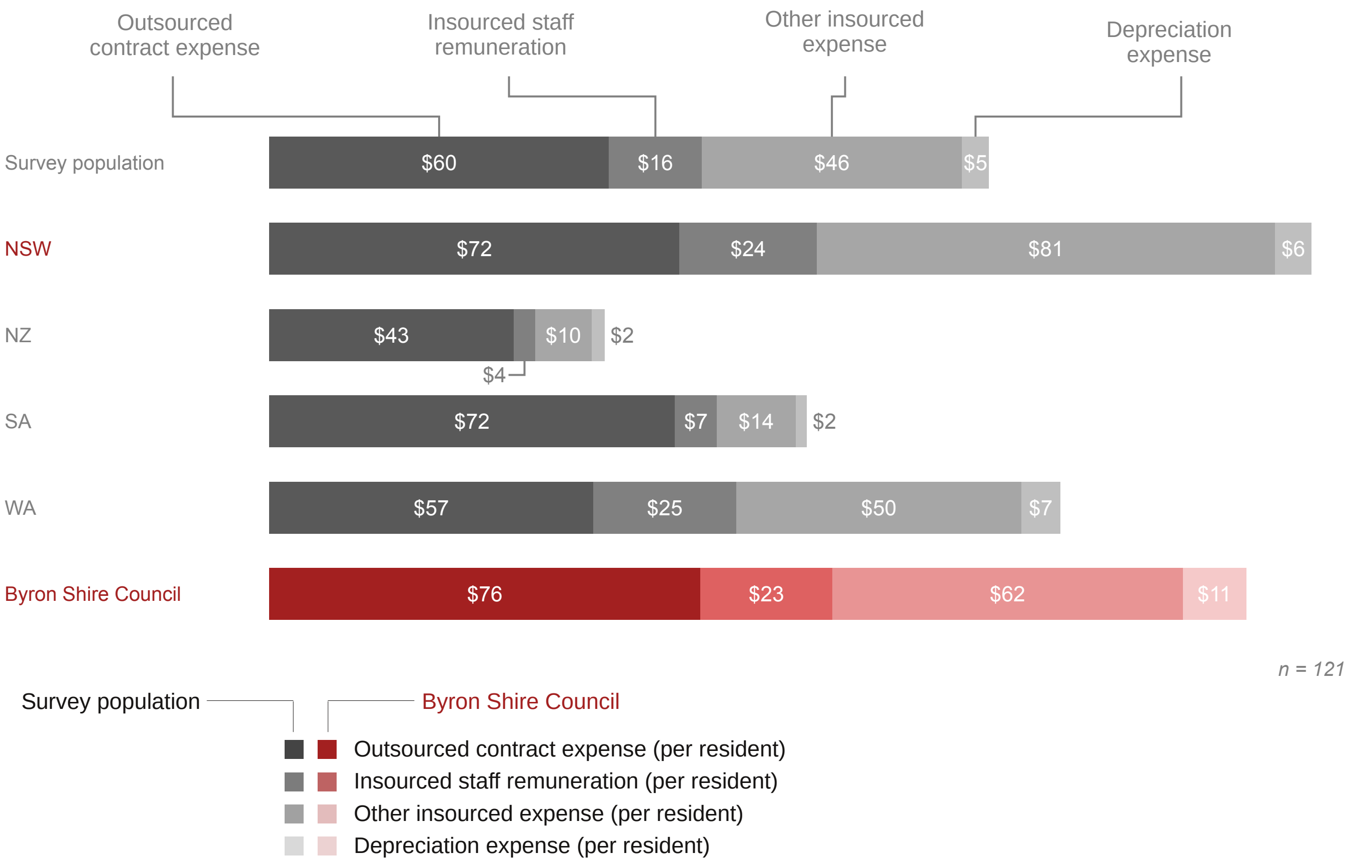


Figure 4.16: Breakdown of solid waste management annual operating expense (A$) per resident



Case study: Alternate waste options
Sort, Divert and Save

Kempsey Shire Council, NSW

Our 10 year waste contract was coming to an end and it was our opportunity to renew our contracts and we started looking at ways we could reduce costs and reduce waste in our community. We conducted audits into the waste that was going into the red (residual waste) bins, and we found that a whopping 70% of waste in there could have been allocated to either the green (food and organic waste) bin or yellow (household recycling) bin.

In addition to this, using our analysis, we determined that we could reduce the cost of the waste levy that was being charged to the local community.

Our initiative

Since then, we reduced our red bin collections to a fortnightly pickup and introduced weekly green bins to all households to encourage residents to better manage their waste allocations. Residents are encouraged to better allocate their waste and we've provided kitchen caddies to residents to help them with their organic and food waste. Before the new contract, we had 75% of households with a 3 bin system. Now, we have standardised the bin groups and frequency throughout our region and we have removed over 24,000 bins and replaced them with over 36,000 new bins. The cost for these bin replacements were even covered from all our savings in the reduction in processing residual waste.

Benefits

The biggest benefit we have seen is the reduction of cost. Since the implementation in July 2017, we have already seen reduction of waste rates by 10 percent. We are already seeing a 20-25% reduction in red bin waste and a 10-15% increase in green bin waste. Because the cost of processing a green bin is four times less than the processing cost of a red bin, we are already seeing a decrease in overall processing costs.

In conclusion, these new innovative ways to reduce waste to landfill is becoming the norm, especially in our region and we can all help to better cultivate good recycling and waste habits to help limit the volume of food and other waste being disposed of in our landfills.

Clarence Valley Council, NSW

Waste management is a large cost in council operations and it was important for us to manage this efficiently. Back in July 2012, an opportunity came up for us in our waste contracts and we really wanted to move towards a more environmentally friendly waste practice to reduce waste to landfill. As a result of our waste audit of domestic bins, we found that about 30 percent of waste in our red bins is food waste.

Our initiative

We increased the recycling bin capacity to 360 litres up from 240 litres, reduced the residual waste pickup frequency to fortnightly pickups instead of weekly, and introduced weekly organic food and garden collections. Since then, we have seen over 60% diversion rate from landfill, up from approximately 40% in the past.

We also have developed the Clarence Valley Waste mobile app that is available for free for our residents. Residents can easily access the app to learn about the different waste category types, waste collection schedules, fees and charges and even set up reminders.

Benefits

Financially, our NSW waste landfill levy has reduced as a result of the reduction in landfill waste. We have used these levy cost savings as well as the reduced processing costs to build a composting tunnel facility as well as a materials recovery facility and still retain the same level of spending in this area. Diverting food waste from landfill to composting has been a more sustainable and environmentally friendly option.

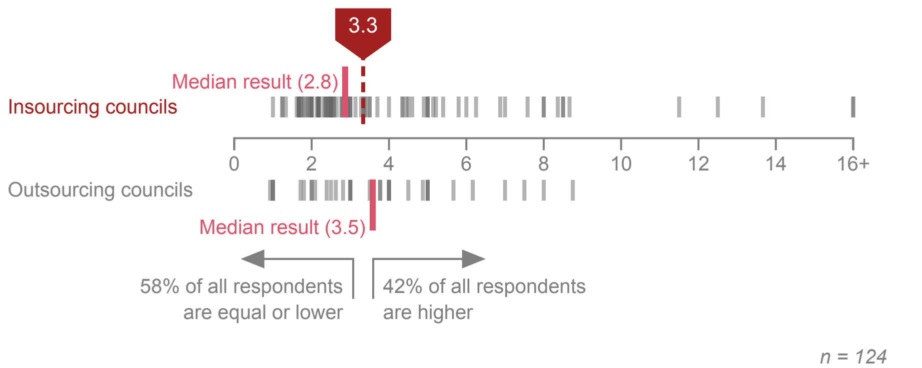
Roads and bridges deep dive

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' road/bridge councils 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 wil be " - " if you have not provided us with any cost data for this service.

Figure 4.18: Staff turnover rate - Roads and bridges

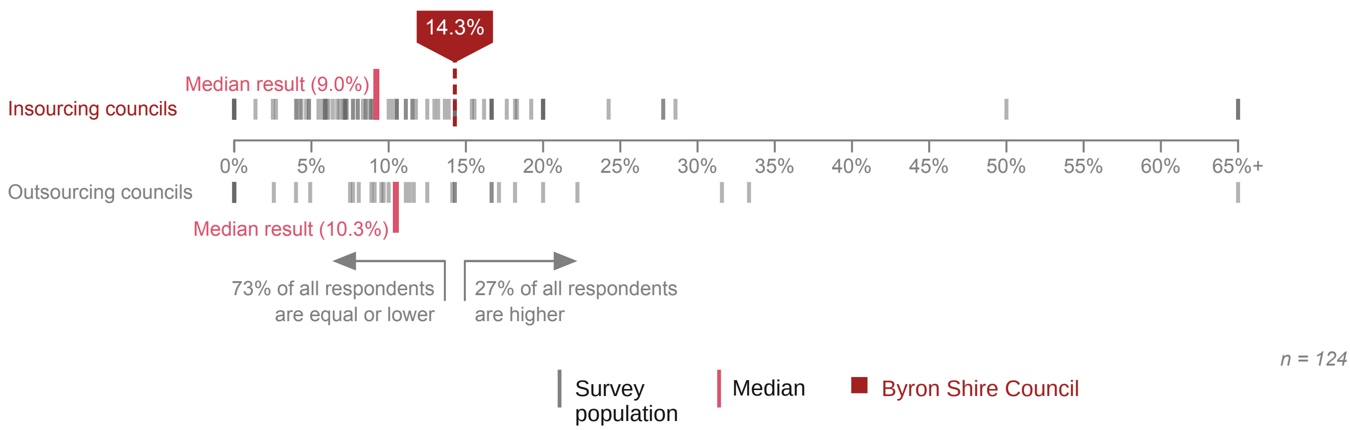
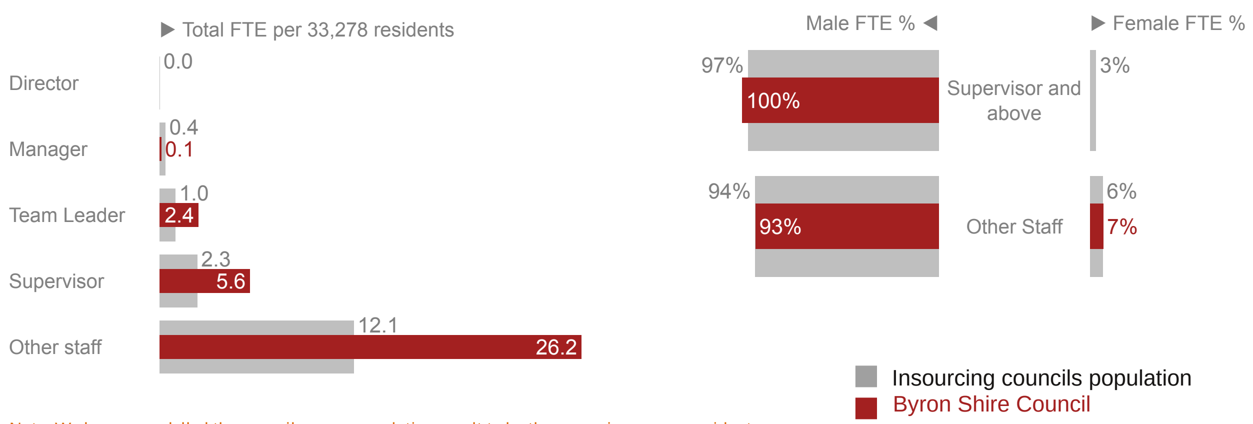


Figure 4.19: Staff level FTE breakdown and Gender split - Roads and bridges



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.

Roads and bridges deep dive

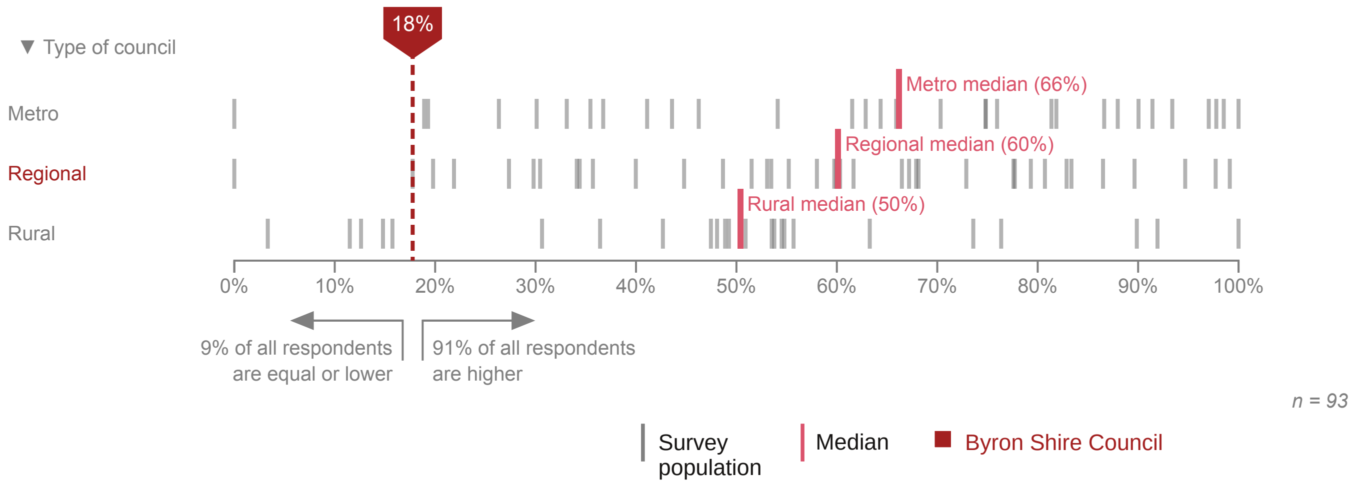
Condition ratings for the managed road network by Australian councils

Maintaining and enhancing a council's road network is most often the largest investment of resources made by a council. There are environmental, geographic, and traffic factors that drive unavoidable variation in the cost of maintaining the network.

We recognise that road networks of different types are serving different purposes and require different maintenance patterns.

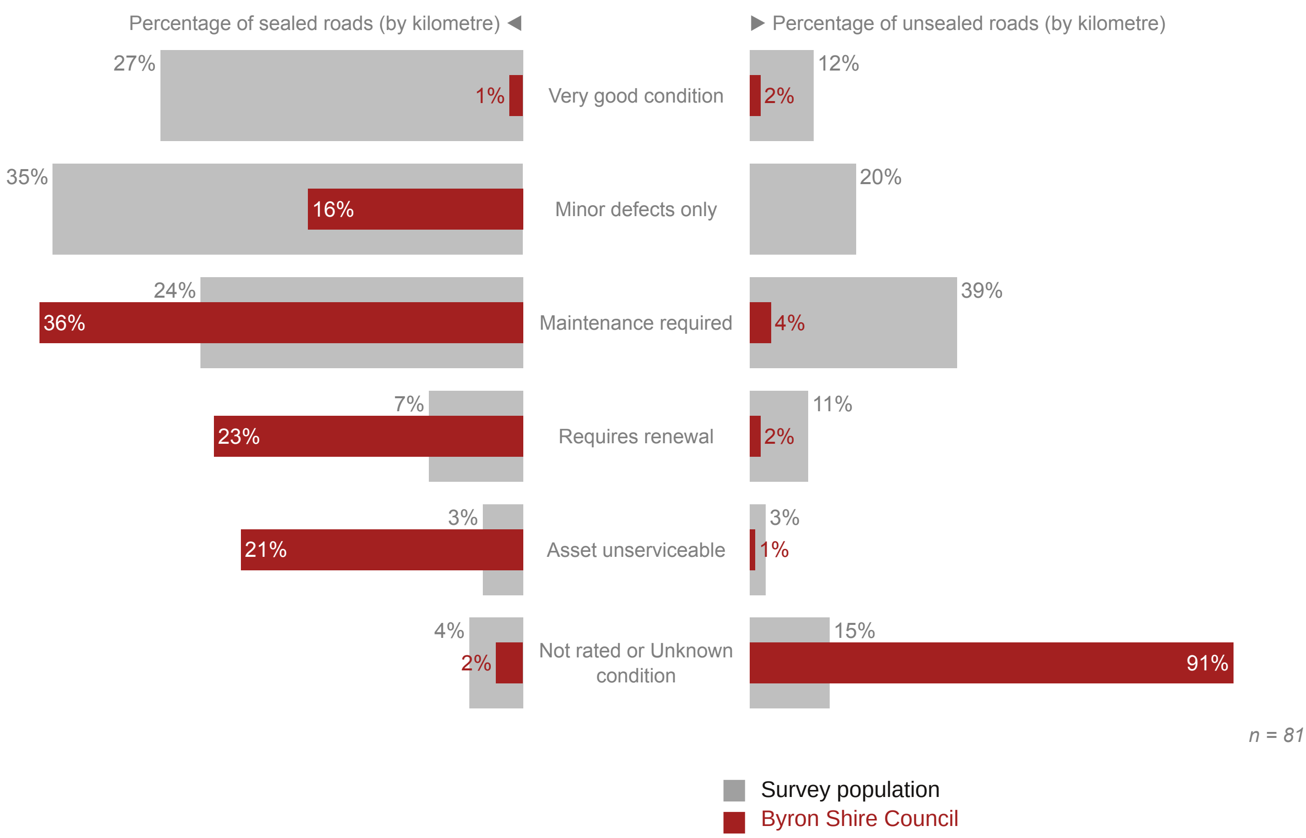
To better understand the current state of the managed road network by Australian councils as well as the extent of sealed versus unsealed roads, we asked councils to share the FY17 condition ratings for their road segments. There were five ratings to choose from, and we observe in metro councils a higher proportion of roads rated as either 'very good' or 'minor defects only' (median of 66%), compared to a median of 60% in regional and 50% in rural councils.

Figure 4.20: Percentage of total road km with 'good condition' ratings (Australian councils only)



Note: 'Good condition' is classified as Rating 1 (Very good) and Rating 2 (Minor defects only).
We only used road kms where the condition rating of the road was known.

Figure 4.21: Condition ratings for sealed versus unsealed roads managed by Australian councils



Roads and bridges deep dive

Councils can use this section of the report to further analyse and compare cost per kilometre across roads and bridges. We observe metro councils with a higher median cost per km due to the higher proportion of sealed roads that inevitably require additional maintenance due to traffic volumes.

In Figure 4.23 our findings highlight the relationship between cost and the extent of sealed roads in the council's road network. This relationship captures both the higher cost of the road construction method, as well as the cost of accommodating the higher traffic volumes that sealed roads generally carry.

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 and bridges expense per kilometre is

A$13.5k

NSW median roads and bridges expense per kilometre is

A$11.8k

Figure 4.22: Roads and bridges annual operating expense (A$) per kilometre

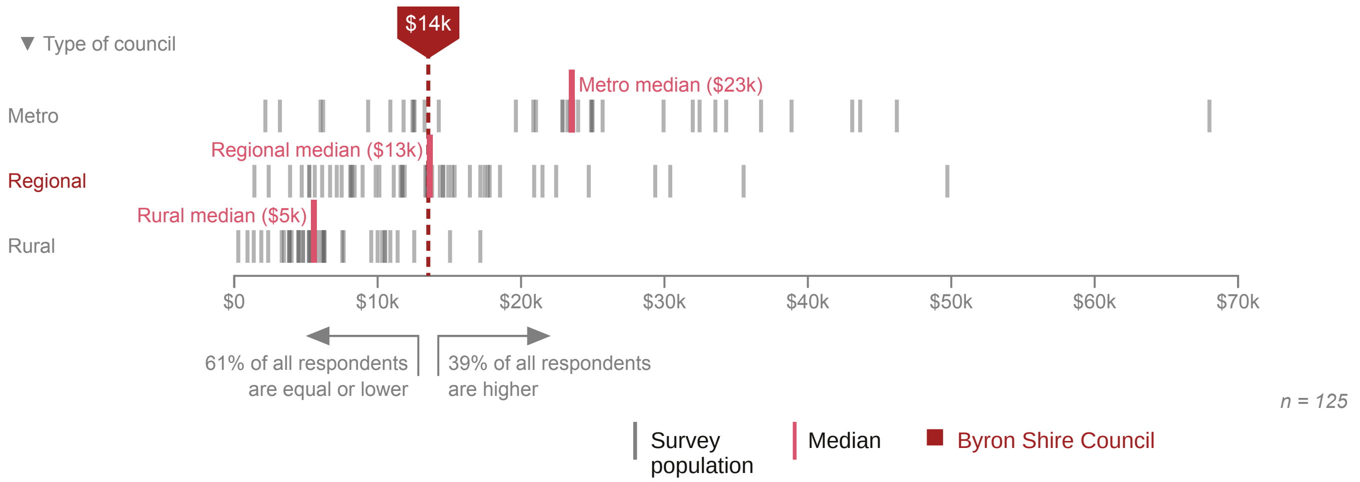
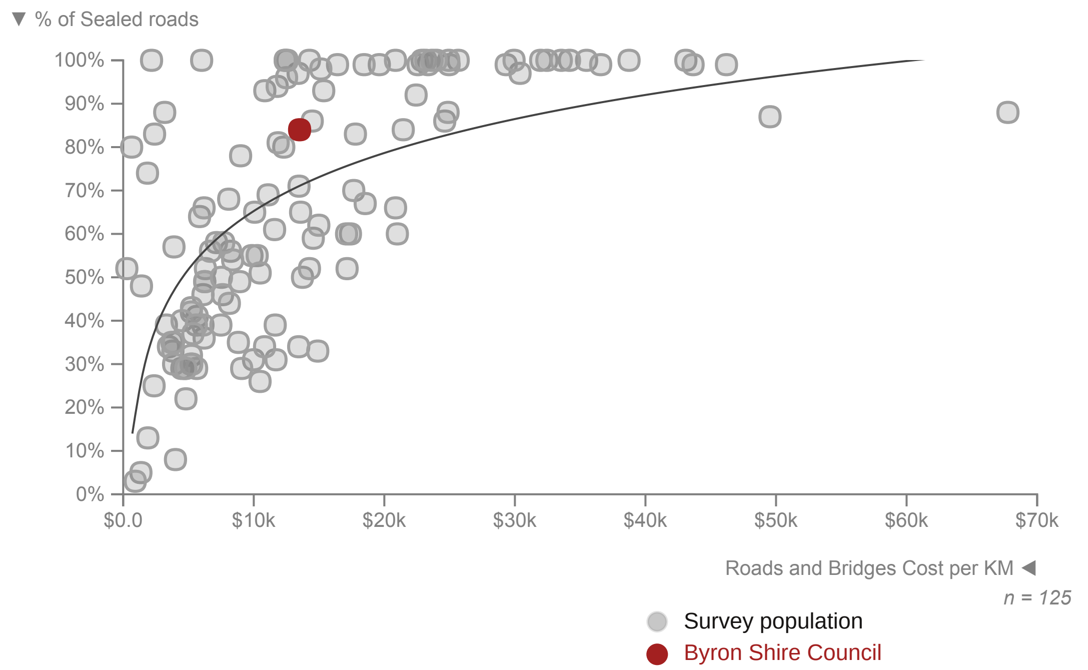


Figure 4.23: Relationship between percentage of sealed roads (by length) and road and bridges annual operating expense (A$) per kilometre



Parks, gardens and sporting grounds deep dive

Workforce analysis

In this section, we have merged the parks and garden data with the sporting grounds data to show results across this predominantly outdoor–based workforce.

We see minor differences in the management layers by looking at the median span of control between the various types of council.

However, rural councils are almost twice as likely to have employees leave this service area, compared to regional and metro councils.

Figure 4.24: Span of control ('other staff' per supervisor and above) - Parks, gardens and sporting grounds

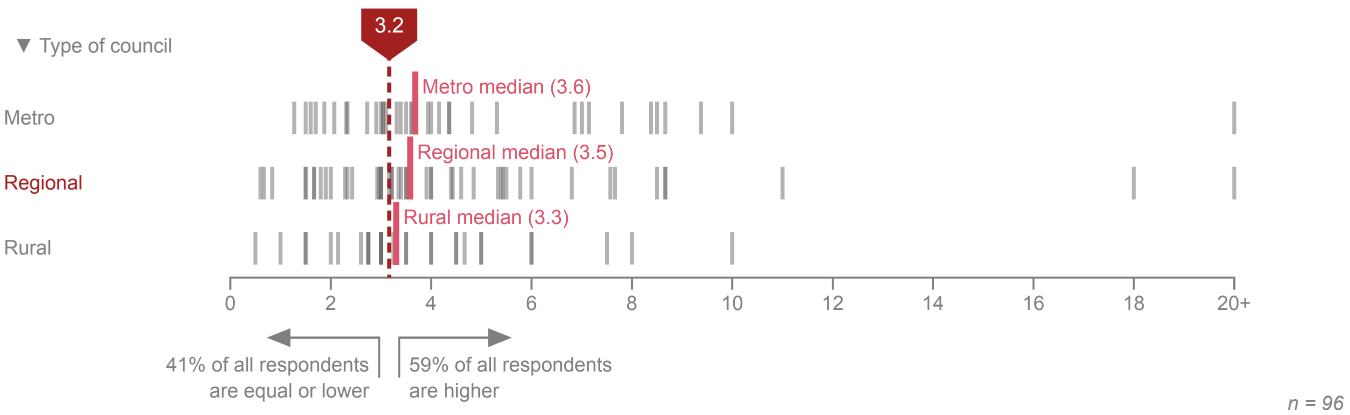


Figure 4.25: Staff turnover rate - Parks, gardens and sporting grounds

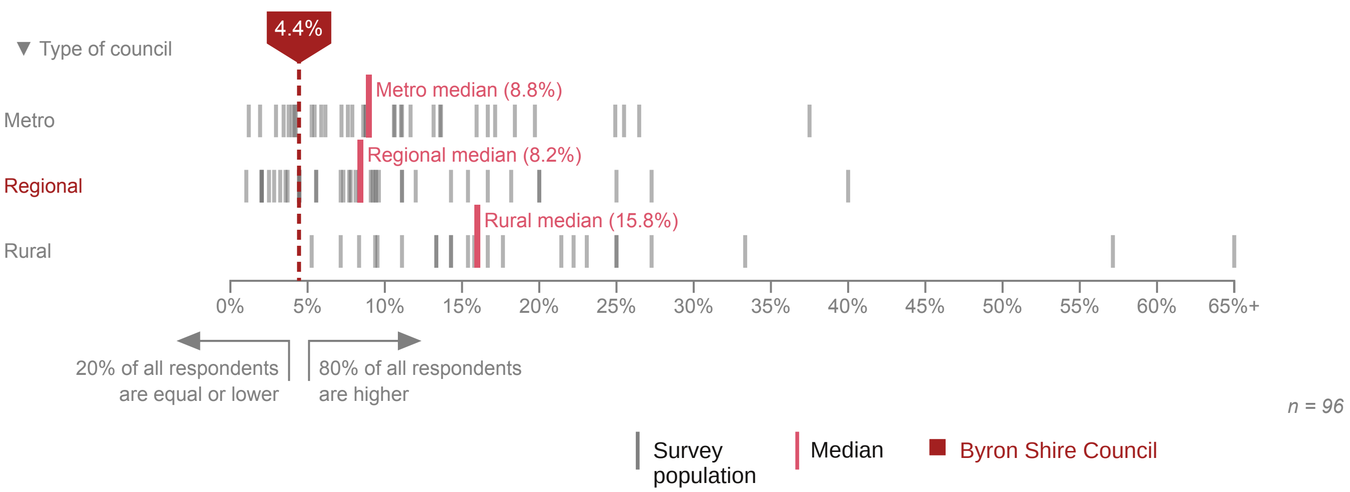
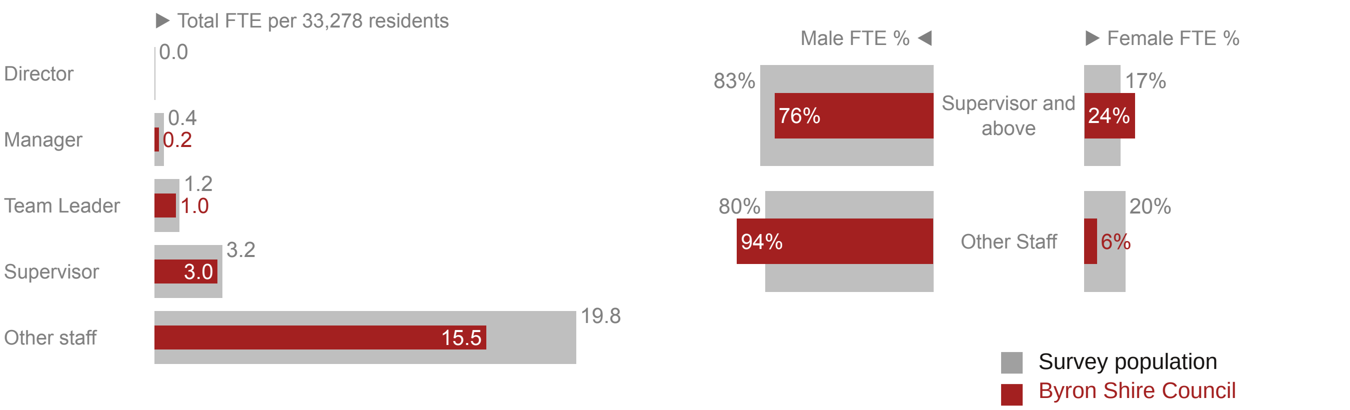


Figure 4.26: Staff level FTE breakdown and Gender split - Parks and sporting grounds



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

Parks, gardens and sporting grounds deep dive

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

Providing open green space and maintaining it to a high standard is an important function of local government as it is highly visible to residents and is an amenity enjoyed by a large cross-section of the community. Councils that operate in high density areas perhaps have an even greater obligation to provide spaces where citizens can relax, socialise and engage in activity.

Councils will make various decisions around the frequency of maintenance, quality of play equipment, extent of drainage in sporting fields among many, and all of these factors will impact the cost.

The area of active and passive space in a local government area are also important factors.

To better understand the current mix of open space, we asked councils to categorise each park and sporting field, as shown in Figure 4.27.

We have also shown the area of open space per resident and cost per hectare by the various types of council.

Figure 4.27: Park and sporting grounds breakdown by category (hectares)

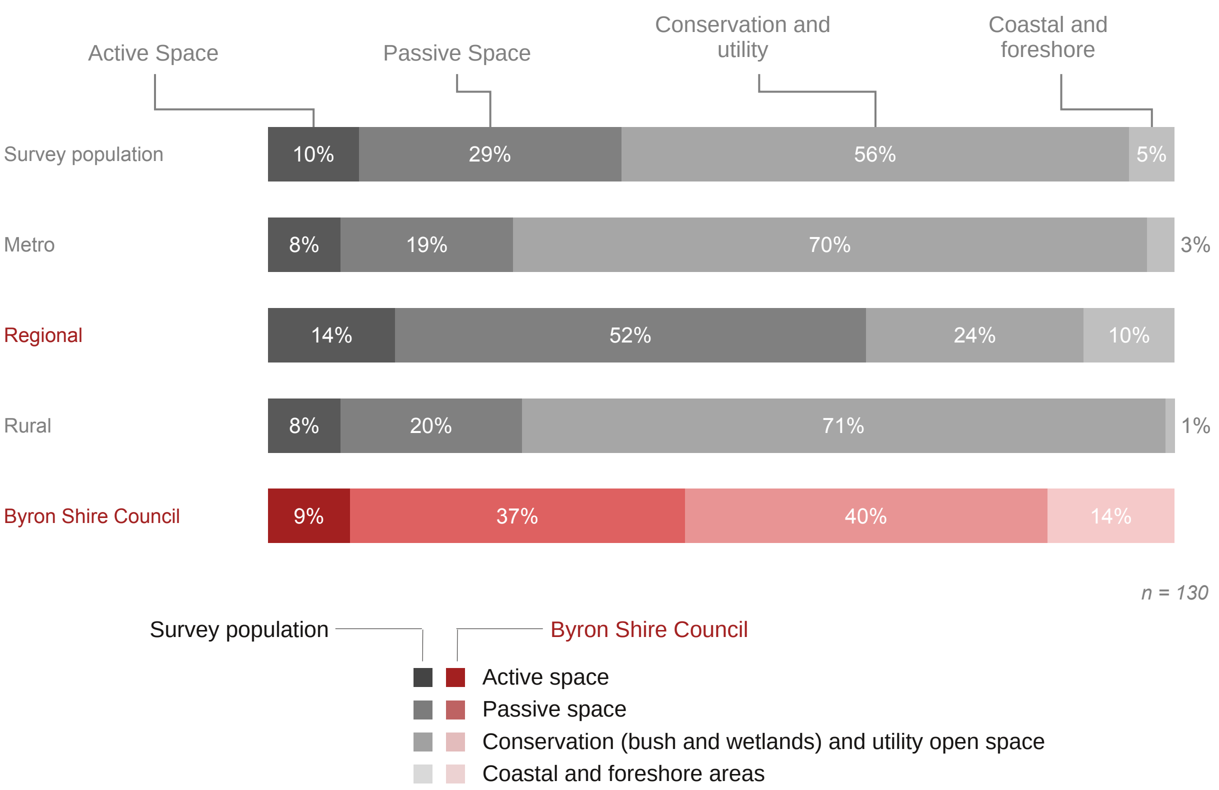
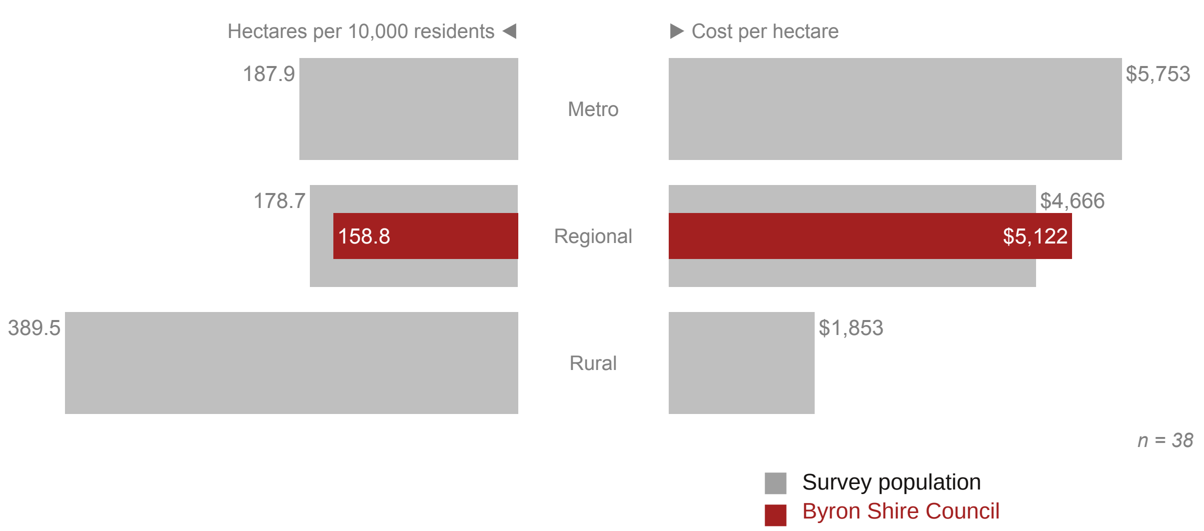


Figure 4.28: Park and sporting grounds area and cost breakdown (type of council)



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.

We have provided the median expense per resident for your council, compared to the median in your jurisdiction and by type of council.

Councils can also better understand the cost breakdown, taking into account outsourcing costs as well as insourced costs.

Your parks and sporting grounds expense per resident is **A$81**

NSW median parks and sporting grounds expense per resident is **A$108**

Figure 4.29: Parks, gardens and sporting grounds annual operating expense (A$) per resident

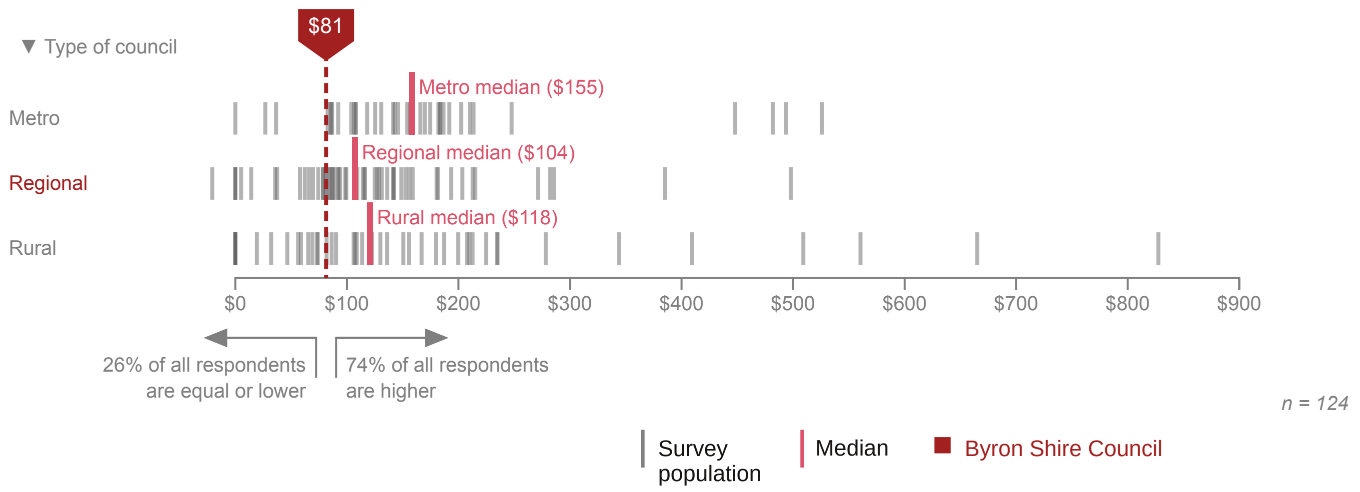
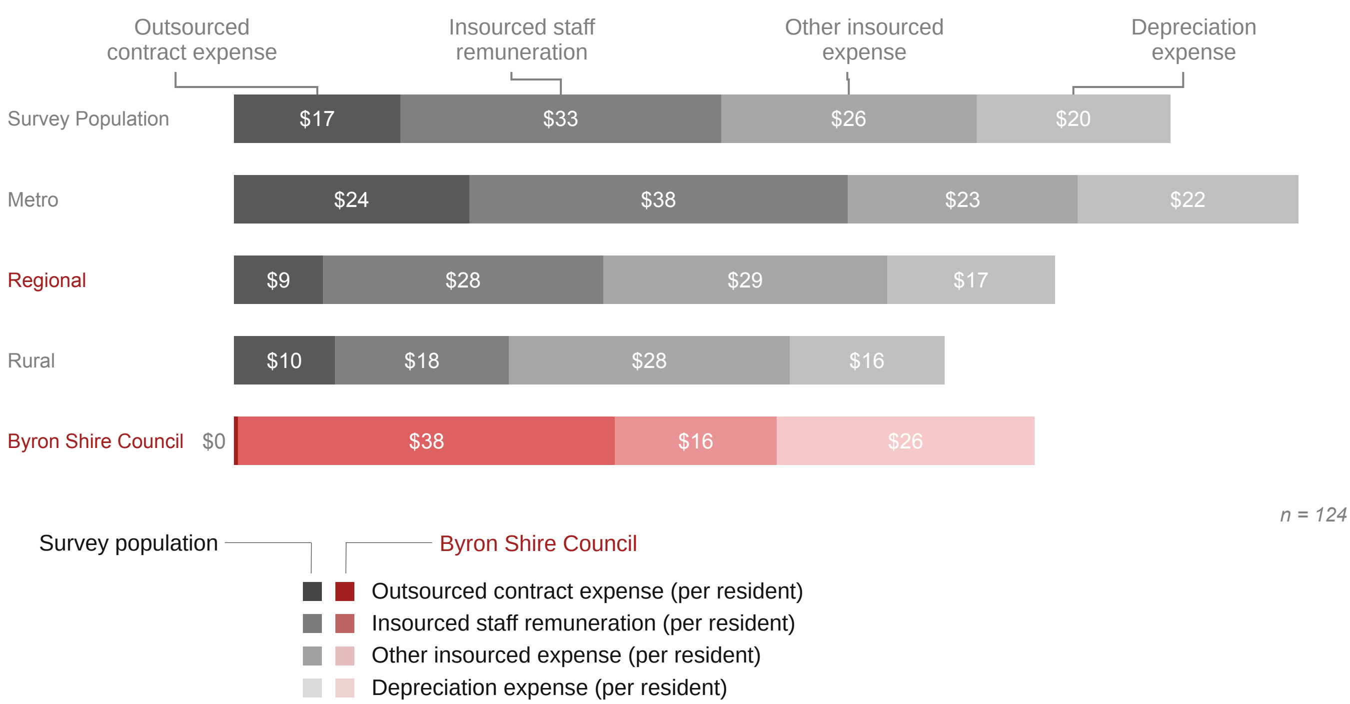


Figure 4.30: Breakdown of parks, gardens and sporting grounds annual operating expense (A$) per resident



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
	n count	n count
Aerodromes	41	31
Aged Persons and Disabled	80	65
Agriculture	15	10
Beach Control	23	15
Camping Area and Caravan Parks	47	28
Children's Services	48	47
Cultural and Community Service Centres	108	105
Drainage and Stormwater Management	92	78
Emergency services, fire levy and protection	87	54
Enforcement of Regs and Animal Control	119	121
Footpaths	71	57
Fuel and Energy	6	6
Governance and Administration	132	136
Health	68	52
Mining, Manufacturing and Construction	64	62
Other community amenities	107	97
Other community services and education	96	95
Other economic affairs	106	102
Other environment	107	105
Other public order and safety	55	51
Other transport infrastructure	84	86
Parks and gardens (lakes)	124	126
Public libraries	120	122
Road and bridges	125	124
Sewerage services	63	57
Solid waste management	121	115
Sporting grounds and venues	98	86
Street cleaning	72	59
Street lighting	56	20
Swimming pools	93	72
Town Planning	123	125
Water supplies	62	61

Risk Management

47%
of councils report risks to councillors at least quarterly

61%
of councils use key risk indicators to analyse and report risk

58%
of councils outsource or co-deliver the internal audit function

Risk Management Trend Summary

Byron Shire Council

● NSW Survey population
● Byron Shire Council

	FY14	FY15	FY16	FY17	Change from FY16 to FY17
1. Risk management policy in place	In development 12% (In development)	In development 9% (In development)	In development 10% (In development)	In development 11% (In development)	
2. Frequency in reporting risks to council	As required 41% (As required)	As required 25% (As required)	As required 36% (As required)	Quarterly 26% (Quarterly)	
3. Use of key risk indicators to analyse and report risks			In development 29% (In development)	In development 23% (In development)	
4. Audit and Risk Committee in place	Yes 79% (Yes)	Yes 89% (Yes)	Yes 84% (Yes)	Yes 85% (Yes)	
5. Independent external members of the Audit Risk Committee	50% 50%	50% 50%	50% 55%	50% 60%	■ 0% ▲5%
6. Delivery of internal audit	Outsourced 39% (Outsourced)	Outsourced 42% (Outsourced)	Outsourced 48% (Outsourced)	Outsourced 44% (Outsourced)	

Managing risk

Risk management policy

A good risk management policy creates integrity and transparency within a council by highlighting the key risk areas and the associated risk appetite. It promotes a risk–aware culture defining the processes for identifying, assessing and responding to risks.

Our findings show the upward trend in the proportion of councils with an approved risk management policy in place has continued; 90% of councils now have a policy in place, up from 85% in prior year.

The inclusion of SA in this year's survey contributed to the increase, with 100% of SA councils having an approved risk management policy.

It is also encouraging to see more WA and NZ councils establishing an approved risk management policy, compared to the prior year; 89% of NZ councils (up from 77%) and 94% of WA councils (up from 89%). NSW councils remain at 87%.

An approved risk management policy is more prevalent in both metro and regional councils, with 97% and 93% respectively. By comparison, 82% of rural councils have a risk management policy. This is an improvement on the prior year (74%) but there is still an opportunity to move forward in this area.

A risk management policy should clarify the council's objectives for, and commitment to risk management. It is an effective way to promote and communicate an integrated, holistic approach to enterprise risk management across the council.

Figure 5.1: Does your council have an approved risk management policy? (council jurisdiction)

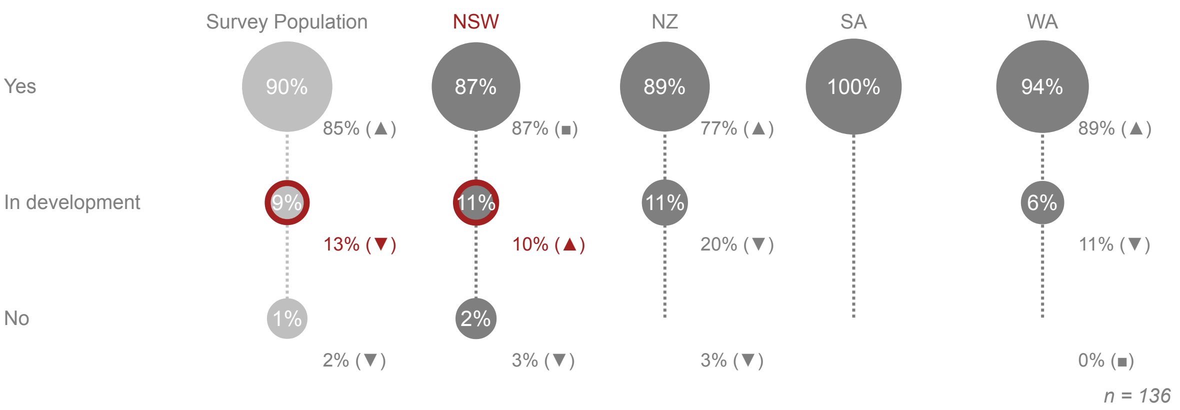
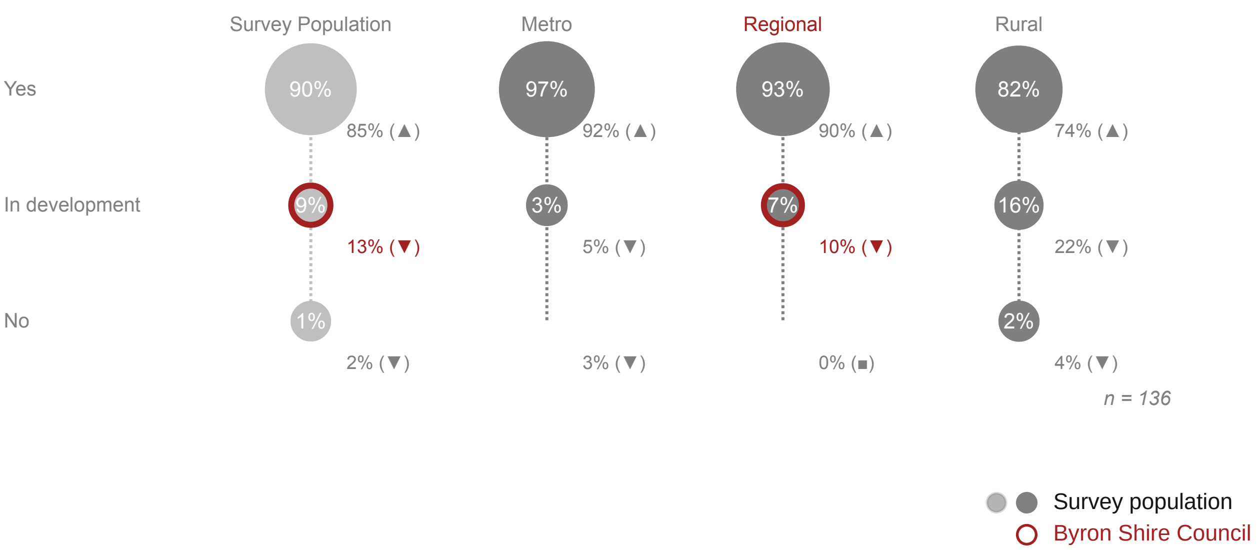


Figure 5.2: Does your council have an approved risk management policy? (type of council)



Managing risk

Risk management policy (continued)

An organisational habit of reporting and monitoring risk regularly can contribute to a culture of sharing and managing risk issues.

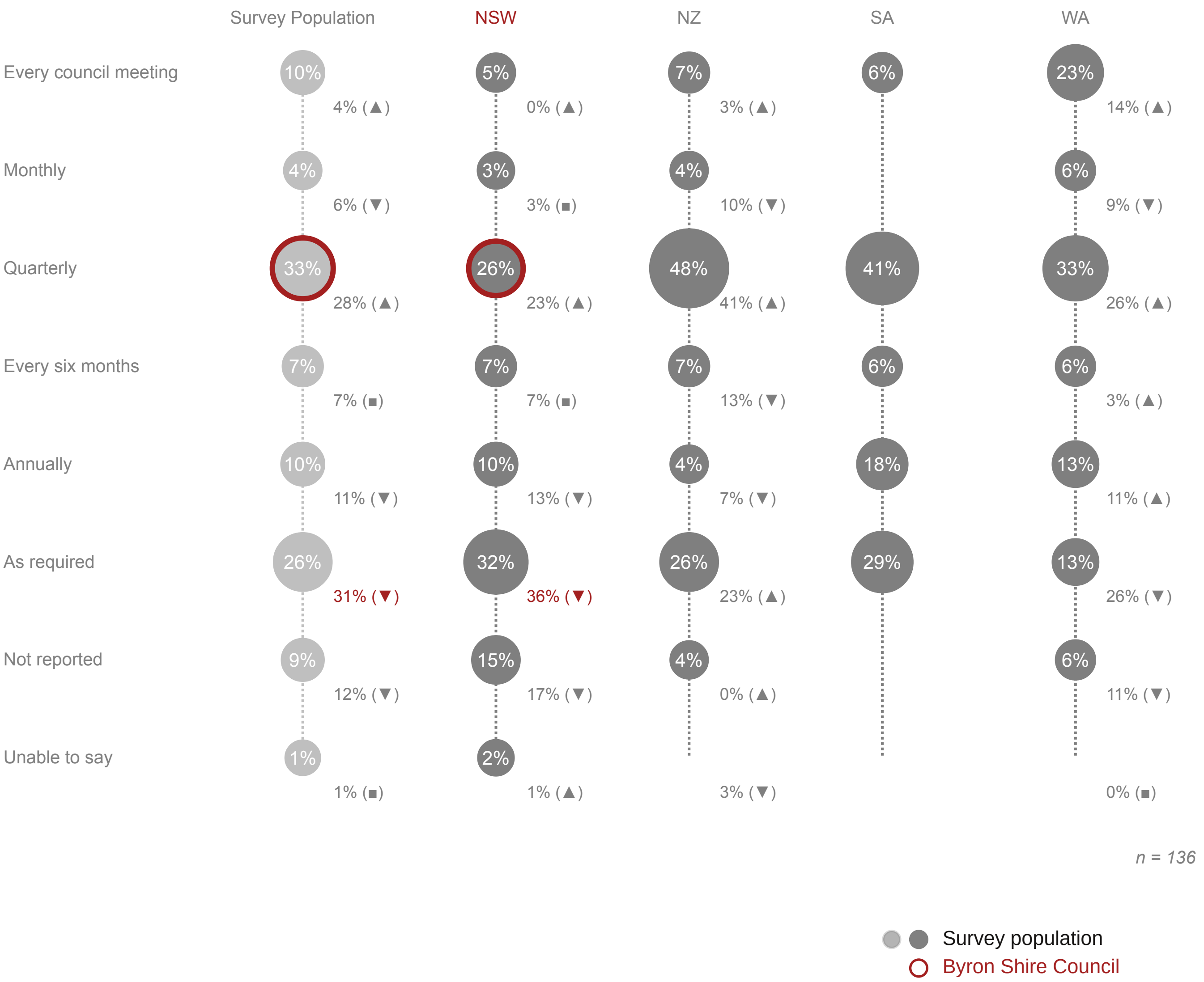
The frequency of risk reporting in councils has increased, with almost half of the councils (47%) reporting risks at least quarterly, up from 38% in the prior year.

NSW councils have increased the level of frequency in reporting risks to councils, with 34% reporting at least quarterly (up from 26% in the prior year).

However, with NSW representing the largest proportion of councils not reporting risks at all (15%), there is still room to improve.

We acknowledge that the frequency of formal risk reporting can be dependent on the structure and effectiveness of other risk reporting processes. That being said, it is important that the full council be appropriately updated on the effectiveness of the risk management policy including any breaches, incidents or complaints that fall under the risk policy's remit.

Figure 5.3: How often does management formally report risks to council?



Managing risk

Key risk indicators

There has been an increase in the use of key risk indicators by councils, with 61% of councils now using key risk indicators to analyse and report risks (up from 53% in prior year). A further 21% of councils are developing key risk indicators to use in the future in order to critically predict unfavourable events that can adversely impact the achievement of objectives.

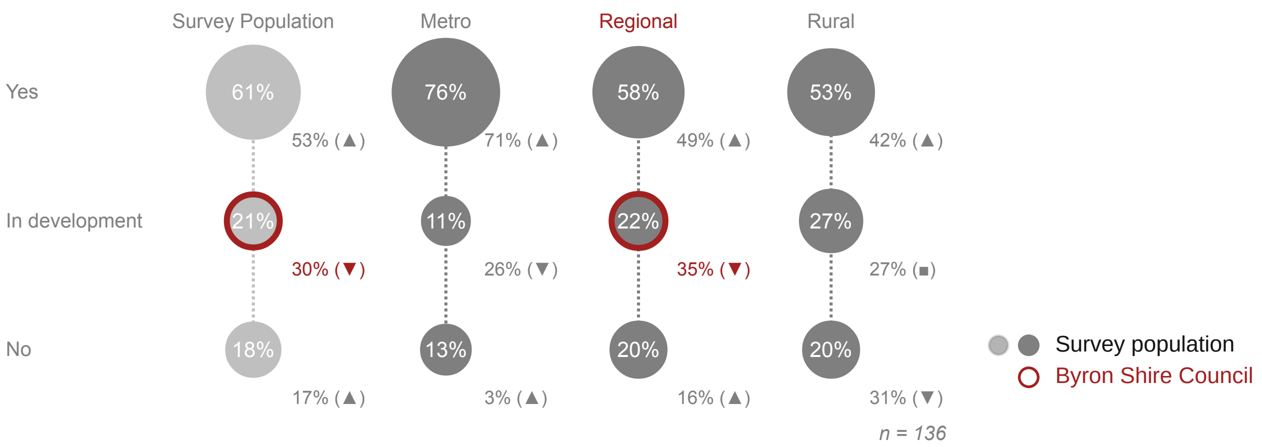
Our findings show all types of councils improving in their use of key risk indicators, with the gap closing between the proportion of metro versus both regional and rural councils using key risk indicators as a predictive measure.

We now see 58% of regional councils (up from 49% in the prior year) and 53% of rural councils (up from 42%) realising the benefit of using key risk indicators as a way to navigate their risk environment. In comparison, 76% of metro councils use key risk indicators, up from 71% in the prior year.

The inclusion of key risk indicators within the risk management policy ensures that risks are measured and monitored regularly. This allows councils to take proactive action, rather than reactive action, in the face of adverse events.

Key risk indicators are qualitative or quantitative measures designed to identify changes to existing risks. Risk indicators should not be confused with performance measures, which are typically retrospective in nature. They are used to predict a risk manifesting and are reported to the levels of the entity that are in the best position to manage the onset of a risk where necessary. They should be reported in tandem with key performance indicators to demonstrate the interrelationship between risk and performance.[1]

Figure 5.4: Does your council use key risk indicators to analyse and report risks?



1 COSO, June 2017, 'Enterprise Risk Management: Integrating with Strategy and Performance'.

Corporate governance

Audit and Risk Committee

The Audit and Risk Committee is a sub-committee of council, and provides key links between management, council and the external auditor. This committee is a critical element for sound corporate governance and robust oversight of management's performance and reporting.

Consistent with prior year, all councils, aside from NSW, report extremely strong corporate governance, with 100% of councils in NZ, WA and SA having an established Audit and Risk Committee. In contrast, 85% of NSW councils have an Audit and Risk Committee in place (up from 84% in the prior year).

The key compositional attributes of a successful audit committee include independence, sufficient size and appropriate technical expertise. Independence of an audit committee, whether perceived or actual, is dependent on a reasonable balance of its members being external to, or independent from the council itself.

In NSW councils, there is an upward trend in the median number of Audit and Risk Committee members who are independent or external to the council, increasing from 50% in FY15, to 55% in FY16 and now at 60% in the current year. The NZ median has remained static for three years at 17%, and SA is in line with the population median at 40% independent or external members. Meanwhile, only 11 out of 31 WA councils have any form of independent or external representation on the Audit and Risk Committee, explaining the median result of 0%.

We encourage councils to review the composition of their Audit and Risk Committee and re-consider the need for additional independent representation. We also encourage the Audit and Risk Committees of each council to review their performance on an annual basis, if they are not already doing so, and commit to taking action as required to achieve excellence.

The Audit and Risk Committee is an essential and integral component of an organisation's corporate governance toolkit. Its responsibilities will generally cover, but are not limited to, the review and oversight of the following areas: internal control framework, compliance and ethical matters, risk management activities, financial statements, internal audit and external audit. The Audit and Risk Committee can also oversee and hold management accountable for its performance in managing these important areas.

Figure 5.5: Does your council have an Audit and Risk committee (or equivalent)?

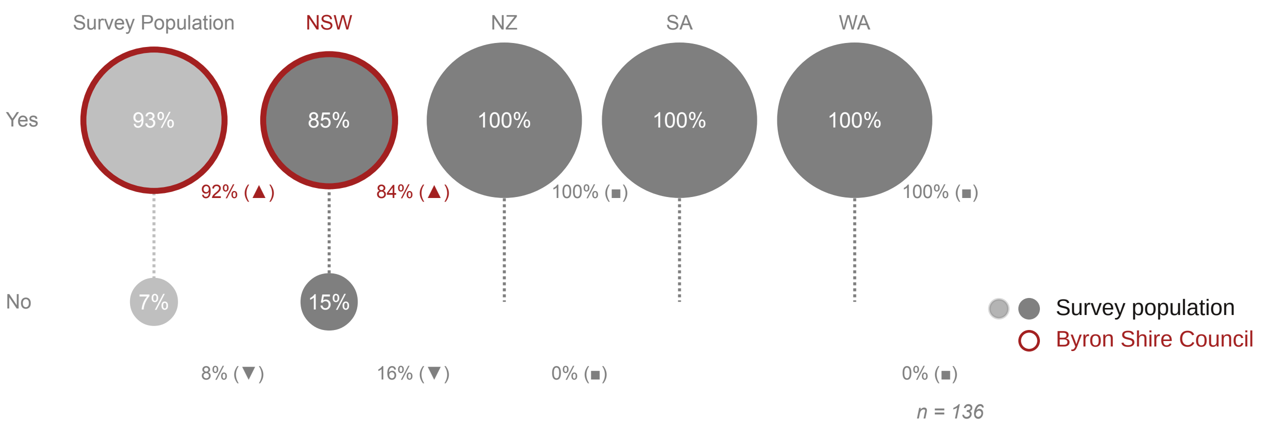
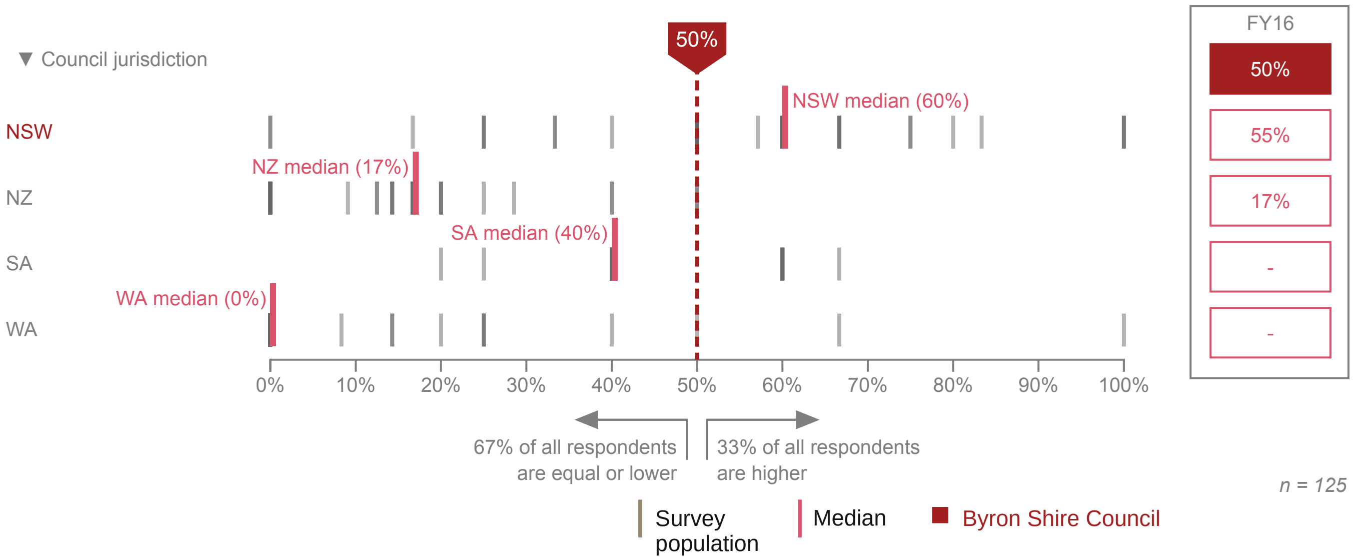


Figure 5.6: Percentage of independent or external members of the Audit and Risk Committee



Delivery of internal audit

Internal audit delivery and effort

An internal audit function with strong capabilities and effective leadership can progress a long way towards becoming a highly valued, trusted advisor to stakeholders. Yet even then, internal audit has to keep pace with the business, its ever-changing set of risks and the increasing number of external disruptors.[2]

When delivering internal audit many councils find that a sourcing model that includes external expertise provides them with the optimal range of skills, value for money, and independence. We observe 58% of councils preferring an outsourced or co–delivered approach, compared to 18% of councils that deliver internal audit in–house, and the remaining 24% opting out of maintaining an internal audit function at all.

This year we see a higher proportion of councils opting for co-delivery of internal audit (29%, up from 21% in the prior year). Co–delivery of internal audit balances knowledge of the organisation (internal), with access to a range of expertise, and independence to the council (external).

The percentage of rural councils undertaking no internal audit activity has increased to 43%, up from 31% in the prior year. In contrast, both metro and regional councils recorded a decrease to 8% and 20% of councils respectively, performing no internal audit during the year. There was a significant increase in metro councils choosing the co-delivery method for internal audit at 39%, up from 21% in the prior year.

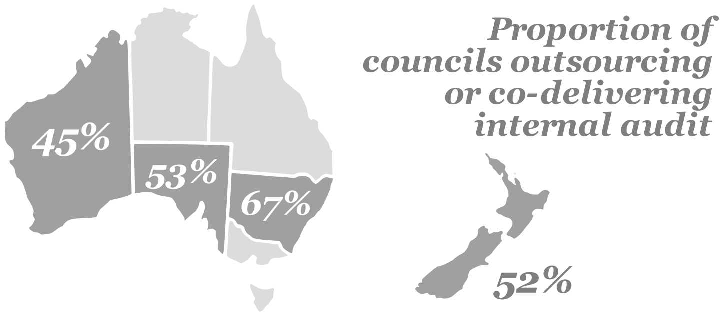


Figure 5.7: How is internal audit delivered?

2 PwC, 2017, State of the Internal Audit Profession Study, 'Staying the course toward True North: Navigation disruption'.

Delivery of internal audit

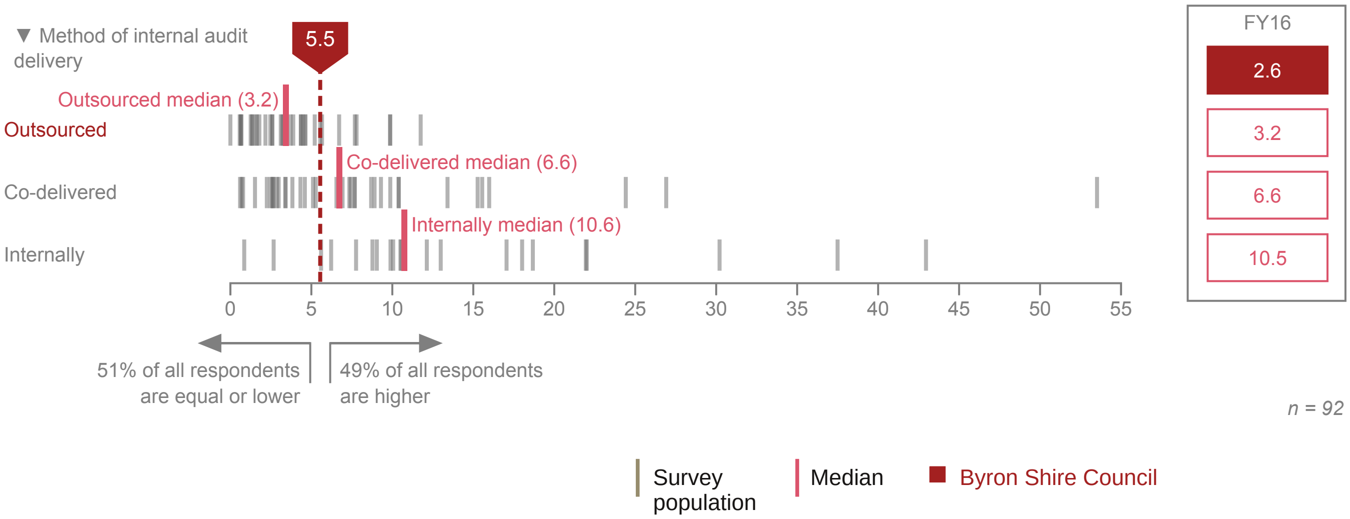
Internal audit delivery and effort (continued)

Similar to the prior year, we see a difference in the volume of days of internal audit work completed for internally delivered audits and the comparable effort of outsourced audits. Internally delivered internal audits take a median of 10.6 days per A$10 million in council revenue, compared to 3.2 days for outsourced internal audits.

Outsourced internal audits may reflect either lower levels of scope and investment, higher efficiency of work programs, or a combination of both, in comparison to internally delivered audits. Each council should consider the positives and negatives of all options to determine the best fit as well as clarifying the roles each party may play to be most effective.

While the different delivery methods affect a council's resources, both from a cost and time perspective, the effectiveness of the internal audit should be a key consideration in determining which delivery method option is most suitable.

Figure 5.8: Days of internal audit effort per A$10 million in council revenue



Delivery of internal audit

Internal audit effectiveness

Both efficiency and effectiveness are vitally important to the value internal audit can provide the business. Councils were asked to rate how well their internal audit function performed across a range of areas.

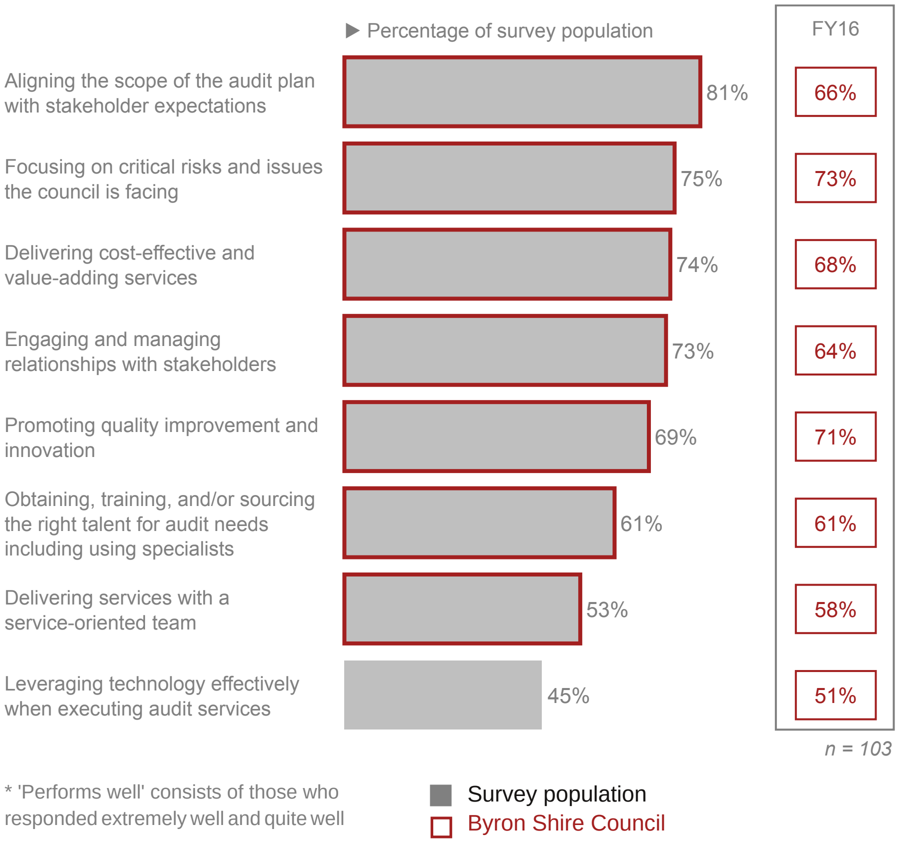
In the majority of areas, the perceived effectiveness of the internal audit (IA) function has improved from prior years. 'Alignment of the audit plan scope' showed the most improvement, with 81% of all councils rating this area as performing well (up from 66% in the prior year). This area was particularly strong in SA councils, with 100% reporting IA as performing well or extremely well in this area.

There are three areas that show a decline in the perceived effectiveness; 'Leveraging technology effectively' (45%, down from 51% in the prior year), 'Delivering services with a service-orientated team' (53%, down from 58% in the prior year), and 'Promoting quality improvement and innovation' (69%, down from 71% in the prior year). These three areas represent an opportunity for an increased focus as the IA function looks to play a more integral role in the business.

PwC's 2017 global internal audit study gathered insights from over 1,600 chief audit executives (CAEs), senior management and board members. The results found that only 44% of those surveyed believe internal audit is contributing significant value, reaching its lowest level in the five years this metric has been tracked.[3]

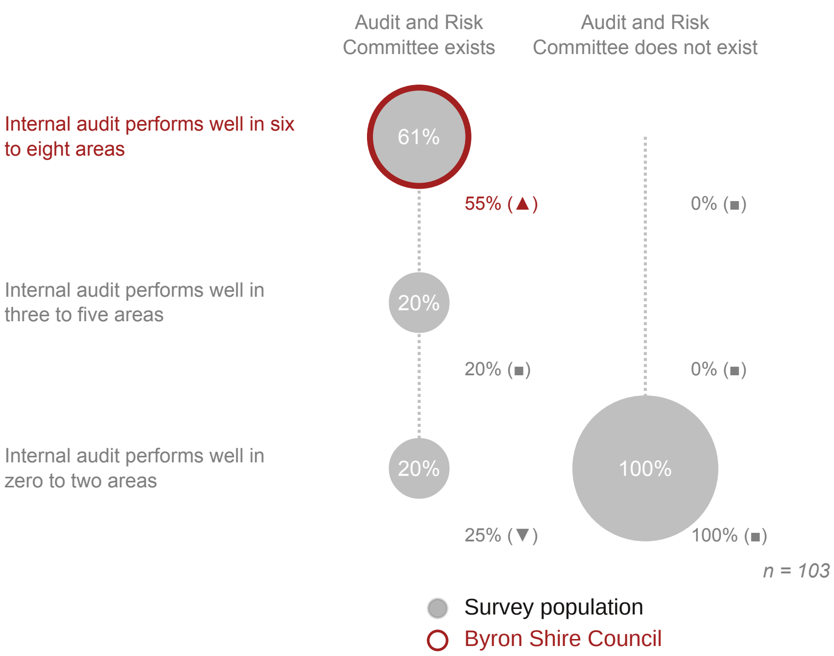
A key role of the Audit and Risk Committee is to support and liaise with the internal audit function, and it is increasingly clear that those councils with an Audit and Risk Committee perform better in more areas of internal audit than those where no committee exists. As Figure 5.9 shows, 61% of councils with an Audit and Risk Committee report that internal audit performs well (in six to eight areas of the internal audit). Councils without an Audit and Risk Committee, report a maximum of two areas where their internal audit function are performing well.

Figure 5.9: Does your internal audit function perform well* in the following areas?



* 'Performs well' consists of those who responded extremely well and quite well

Figure 5.10: Correlation between having an Audit and Risk Committee and internal audit performance



3 PwC, 2017, State of the Internal Audit Profession Study, 'Staying the course toward True North: Navigating disruption'.

Corporate Leadership

36%

of councils reported an improvement in staff engagement levels

76%

of councils conducted a community satisfaction survey in the last 2 years

48%

of councils reported an improvement in community satisfaction

Corporate Leadership Trend Summary

Byron Shire Council

● NSW Survey population
● Byron Shire Council

		FY14	FY15	FY16	FY17	Change from FY16 to FY17
1. Median council meeting duration (minutes)	Byron Shire Council	450	391	412	427	▲15
	NSW Survey population	146	145	139	120	▼19
2. Median council resolutions passed	Byron Shire Council	46	41	45	47	▲2
	NSW Survey population	25	23	24	27	▲3
3. Frequency in review of the community engagement strategy	Byron Shire Council		Monthly	Monthly	As required	
	NSW Survey population		1% (Monthly)	2% (Monthly)	12% (As required)	
4. Publishing corporate performance results to the community	Byron Shire Council			Yes	Yes	
	NSW Survey population			86% (Yes)	85% (Yes)	
5. Community satisfaction survey conducted in the past 2 years	Byron Shire Council			No	Yes	
	NSW Survey population			46% (No)	80% (Yes)	
6. Improved community satisfaction levels	Byron Shire Council				Stayed the same	
	NSW Survey population				27% (Stayed the same)	

Approach to decision making

Council decision making

In order to gain a better understanding of the efficiency of council meetings, we collected data on each council's last six council meetings conducted in the 2016–2017 financial year. Our analysis on the relationship between meeting duration and resolutions passed has largely remained consistent with our FY16 results.

The median council resolutions passed has increased slightly, from 21 to 22 resolutions, and the median meeting duration decreased from 128 to 127 minutes, compared to the previous year.

Geographically, NZ councils continue to have longer meetings, spending a median of 183 minutes (3.1 hours), up from a median of 168 minutes (2.8 hours) in the prior year. The median resolutions passed (18) remains consistent with the prior year result. When looking at minutes per resolution, this means NZ councils took 10% longer to process a resolution, compared to the prior year. This could be driven by public comment, councillor discussion or complexity in the issue to be resolved.

Interestingly, it was a mixed result among the Australian councils. SA councils tend to have longer meetings, spending a median of 146 minutes (2.4 hours), and producing a median of 24 resolutions (6.0 minutes per resolution). In comparison, NSW councils spend a median of 120 minutes, (down from 139 minutes in the prior year), producing a median of 27 resolutions or 4.4 minutes per resolution (up from 24 resolutions in the prior year). This result would have been impacted by our participating NSW merging councils as administrators, and not councillors, acted as the governing body.

WA councils show an increase in both the meeting duration and resolutions passed: 105 minutes (1.9 hours), up from 82 minutes in the previous year, and 19 resolutions or 5.5 minutes per resolution (up from 18 resolutions in the previous year).

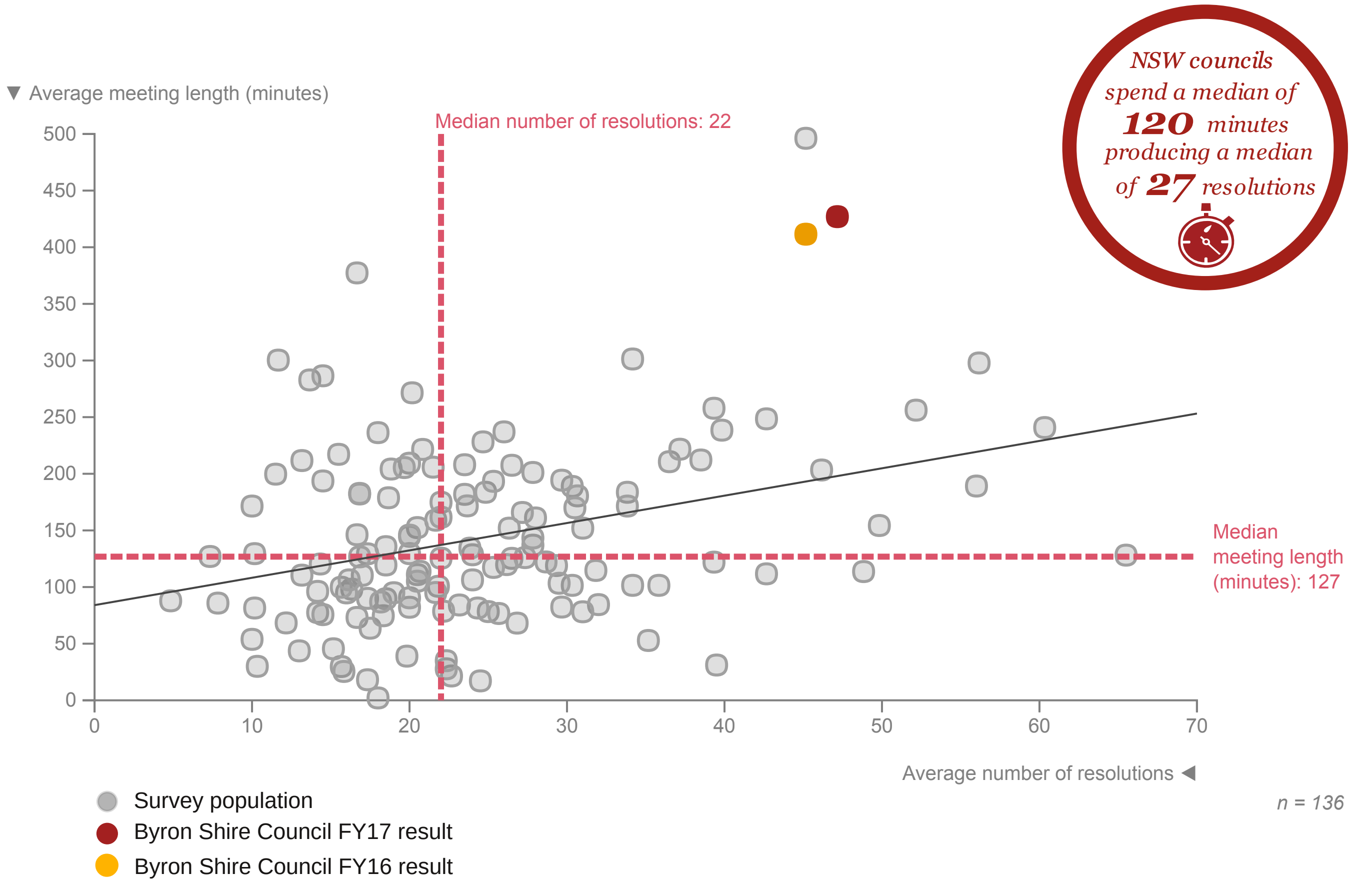
For councillors to make effective and informed decisions on policy settings, as well as council strategy, they require timely and succinct information prior to the meeting, clear agendas, and adequate time devoted to each element of the agenda to enable proper consideration of the issues.

It is critical that councillors can formulate a decision while understanding the broader picture and related consequences based on the information provided at the meetings.

Key considerations

- Do your council meetings regularly extend beyond three hours?
- Are your council meetings passing resolutions in an efficient manner?
- Are your meeting agendas and papers clear and concise, and consistently provided to councillors well in advance to allow a timely review prior to the meeting?
- Do you conduct council performance reviews at the end of the year or end of the council term?

Figure 6.1: Relationship between council meeting duration and resolutions passed in the second half of FY17



Analysing council meetings and resolutions

Council meeting duration and number of resolutions

In the framework below, we have converted our survey data into a matrix to show possible reasons why council meetings may differ in duration and produce a different number of resolutions. This allows councils to explore the correlation between meeting length and the number of resolutions passed at their last six council meetings in the 2016–17 financial year.

Our results continue to show that almost 60% of the council meetings sit in the quadrants 'short and sharp' (30%) and 'clearance of straightforward matters' (28%). This suggests a greater proportion of council meetings were focused on decision making, with less discussion of individual items.

Geographically, 51% of WA council meetings were in the quadrant 'short and sharp', followed by 26% of NSW meetings, 20% of NZ meetings, and 21% of SA council meetings.

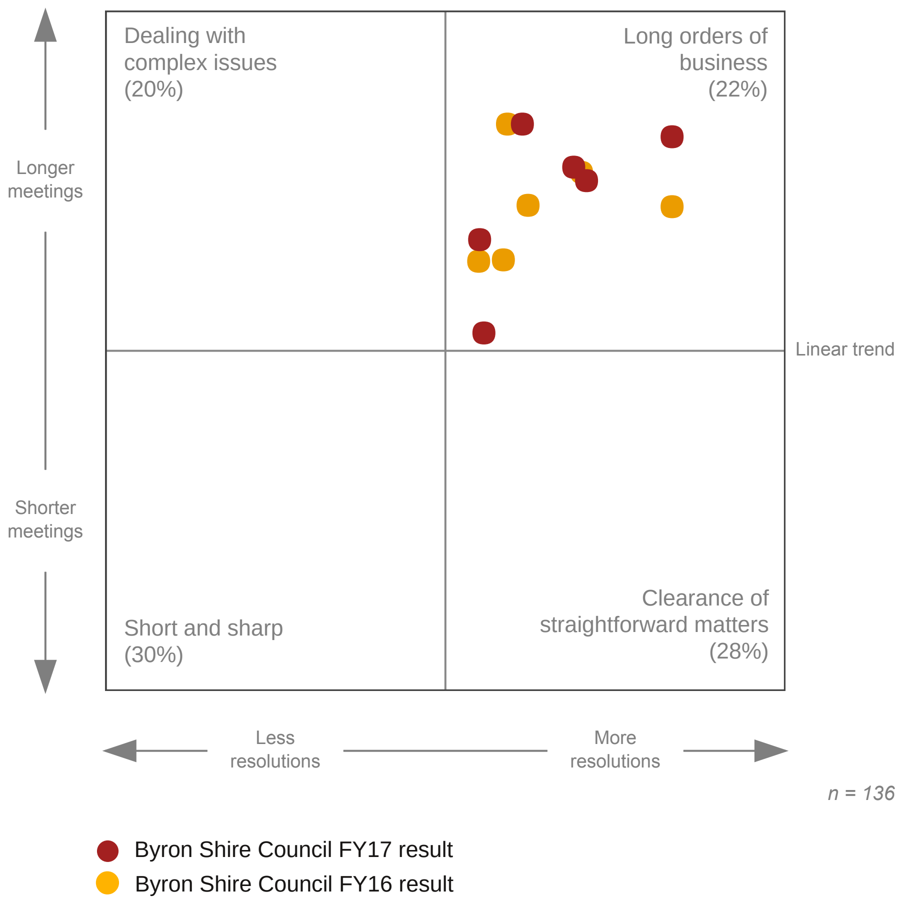
In contrast to 'short and sharp' meetings, we see that 47% of NZ council meetings were in the quadrant 'dealing with complex issues', indicating perhaps the different nature of issues being discussed at a local government level, compared to those discussed at council meetings of Australian councils.

When reviewing your profile in the chart below, consider that there may be a sound basis – such as the nature of business to be discussed – for whichever quadrant your meetings fell into. In fact, it might enhance a council's productivity if a range of the identified meeting types exists across the year. Each council should assess its results against the complexity and associated risk profile of the issues discussed in council meetings.

Key considerations

- Are you up to date with best practice when it comes to governance in your council meetings?
- Did the complexity of issues match the time taken to resolve them?
- Is your council meeting agenda well structured, clearly delineating sections for specific council purposes eg. information only versus strategic decisions?
- Are you conducting extra relevant meetings to support and inform your councillors so that the more formal council meetings are more productive eg. strategy or key operational issues?
- Do your councillors have access to technology that supports them to be more effective in their role as councillor eg. online meeting and papers access?
- Do you delineate your agenda into the different areas such as – strategic decisions, information only and housekeeping, so it is easy to manage and focus councillors?

Figure 6.2: Relationship between council meeting duration and resolutions passed in the second half of FY17



Relationships with Government

Government relationships

In order to deliver value to its community, councils should aim to recognise their role and the role of the next level of government, in order to negotiate an effective working relationship.

In our survey, we explored the relationships between local councils and the State government (Australia), or National government (NZ). Specifically, we asked councils to describe their partnership with their respective governments when it comes to influencing important decisions that affect their region and/or community - decisions such as strategic transport plans, economic growth plans, and population planning for the region including new infrastructure.

We observe 57% of councils reporting that they have influence over some decisions, 35% are influencing most or all decisions and the remaining 8% have little or no influence on important decisions that affect their region and/or community.

We see almost one in five SA councils (18%) reporting little or no influence, and in stark contrast just 2% of NSW councils reporting the same. When it comes to a strong level of influence, NZ and NSW councils lead the way, with 41% reporting influence on all or most important decisions, followed by 29% of SA and 22% of WA councils.

The size of council can also affect the relationship with State or National government, with large councils reporting a much stronger influence over decision making in their region; 59% have an influence over all or most important decisions (up from 42% in the prior year), compared to around 29% of medium (down from 30%) and small councils (up from 12%).

It is critical to have effective ongoing communication and collaboration between government bodies as they might impact the decisions made that affect council's region and community.

Figure 6.3: Describe your current relationship with State government (Australia) or National government (NZ) (council jurisdiction)

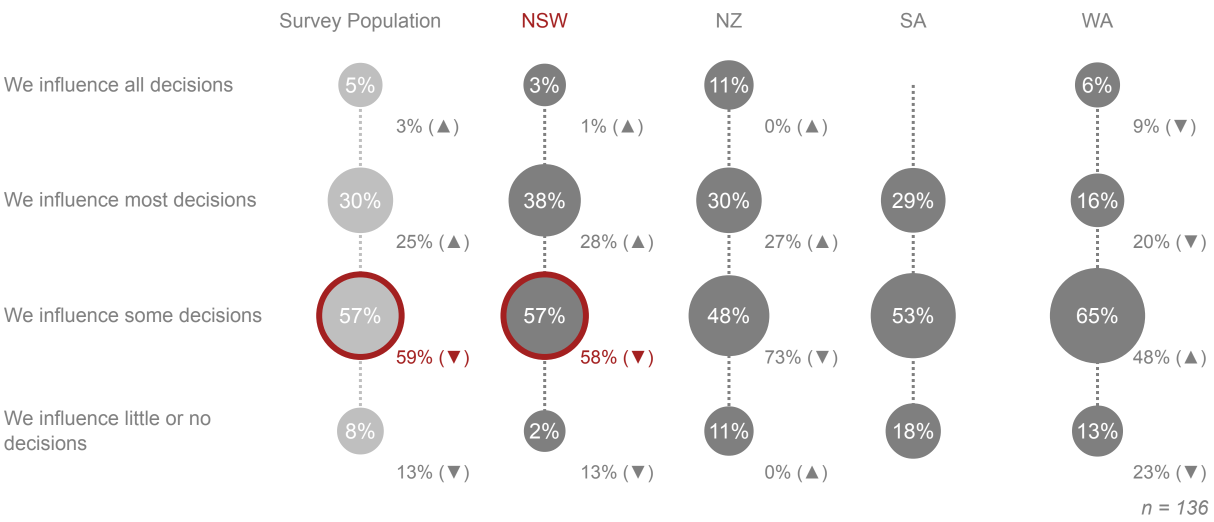


Figure 6.4: Describe your current relationship with State government (Australia) or National government (NZ) (size of council)

Maintaining high levels of staff engagement

Staff engagement

High levels of staff engagement are crucial for local government as this can help avoid regretted staff turnover, improve productivity, and create efficiency in delivery and outcomes.

It is encouraging to see that those councils that measure staff engagement levels are experiencing a boost in staff engagement; 36% reported an improvement, while 18% stayed the same.

Across WA councils a clear dichotomy has emerged: either staff engagement levels are measured, and councils have seen a remarkable improvement (55%, up from 37% in the prior year); or the council does not measure staff engagement at all (42%, up from 38%). The remaining 3% have observed no change in staff engagement levels.

Senior leaders should celebrate when staff engagement levels are measured as rising, and should also be prepared to measure this even when the findings may not be gratifying.

Interestingly, two thirds of NZ councils do measure staff engagement and there is an equal split across the results; 22% experienced an improvement, another 22% experienced no change, and the remaining 22% saw a decline in morale.

SA councils (58%) are less likely to measure staff engagement, and for the 42% that did measure, the highest proportion of councils (24%) reported no change, 12% saw an improvement and the remaining 6% experienced a decline. Meanwhile, similar levels of tracking are observed across NSW councils, 39% with improved morale and 23% with no change.

According to PwC's Fast take on talent innovation,[1] to engage your teams you can take these three steps:

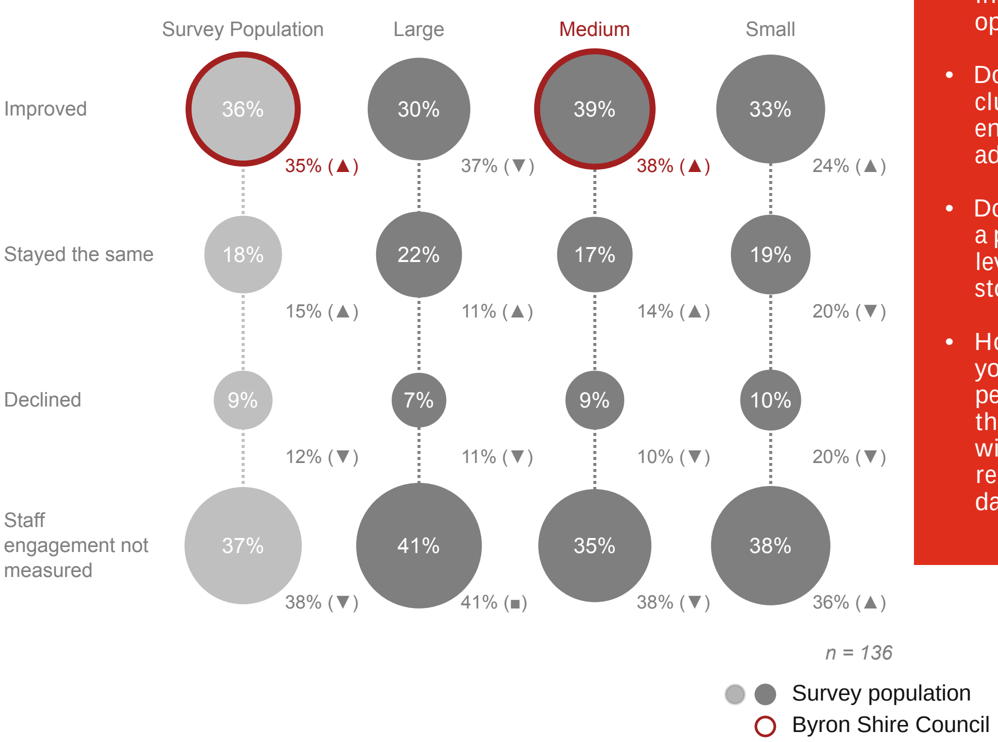
Give your people a strong sense of purpose – build learning and development programs that help people excel as they work to achieve your mission;

Build a culture of engagement – encourage contribution from diverse perspectives where everyone listens and responds and offer workplace flexibility that motivates;

Devise a recognition system – reward performance with compensation and progression and also recognise large and small contributions in a regular, structured way.

Employee engagement is defined as one's commitment to and passion for his or her work and role within an organisation. Not to be confused with employee satisfaction—or general happiness—engagement is the extent to which employees are motivated to contribute to overall business success. It's a proven willingness to go the extra mile to achieve the organisation's business goals.[2]

Figure 6.5: Did your staff engagement levels improve during the year ending 30 June 2017?



Key considerations

- How would you describe your culture? Is it motivating, inclusive and are diverse opinions valued?
- Do you understand which clusters of employees are less engaged and taken action to address this?
- Do you make staff recognition a priority and encourage all levels of staff to share success stories?
- How are you communicating your goals, progress and performance? Do you know the best way to communicate with your staff – regular reports/comms, social media, dashboards, meetings?

1 PwC, 2015, "Fast Take on Talent Innovation: Employee engagement"
2 Ibid

Consulting with the community

Community engagement strategy

A strong partnership between the council and the community can reap huge benefits. Members of the community often bring a different perspective and it creates a sense of ownership when the community is involved and collaborates with local government. Collaboration helps build trust and confidence with local government, and a key way to achieve this is to establish and implement a community engagement strategy.

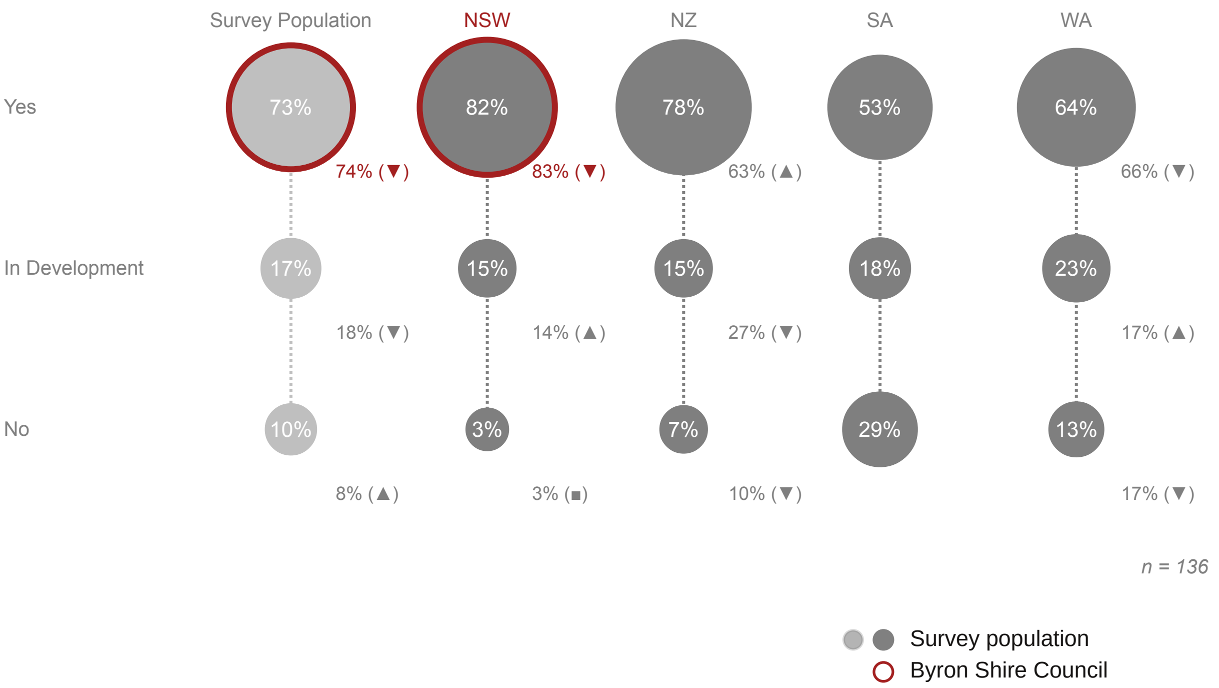
Our survey results show that 73% of councils have a documented and approved community engagement strategy in place, with a further 17% currently developing their community engagement strategy. The fact that 97% of NSW councils either have a documented and approved community engagement strategy in place or are developing one, is explained by the mandatory requirement under the Integrated Planning and Reporting Framework.

Meanwhile, 93% of NZ councils (up from 90% in the prior year) and 87% of WA councils (up from 83%) have a documented and approved community strategy established or in development. SA councils have the most opportunity to bring their community engagement strategy to life, with 29% operating without a documented strategy.

Key considerations

- Is community engagement a central, developed capability within your council?
- Do you have the required level of skills to enable a cohesive approach, spanning across the full range of stakeholders?
- Have you invested in training and skills development for your staff involved in this key area?
- Do you engage with the community in a consistent manner on a wide range of matters – or does it vary depending on the issue?
- Have you truly embedded a culture of community engagement across the organisation rather than leaving the responsibility to a separate function in the council?
- Do you adequately resource such that community engagement can be performed right across the organisation so the views of your community can be properly considered?

Figure 6.6: Do you have a documented and approved community engagement strategy?



Consulting with the community

Review of the community engagement strategy

The continuous review of the community engagement strategy is as important as the strategy itself; there is a need to confirm that it continues to meet the evolving community's requirements.

Our survey continues to show the difference in frequency of review of the community strategy across the council jurisdictions.

We see the same proportion of NSW (36%) and WA councils (36%) being more likely to review their community strategy every 4 years, and 46% of NZ councils reviewing every 3 years, in line with the triennial long term plan (LTP) process. Within SA councils, they are more likely to review every 2 years (34%), compared to 22% reviewing annually.

Figure 6.7: How frequently do you review your community engagement strategy?

Consulting with the community

Community engagement

Effective local government needs a combination of representative and participatory democracy. Consulting with a broad range of stakeholder groups will lead councils to obtain a richer variety of inputs and issues to consider, and ultimately result in a more comprehensive strategy for the local community.

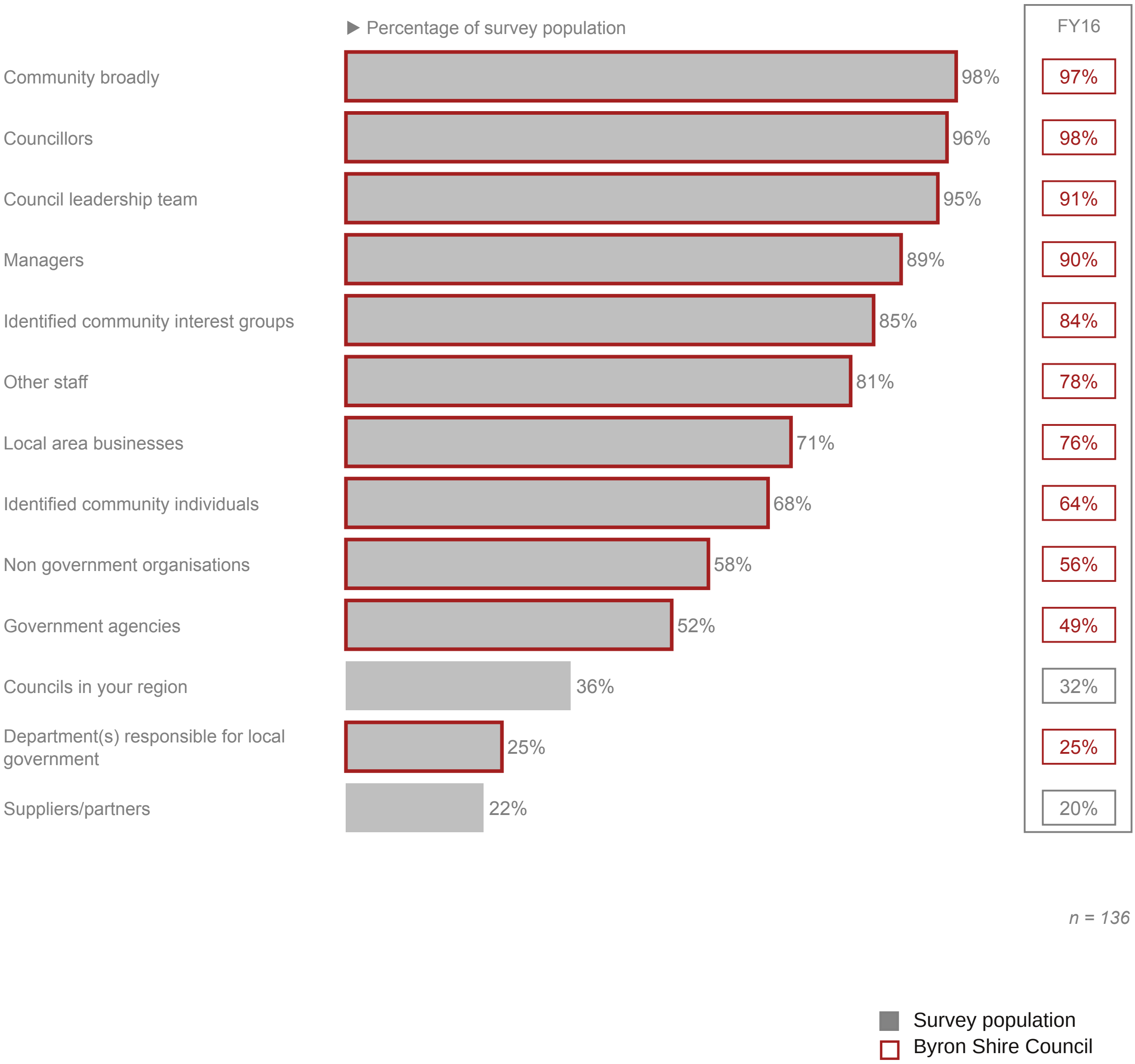
Similar to the prior year, it is encouraging to see that 36% (up from 32% in the prior year) of councils are engaging with their neighbouring councils when it comes to developing the community engagement strategy.

This trend is apparent across councils in all jurisdictions, especially in NZ where 67% of councils collaborate with their neighbouring councils (up from 53% in the prior year).

Councils should continue to work together and collaborate to obtain a wider variety of inputs. This is especially important when residents live and work across different local government areas and is a great opportunity to explore ideas that might work for your community.

Additionally, we continue to see around one quarter of the councils engaging with departments responsible for local government, and 52% of the councils are engaging with government agencies (up from 49% in the prior year) as part of the consultation process.

Figure 6.8: Which of the following groups were consulted when developing the most recent council community strategic plan?



Consulting with the community

Sharing corporate results

Sharing council's corporate performance results with the community is essential as it helps reassure community members as to how their rates and annual charges are being allocated, and also enables councils to communicate outcomes to the residents.

Similar to the prior year, this remains a strong area for local government, with 87% of the participating councils publishing the corporate performance results to the community.

We see 96% of NZ councils more likely to share the results with the community (up from 93% in the prior year), followed by NSW councils (85%, down from 86%), WA councils (84%, up from 77%) and SA councils (82%).

Metro councils are more likely to publish corporate performance results (97%), compared to regional councils (93%) and rural councils (70%).

Figure 6.9: In FY17, did your council publish corporate performance results to the community? (council jurisdiction)

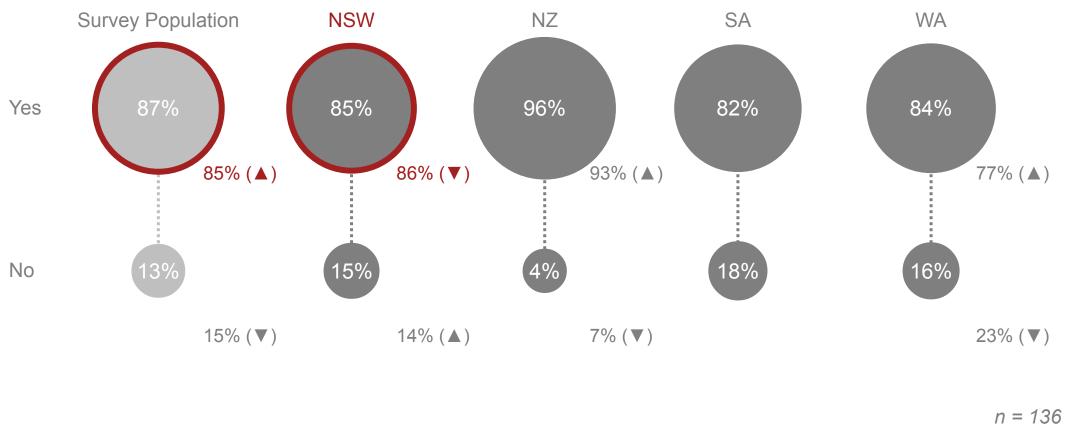
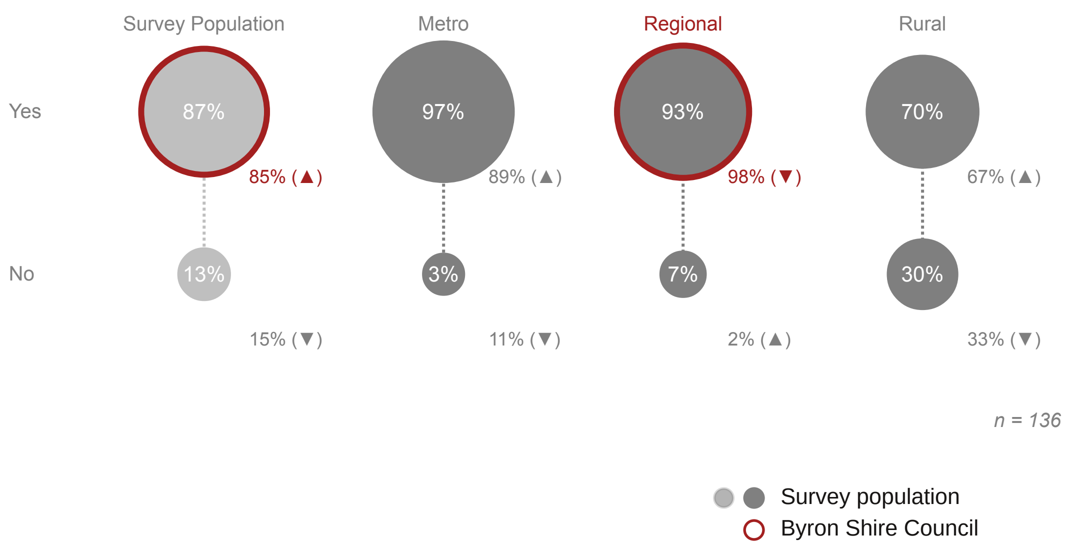


Figure 6.10: In FY17, did your council publish corporate performance results to the community? (type of council)



Consulting with the community

Community satisfaction survey

Our survey results show a marked increase, with 76% of councils (up from 68% in the prior year) conducting a community satisfaction survey in the past 2 years. NZ and WA councils are more likely to have conducted a community satisfaction survey, with 85% and 84% doing so respectively, followed by 80% of NSW councils (a large increase from 54% in the prior year).

A lower proportion of SA councils (29%) conducted a community satisfaction survey in the past 2 years, however for those SA councils that measured community satisfaction, 60% reported improved satisfaction levels since the last survey.

Among the councils that carried out a community satisfaction survey in the past 2 years, our findings show a decline in the proportion of councils that reported improved satisfaction levels from the community; 48% of councils, down from 54% in the prior year.

WA councils, similar to SA, are more likely to report improved community satisfaction levels, with 61% observing signs of improvement.

Over half of our NZ councils reported improved community satisfaction and across NSW councils, the impact of the recent mergers may have played a role in the decline of community satisfaction, with just 39% citing improved satisfaction, compared to 65% in the prior year.

Obtaining feedback from the community is vital, even if the level of satisfaction diminishes at different times. Residents appreciate having a voice and councils will build stronger engagement with the community if they can demonstrate action plans as a result of the survey outcomes, and continue to monitor and measure.

Figure 6.11: Did your council conduct a community satisfaction survey in the past two years?

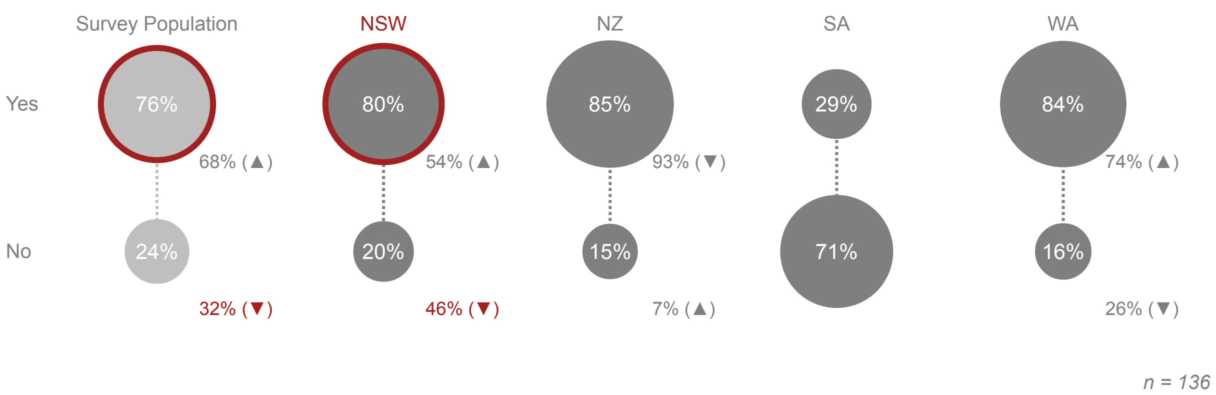


Figure 6.12: Did the overall community satisfaction levels improve since the last survey?

Asset Management

85%

*of councils have an AM system for their **roads and bridges***

61% *of councils allocate primary responsibility to asset managers for infrastructure assets, compared to **29%** of councils for corporate assets*

58% *of councils have a long term financial plan that delivers self–sustaining asset renewal*

Asset Management Trend Summary

Byron Shire Council

NSW Survey population / Byron Shire Council	FY16	FY17
1. Dedicated asset management systems in road networks, bridges, footpaths and cycleways	Yes 74% (Yes)	Yes 75% (Yes)
2. Does your council have an asset management maturity rating model that it applies to its assets?	Yes 41% (Yes)	Yes 39% (Yes)
3. Frequency in reporting management of assets to council	As required 41% (As required)	As required 39% (As required)
4. Strategic asset management plan linked to long term financial plan	In development 45% (In development)	In development 43% (In development)
5. Primary responsibility for service assets	Asset managers 72% (Asset managers)	Asset managers 74% (Asset managers)
6. Primary responsibility for corporate assets	Asset managers 35% (Asset managers)	Asset managers 33% (Asset managers)

Asset management systems

Data storage

Insights drawn from comprehensive and robust data systems are essential to effectively manage an asset's maintenance and renewal requirements, and future investment needs. It is understandable that the main areas of focus for asset management systems are the categories with the highest value assets: Road networks, Drainage networks and Sewerage and waste treatment.

Road networks remains the main focus, with 85% of councils confirming an asset management system exists, and a further 12% confirm systems are in development. Drainage networks and Sewerage and waste treatment make it to the top three asset categories with an asset management system, with 74% of councils confirming an asset management system exists for Drainage networks and 73% for Sewerage and waste treatment.

Some NSW councils are lagging behind in the storage of Road network data in an asset management system; just 76% have a system in place, compared to WA (91%) and SA (88%) councils. NZ's regulatory framework has driven 100% of councils to respond by implementing an established asset management system in this category.

NZ councils are leading the way with advanced infrastructure asset management across the three top asset categories. This can be explained by the legislative compliance requirements for local government in New Zealand to perform asset management planning. Section 101B of the Local Government Amendment Act 2014 requires councils to include in their Long Term Plan, information that shows that the council's strategic assets are managed in a manner that is efficient, effective, and appropriate to present and anticipated future circumstances.

On the other hand, Australian councils are far more likely to have a dedicated asset management system for Buildings, with SA (70%), NSW (69%) and WA (61%) councils doing so, compared to 40% of NZ councils. This trend is also observed for Plant and Equipment asset management systems.

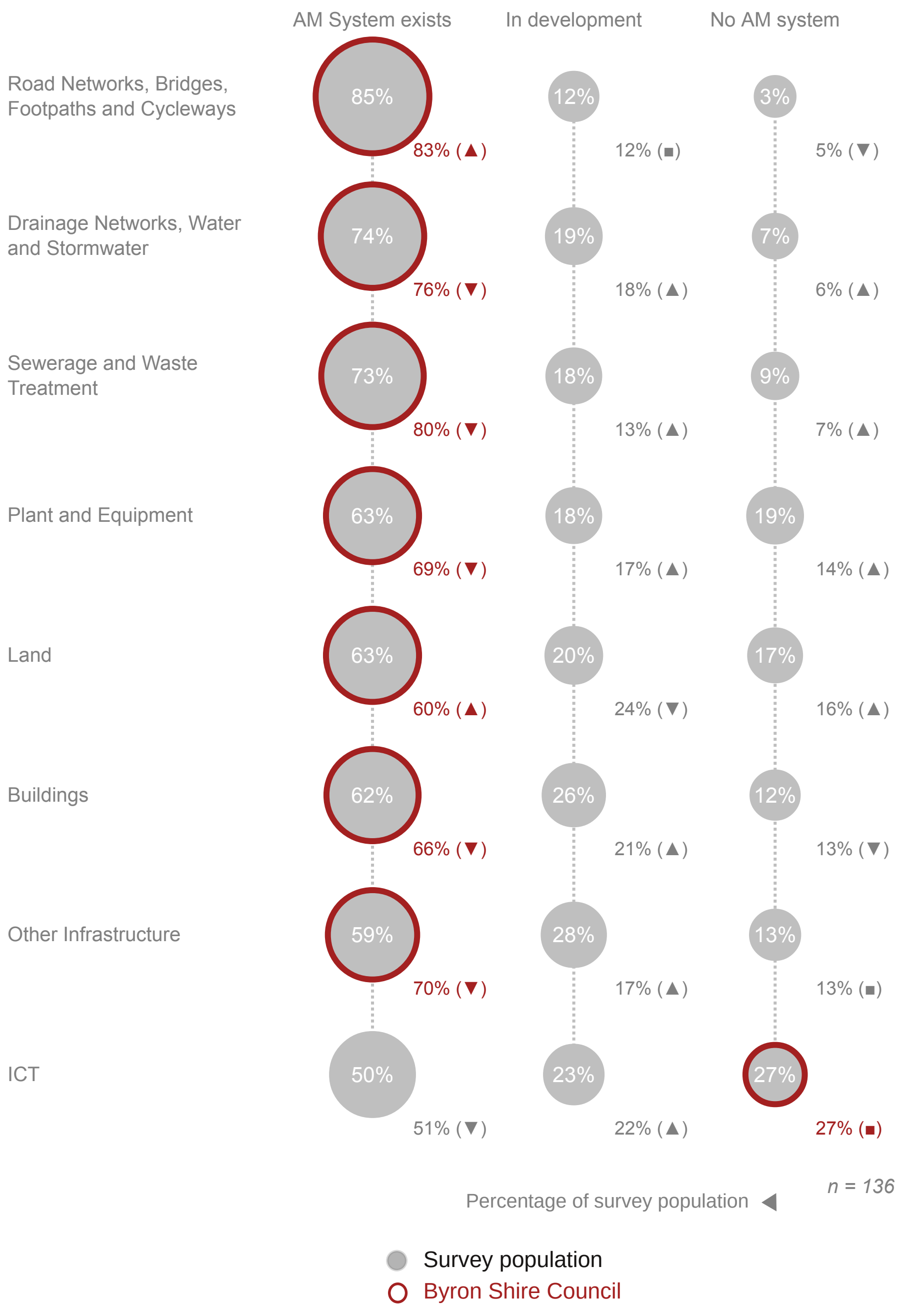
When comparing Australian councils amongst themselves, on these main categories, our data shows that SA councils lead, with 88% of councils reporting to have an asset management system for Road networks and Drainage networks, and 75% for Sewerage and waste treatment.

Our results show that councils target the tracking of the major asset categories, however when it comes to ICT, 27% of councils continue to operate without a dedicated asset management system.

Although ICT assets have a low asset value compared to hard infrastructure, this may be a missed opportunity for councils, especially as ICT assets are strategically important and tend to be more portable and adaptable. ICT helps organisations record, process and retrieve data that can ultimately help to improve processes, increase productivity and reduce costs.

A good understanding of the current state in ICT is essential when planning for digital transformation. Benefits such as optimising the use of each IT asset, disposing of IT assets when the cost of maintaining them exceeds their benefit, and providing information necessary for regulatory compliance, license and contract renewals will come from having a dedicated asset management system for this category.

Figure 7.1: Percentage of councils with data stored in a dedicated asset management system by asset class



Asset ratings

Condition ratings

Our findings show that 99% of councils use condition ratings for some or all of their asset classes.

When analysing the specific asset categories, taking into account councils that have obligations to manage the various asset categories, we find that the assets with a dedicated asset management system are more likely to have formal condition ratings in place.

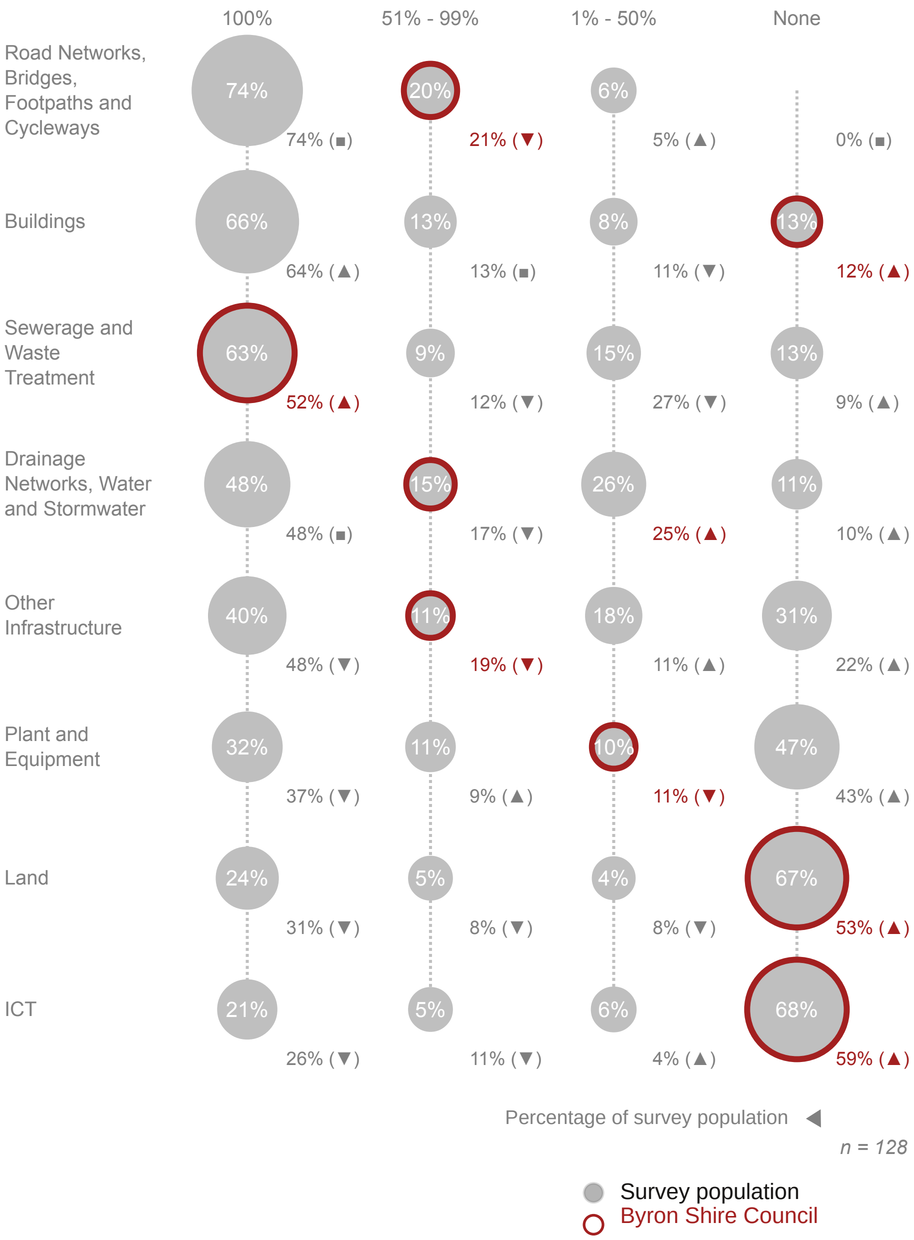
Looking into these main categories, we found that there are 74% of councils that use formal condition ratings for all of their Road networks, followed by 66% of councils formally rating all of their Buildings, 63% of councils formally rating all of their Sewerage and waste treatment assets, and 48% of councils covering their Drainage networks.

In the top category of Road networks, bridges, footpaths and cycleways, where more councils use conditions ratings, we observe 100% of SA councils and 93% or more NSW and WA councils with half or more of this asset class being formally rated, compared to a lower level of 82% of NZ councils. This is possibly due to the methodology adopted by NZ councils for point testing their roads.

The difference is more pronounced in Buildings, where just 43% of NZ councils use condition ratings on half or more of the assets in this category, compared to 94% of WA, 85% of NSW and 81% of SA councils. This trend also exists in Drainage networks, where 40% of NZ councils use condition ratings on half or more of the assets in this category, compared to 59% of SA, 77% of NSW and 55% of WA councils.

When assessing impact of council size in this analysis, we found that small councils are more likely to rate a higher percentage of their assets in two of the main categories, than large councils. Across Drainage networks, 90% of small councils use condition ratings on more than half of the assets in this category, compared to just 24% of large councils; and in Sewerage and waste treatment, where again 88% of small councils rate more than half of the assets, compared to 67% of large councils.

Figure 7.2: Percentage of assets with formal condition ratings in place



Asset ratings

Maturity rating model

An asset management maturity rating model assists with optimising decisions when it comes to the type of treatments required to effectively manage assets. The model allows for an asset to be rated based on its performance and service potential, rather than simply looking at the age of the asset.

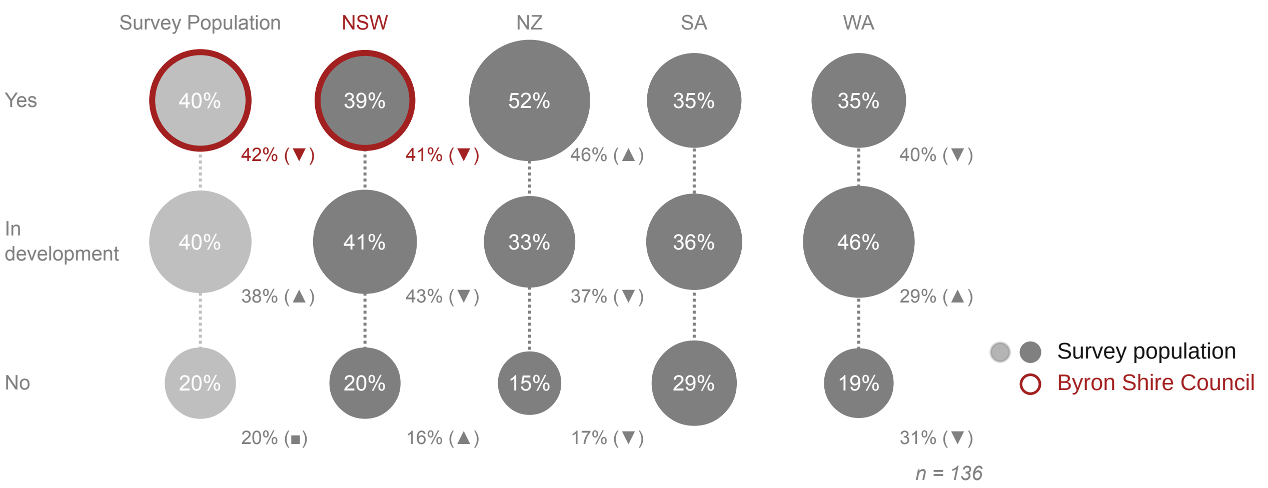
As part of the approach to effective asset management, we are observing 40% of councils using a maturity rating model, with an encouraging further 40% of councils in the process of developing one.

Given WA councils are now in their second year of this program, it is encouraging to see a large shift in the proportion of WA councils developing a maturity rating model, with 46% doing so, up from 29% in the prior year.

NZ councils are more likely to already be using a maturity rating model, with 52% already assessing their assets in this way, up from 46% in the prior year.

SA councils have the most opportunity to implement further rigour in the assessment of their assets, with only 35% using a maturity rating model and 36% developing one.

Figure 7.3: Does your council have an asset management maturity rating model that it applies to its assets?



Strategic asset management

Reporting to council

A visible and well–communicated strategic asset management plan creates a focus on the priority areas of investment for the council, both now and into the future, thereby informing council and residents on the future direction of spend on asset renewal and growth.

Our findings highlight a more pronounced gap in SA and WA councils, with 12% and 10% of councils respectively, operating without a strategic asset management plan, when compared to NSW (5%) and NZ (4%) councils.

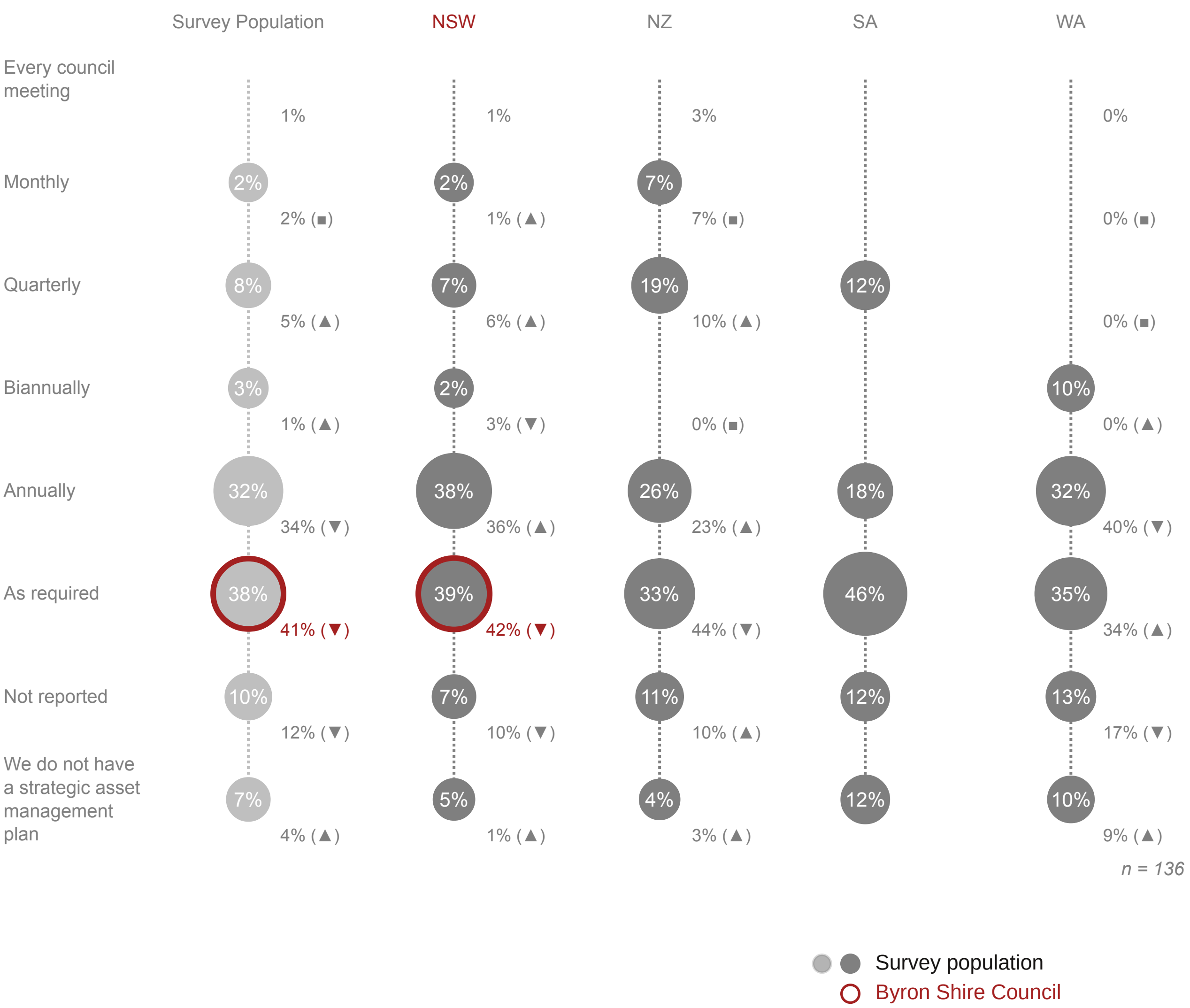
In regards to the reactive nature of reporting to council on the management of assets in accordance with the strategic asset management plan, we see a trend in the right direction.

The proportion of councils reporting 'as required' has decreased to 38%, compared to 41% in the prior year. In addition, there was a further decrease in the proportion of councils that do not report at all, decreasing from 12% to 10% of councils.

It is also encouraging to see an upward trend in proactive reporting, with 10% of councils now reporting at least quarterly on the management of their assets, compared to 7% in the prior year.

NZ councils continue to apply more rigour in their approach to reporting on the state of their assets to council, with 26% reporting at least quarterly, compared to 12% of SA, 9% of NSW councils, and no WA councils. The minimum frequency of reporting in WA councils is twice a year, with 10% doing so, followed by 32% reporting annually.

Figure 7.4: How frequently is the management of your assets formally reported to council in accordance with your strategic AM plan?



Strategic asset management

Link to financial plan

NZ councils remain focused on attempting to fulfil the objective of financially linking the strategic asset management plan to the long term financial plan.

Due to changes to the NZ legislation in 2014, this position is being strengthened because NZ councils triennially have to develop overarching 30 year infrastructure and financial strategies. The second iteration of this requirement is currently being developed for adoption by councils in 2018.

As such in FY17, we observe 89% of NZ councils currently applying this approach, with a further 11% in development.

In Australia, SA councils are ahead of the other states in this area, with 76% of councils having a strategic asset management plan financially linked to the long term financial plan. In comparison, just 55% of NSW and 52% of WA councils apply this approach.

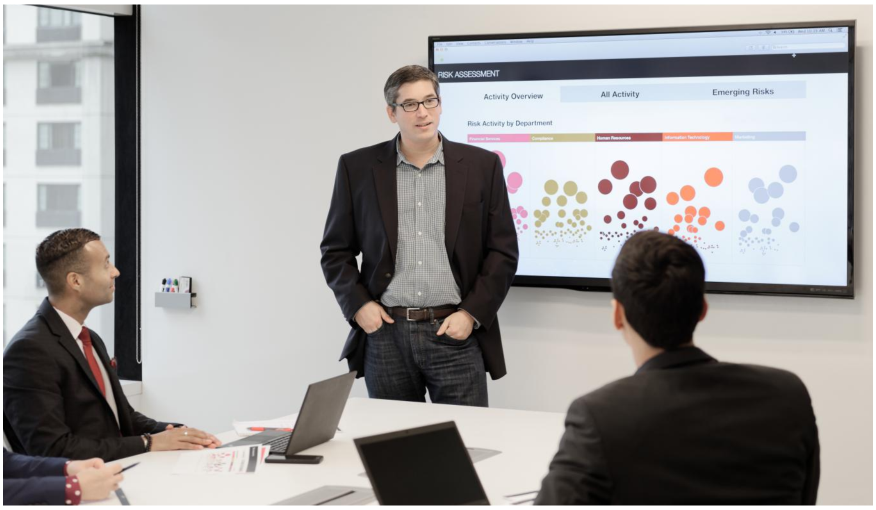


Figure 7.5: Do you have a strategic asset management plan that financially links to the long term financial plan?

Financial asset planning

Self-sustaining asset renewal

We have assessed the extent to which a council's long term financial plan aims to generate sufficient operational revenue to maintain its assets. The term self-sustaining relates to the extent that each council can fund its own activities without the assistance of outside grants.

Our findings show that 58% of councils now have an approved long term financial plan that delivers self-sustaining council asset renewal (including roads), compared to 53% in the prior year.

Given the extensive road network that rural councils must maintain and the higher reliance on grants as a source of revenue, it is interesting to note the closing gap between rural and metro councils in self-sustaining asset renewal. We now see 60% of rural councils (up from 47% in the prior year), compared to 64% of metro councils, being in a position to provide long term self-sustaining asset renewal.

Geographically, 65% of WA councils report self–sustaining asset renewal (up from 49%, in the prior year). We now see 56% of NZ councils with a financial plan that aims to generate sufficient operating revenue to cover asset renewal (including roads), compared to 70% in the prior year. Meanwhile, just 54% of NSW (up from 50% in the prior year) and 64% of SA councils claim self–sustaining asset renewal.

Figure 7.6: Does your approved long term financial plan deliver self-sustaining council asset renewal? (type of council)

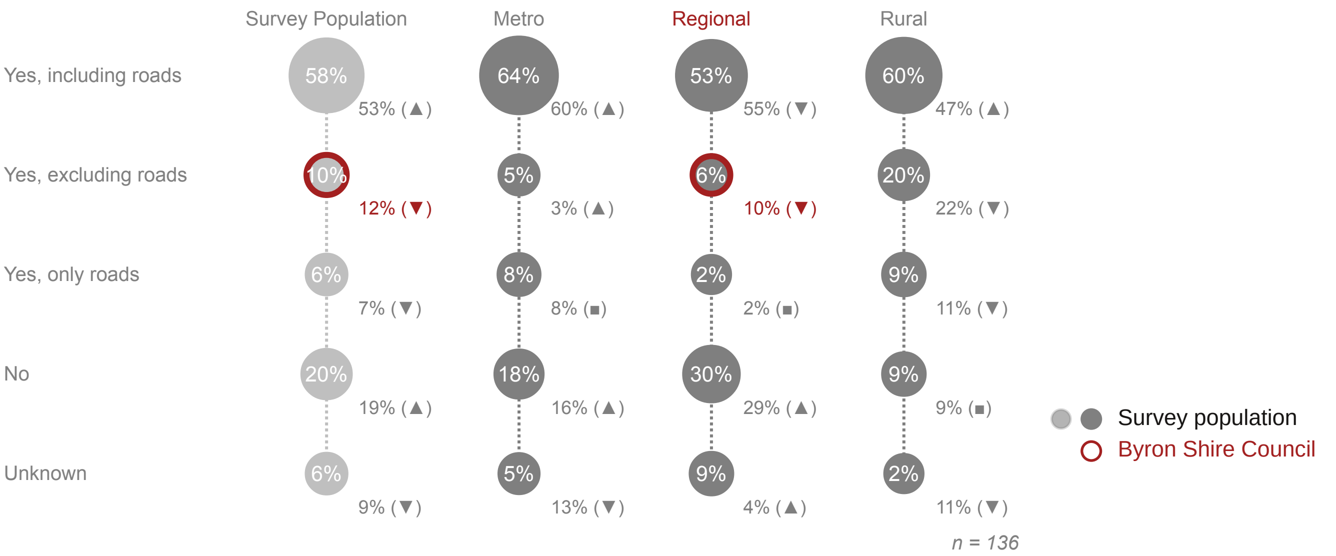


Figure 7.7: Does your approved long term financial plan deliver self-sustaining council asset renewal? (council jurisdiction)

Asset strategic planning

Primary responsibility for corporate and services assets

Councils rely heavily on asset managers to assume the primary responsibility and accountability for the strategic planning of larger infrastructure assets versus corporate assets; 61% of councils allocate primary responsibility to asset managers for infrastructure assets, compared to 29% of councils for corporate assets.

However, our findings suggest a slight shift in the allocation of primary responsibility from the asset managers to the business unit (BU) managers.

For services assets, 24% of councils rely on BU managers in assuming the primary responsibility role for these assets, up from 17% in the prior year.

For corporate assets, 35% of councils now rely on BU managers for the strategic asset planning of these shorter life assets, compared to 28% in the prior year.

In large councils, we see that the majority of the primary responsibility for corporate assets sits with BU managers (52%), followed by asset managers (37%). In the prior year, we observed small councils spreading the responsibility for corporate assets across the four functions. However, similar to the shift in the overall survey population, we now see an increase in responsibility for BU managers in small councils, increasing to 38%, up from 28% in the prior year.

Large councils mainly use two functions in the strategic planning of higher-valued services assets; asset managers (70%) and business unit managers (26%). In contrast, the CEO in small and medium-sized councils plays both the role of leader as well as a more active hands–on role in the strategic planning of services assets, with 19% of small councils and 14% of medium councils relying on the CEO, compared to 4% of large councils.

Figure 7.8: Which function maintains primary responsibility and accountability for strategic planning of your corporate and services assets?

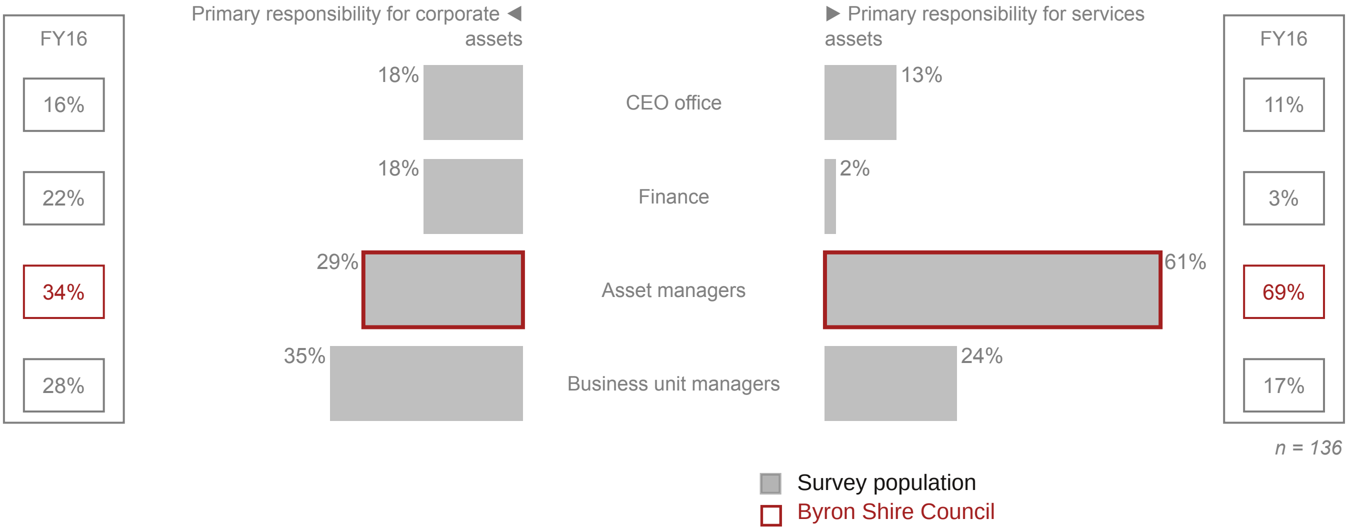
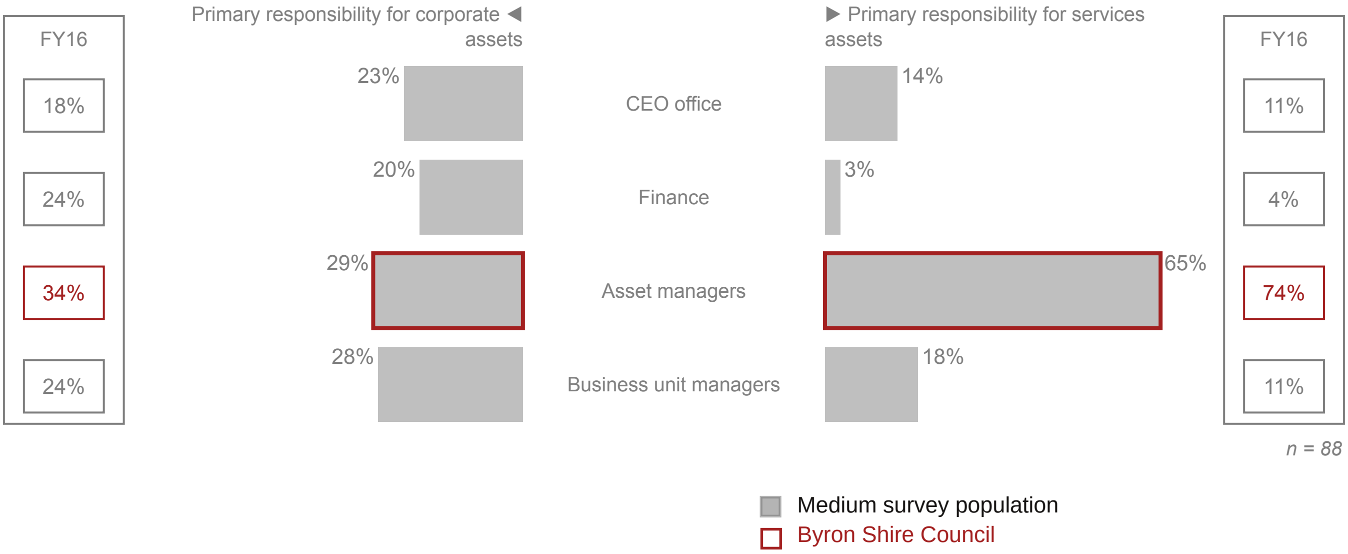


Figure 7.9: Which function maintains primary responsibility and accountability for strategic planning of your corporate and services assets? (Medium councils only)



Asset management responsibility

Day to day responsibility for corporate and services assets

As part of our analysis, we also looked at the function(s) that play a role in the day to day management of both services and corporate assets. In this case, councils could select more than one function for both categories of assets.

With the larger infrastructure assets, our results show a lower reliance on specialist asset managers for day-to-day responsibility, falling from 84% to 76% of councils, with an uptick in the increased responsibility for day-to-day management by finance (17% of councils, up from 9% in the prior year) and the CEO office (10% of councils, up from 4%). This trend is observed across all council jurisdictions.

In comparison, business unit managers are given more day to day responsibility on corporate assets in 62% of councils, compared to 51% of councils allocating this type of responsibility to asset managers.

We also observe finance and the CEO office playing an important role in the day to day management of corporate assets, with 43% of councils using finance and 18% using the CEO office. These results are higher than the prior year results, particularly for the CEO office, increasing from 10% of councils. This increase is mainly driven by NSW and NZ councils.

When it comes to managing the more highly-valued services assets on a day-to-day basis, we see NSW and NZ councils more likely to use asset managers (82% and 74%) rather than business unit managers (59% and 56%). Conversely, there is a lesser reliance on specialised asset managers in SA and WA councils; 65% and 71% respectively rely on asset managers, indicating a lesser degree of specialisation on the larger infrastructure assets.

Figure 7.10: Which function(s) maintain day to day responsibility and accountability for managing corporate and services assets?

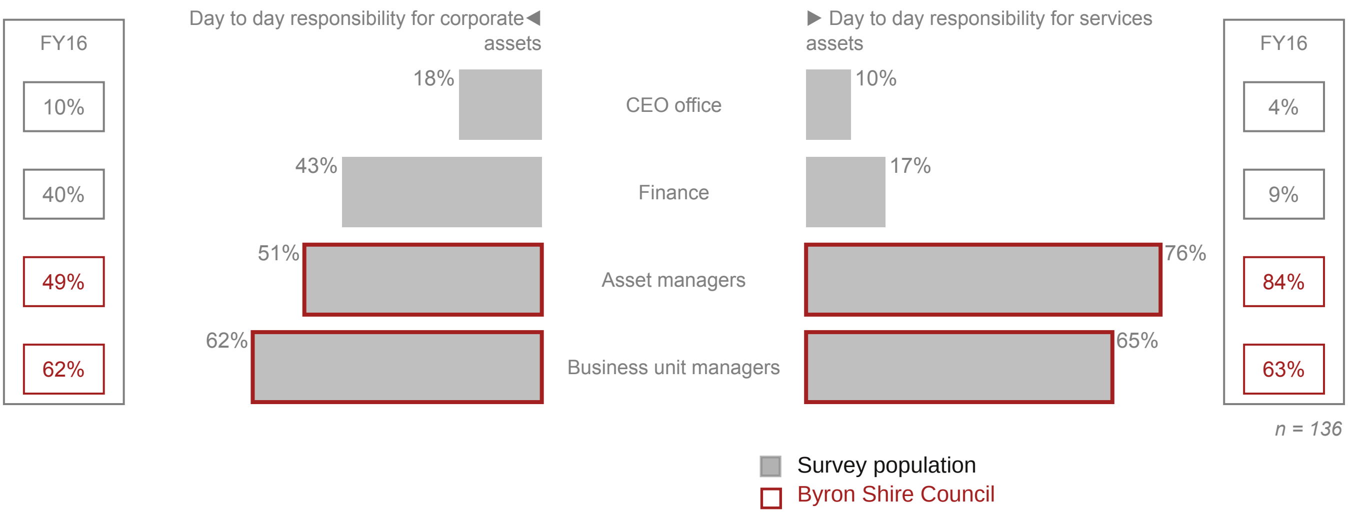
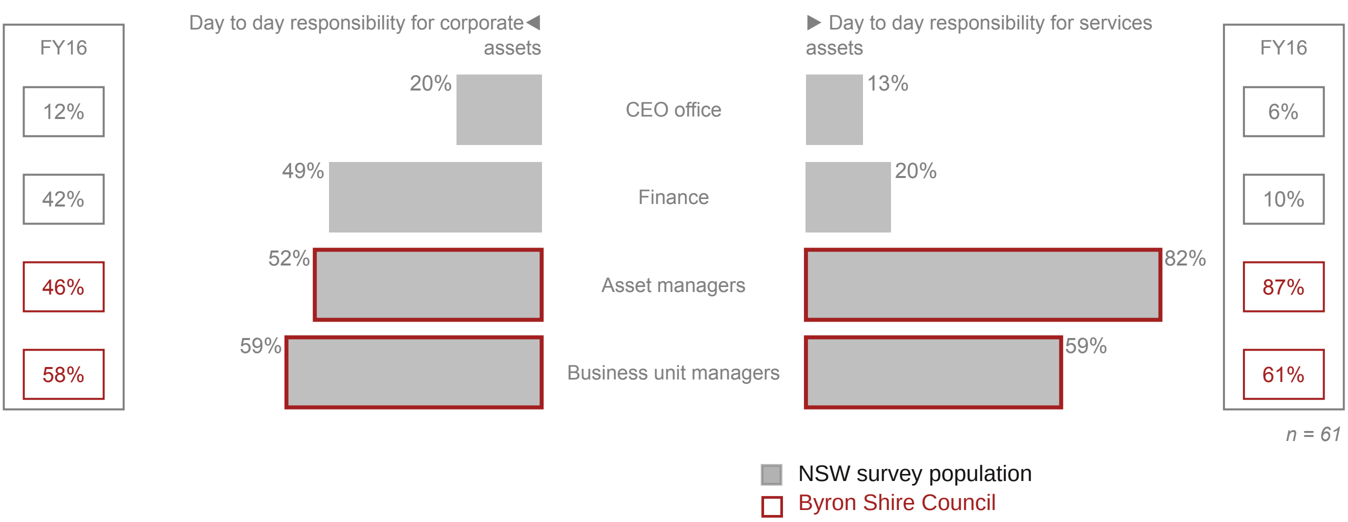


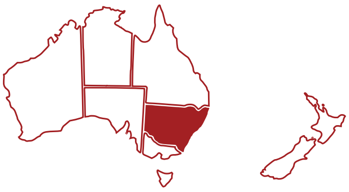
Figure 7.11: Which function(s) maintain day to day responsibility and accountability for managing corporate and services assets? (NSW councils only)



Participating Councils

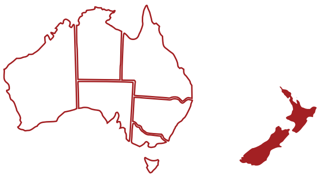
List of participating councils by jurisdiction

The table below shows the list of particpating councils that make up the survey population in the FY17 LG Performance Excellence Survey Program:



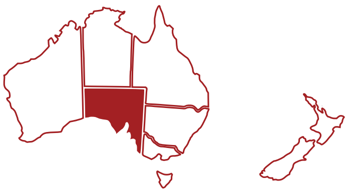
New South Wales

1. Albury City Council
2. Armidale Regional Council
3. Ballina Shire Council
4. Bathrust Regional Council
5. Bega Valley Shire Council
6. Belligen Shire Council
7. Bland Shire Council
8. Blayney Shire Council
9. Broken Hill Council
10. Byron Shire Council
11. Cabonne Shire Council
12. Cessnock City Council
13. City of Canada Bay Council
14. Clarence Valley Council
15. Coffs Harbour City Council
16. Coolamon Shire Council
17. Dubbo Regional Council
18. Eurobodalla Shire Council
19. Georges River Council
20. Goulburn Mulwaree Council
21. Greater Hume Shire Council
22. Griffith City Council
23. Gwydir Shire Council
24. Hilltops Council
25. Hunters Hill Council
26. Kempsey Shire Council
27. Kiama Muncipal Council
28. Lachlan Shire Council
29. Lake Macquarie Council
30. Lane Cove Council
31. Lithgow City Council
32. Liverpool City Council
33. Midcoast Council
34. Murrumbidgee Council
35. Nambucca Shire Council
36. Narrabri Shire Council
37. Narrandera Shire Council
38. Newcastle City Council
39. Oberon Council
40. Parkes Shire Council
41. Penrith City Council
42. Port Macquarie - Hastings Council
43. Port Stephens Council
44. Queanbeyan - Palerang Regional Council
45. Richmond Valley Council
46. Shellharbour City Council
47. Shoalhaven City Council
48. Singleton Council
49. Snowy Valleys Council
50. Sutherland Shire Council
51. Tamworth Regional Council
52. Temora Shire Council
53. Tweed Shire Council
54. Upper Hunter Shire Council
55. Upper Lachlan Shire Council
56. Uralla Shire Council
57. Willoughby City Council
58. Wingecarribee Shire Council
59. Wollongong City Council
60. Yass Valley Council



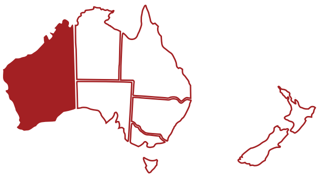
New Zealand

1. Ashburton District Council
2. Auckland Council
3. Clutha District Council
4. Dunedin City Council
5. Environment Canterbury Regional Council
6. Far North District Council
7. Gisborne District Council
8. Hauraki District Council
9. Hurunui District Council
10. Masterton District Council
11. Nelson City Council
12. New Plymouth District Council
13. Northland Regional Council
14. Otago Regional Council
15. Porirua City Council
16. Rangitikei District Council
17. Ruapehu District Council
18. South Waikato District Council
19. Southland District Council
20. Taranaki District Council
21. Tasman District Council
22. Waikato Regional Council
23. Wairoa District Council
24. Waitaki District Council
25. Wellington District Council
26. Western Bay of Plenty District Council
27. Whangarei District Council



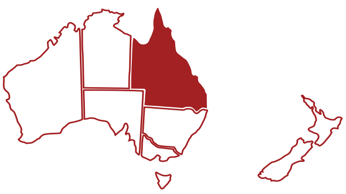
South Australia

1. Adelaide Hills Council
2. Alexandrina Council
3. City of Adelaide
4. City of Charles Sturt
5. City of Onkaparinga
6. City of Port Adelaide Enfield
7. City of Prospect
8. City of Salisbury
9. City of Victor Harbor
10. Copper Coast Council
11. District Council of Mount Remarkable
12. Flinders Ranges Council
13. Mount Barker District Council
14. Naracoorte Lucindale Council
15. Port Pirie Regional Council
16. Wakefield Regional Council
17. Yorke Peninsula Council



Western Australia

1. City of Armadale
2. City of Bayswater
3. City of Bunbury
4. City of Canning
5. City of Cockburn
6. City of Gosnells
7. City of Joondalup
8. City of Kalgoorlie - Boulder
9. City of Melville
10. City of Perth
11. City of Rockingham
12. City of Subiaco
13. City of Swan
14. City of Wanneroo
15. Shire of Augusta - Margaret River
16. Shire of Capel
17. Shire of Cuballing
18. Shire of Dardanup
19. Shire of Harvey
20. Shire of Irwin
21. Shire of Kalamunda
22. Shire of Katanning
23. Shire of Merredin
24. Shire of Mundaring
25. Shire of Murray
26. Shire of Northam
27. Shire of Serpentine Jarrahdale
28. Town of Cambridge
29. Town of Mosman Park
30. Town of Port Hedland
31. Town of Victoria Park



Queensland

1. Whitsunday Regional Council

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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

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 2016

Headcount or FTE employees with the following criteria are included:

- Start date on or before 1 July 2016
- An FTE status greater than zero at 1 July 2016 (FTEs of zero or blank are NOT included)

Headcount or FTE employees with the following are excluded:

- A termination date before 1 July 2016

Calculating headcount of FTE at 30 June 2017

Headcount of FTE employees with the following criteria are included:

- Start date on or before 30 June 2017
- An FTE status greater than zero at 30 June 2017 (FTEs of zero or blank are NOT included)

Headcount or FTE employees with the following are excluded:

- A termination date before 30 June 2017

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

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.

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 catergory 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 FY17 Participant Guide available on Datapoint.

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