Council reporting on service delivery

1 FEBRUARY 2018

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We conduct financial or 'attest' audits of State public sector and local government entities' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on entity compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an entity is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities.

As well as financial and performance audits, the Auditor-General carries out special reviews and compliance engagements.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

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The Legislative Council
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In accordance with section 421D of the *Local Government Act 1993*, I present a report titled '**Council reporting on service delivery'.**

Margaret Crawford
Auditor-General
1 February 2018

audit office
OF NEW SOUTH WALES

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contents

Council reporting on service delivery

Auditor-General's foreword

I am pleased to present my first local government performance audit pursuant to section 421D of the *Local Government Act 1993*.

My new mandate supports the Parliament's objectives to:

- strengthen governance and financial oversight in the local government sector
- improve financial management, fiscal responsibility and public accountability for how councils use citizens' funds.

Performance audits aim to help councils improve their efficiency and effectiveness. They will also provide communities with independent information on the performance of their councils.

For this inaugural audit in the local government sector, I have chosen to examine how well councils report to their constituents about the services they provide.

In this way, the report will enable benchmarking and provide improvement guidance to all councils across New South Wales.

Specific recommendations to drive improved reporting are directed to the Office of Local Government, which is the regulator of councils in New South Wales.

Section one

Council reporting on service delivery

✎ Executive summary

Councils provide a range of services which have a direct impact on the amenity, safety and health of their communities. These services need to meet the needs and expectations of their communities, as well as relevant regulatory requirements set by state and federal governments. Councils have a high level of autonomy in decisions about how and to whom they provide services, so it is important that local communities have access to information about how well they are being delivered and meeting community needs. Ultimately councils should aim to ensure that reporting performance is subject to quality controls designed to provide independent assurance.

🔍 Conclusion

While councils report on outputs, reporting on outcomes and performance over time can be improved. Improved reporting would include objectives with targets that better demonstrate performance over time. This would help communities understand what services are being delivered, how efficiently and effectively they are being delivered, and what improvements are being made.

To ensure greater transparency on service effectiveness and efficiency, the Office of Local Government (OLG) should work with councils to develop guidance principles to improve reporting on service delivery to local communities. This audit identified an interest amongst councils in improving their reporting and broad agreement with the good practice principles developed as part of the audit.

The Integrated Planning and Reporting Framework (the Framework), which councils are required to use to report on service delivery, is intended to promote better practice. However, the Framework is silent on efficiency reporting and provides limited guidance on how long-term strategic documents link with annual reports produced as part of the Framework. OLG's review of the Framework, currently underway, needs to address these issues.

OLG should also work with state agencies to reduce the overall reporting burden on councils by consolidating state agency reporting requirements.

💬 1.   Key findings

Councils' reporting needs greater emphasis on the efficiency and effectiveness of their services, and their performance over time

In the 105 council annual reports we analysed, reporting on inputs and outputs was given much greater emphasis than reporting on service delivery efficiency and outcomes. Around 80 per cent of reports included service input and output reporting. However, while inputs are frequently reported, cost is seldom reported as an input measure. The absence of this information means that most annual reports do not allow the community to assess how efficiently councils are delivering services.

Only around a third of the reported activities that we analysed included information on service outcomes and less than 20 per cent gave information on performance over time.

Councils should use targets to better demonstrate what they are striving for

We found more than a third of reported objectives in council reports do not have a related target, making it difficult for the community to assess a council's achievements in implementing its service delivery program. Where reports include a stated objective for each service delivery activity they provide valuable information to help the community understand what the council wants to achieve with the delivery of services.

Reporting by metropolitan and regional town and city councils was generally better than by rural councils

There is a significant difference in reporting performance between councils based on their location. Metropolitan and regional cities and towns tended to report more consistently across all service delivery areas on the effectiveness of those activities, than rural councils did. They were also more likely to use resident survey data to measure outcomes and demonstrate achievement of the targets they set, than rural councils. We did not examine in detail the reasons for these differences in reporting capability. However, they provide a clear rationale for giving more intensive support and guidance on service reporting to rural councils in the near term.

Our consultation with councils highlighted that most would welcome the opportunity to improve current reporting practices. A set of principles to guide performance reporting, and better integrating requirements set out in the Framework, would help councils to improve.

The Framework provides a sound basis for reporting but there is room for improvement

The Framework requires councils to produce a range of documents designed to drive their performance and encourage consistent reporting of service delivery. There were examples of good practice reporting by councils, where councils used the Framework to provide a clear picture of trends in service delivery. We identified some weaknesses in the Framework, including that it:

- does not require councils to report on their efficiency and cost effectiveness. This has been identified as a weakness in previous reviews of the Framework
- provides limited guidance on how the Framework's various reports and plans fit together.

Consolidating council reporting to state agencies would support better reporting on performance over time, and comparative performance

A 2016 draft IPART 'Review of reporting and compliance burdens on Local Government' noted that councils provide a wide range of services under 67 different Acts, administered by 27 different NSW Government agencies. Consolidating and coordinating reporting requirements under this framework would assist with better reporting over time and comparative reporting. It would also provide an opportunity for NSW Government agencies to reduce the reporting burden on councils by identifying and removing duplication.

2. Recommendations

The New South Wales Office of Local Government should, by mid-2018:

1. issue additional guidance on good practice in council reporting, with specific information on:

   a) reporting on performance against targets

   b) reporting on performance against outcomes

   c) assessing and reporting on efficiency and cost effectiveness

   d) reporting performance over time

   e) clearer integration of all reports and plans that are required by the Framework, particularly the role of End of Term Reporting

   f) defining reporting terms to encourage consistency.

2. commence work to consolidate the information reported by individual councils to NSW Government agencies as part of their compliance requirements.

3. progress work on the development of a Performance Measurement Framework, and associated performance indicators, that can be used by councils and the NSW Government in sector-wide performance reporting.

4. assist rural councils to develop their reporting capability.

1. Introduction

1.1 Background

Councils provide a range of services, and need to balance priorities with available resources

There are 128 local councils delivering services to communities across NSW. Councils aim to improve the amenity of their local community, manage facilities and resources, deliver services that provide the best value to communities and apply regulation over matters such as vegetation, pedestrian accessibility and water quality.

Examples of council activities include:

- planning for new suburbs in response to population needs
- management of parks and sports fields
- ensuring that local cafés and restaurants meet food safety standards
- maintaining council roads and footpaths
- mediating neighbourhood disputes about barking dogs, overhanging trees and fences.

Communities expect that councils will deliver services in a way that responds to their needs and views. Given the balance between expectations and available resources, it is important that councils consult with their communities about priorities and demonstrate transparency in their decision-making. A fundamental component of good community engagement is to provide information about things that are happening locally. This enables community members to contribute in an informed way to discussion on the type and level of services that they want their councils to deliver.

Councils provide information on service delivery in a range of ways including on their websites, in printed newsletters, and at council meetings. They also report formally on their achievements each year in annual reports. These reports provide a platform to communicate councils' long-term goals and achievements in line with those goals.

Reporting requirements for local government

Councils are required by the New South Wales *Local Government Act 1993* to report on their activities in accordance with the Framework shown in Figure 1. The Framework was introduced in 2009 to improve councils' strategic planning capacity. The requirement that councils report using this Framework was phased in over a period of three years and all councils have been using this framework for at least five years.

The Framework includes a requirement that councils prepare an annual report in accordance with Section 428 of the *Local Government Act 1993*, which states that:

> a council must prepare a report (its annual report) for that year reporting as
> to its achievements in implementing its delivery program and the
> effectiveness of the principal activities undertaken in achieving the objectives
> at which those principal activities are directed.

In addition to the annual report, councils use the Framework to produce a range of documents designed to drive their performance and encourage consistent reporting of their service delivery performance. These include a Community Strategic Plan which sets the overarching goals and priorities for council based on consultation with the local community, as well as supporting documents such as the Resourcing Strategy, Delivery Program and Operational Program.

This reporting framework is similar to those adopted in other states, and provides a strong foundation for reporting at the local government level.

Figure 1: OLG's Integrated Planning & Reporting Framework for Local Government in NSW and the interrelationship between reports required by councils
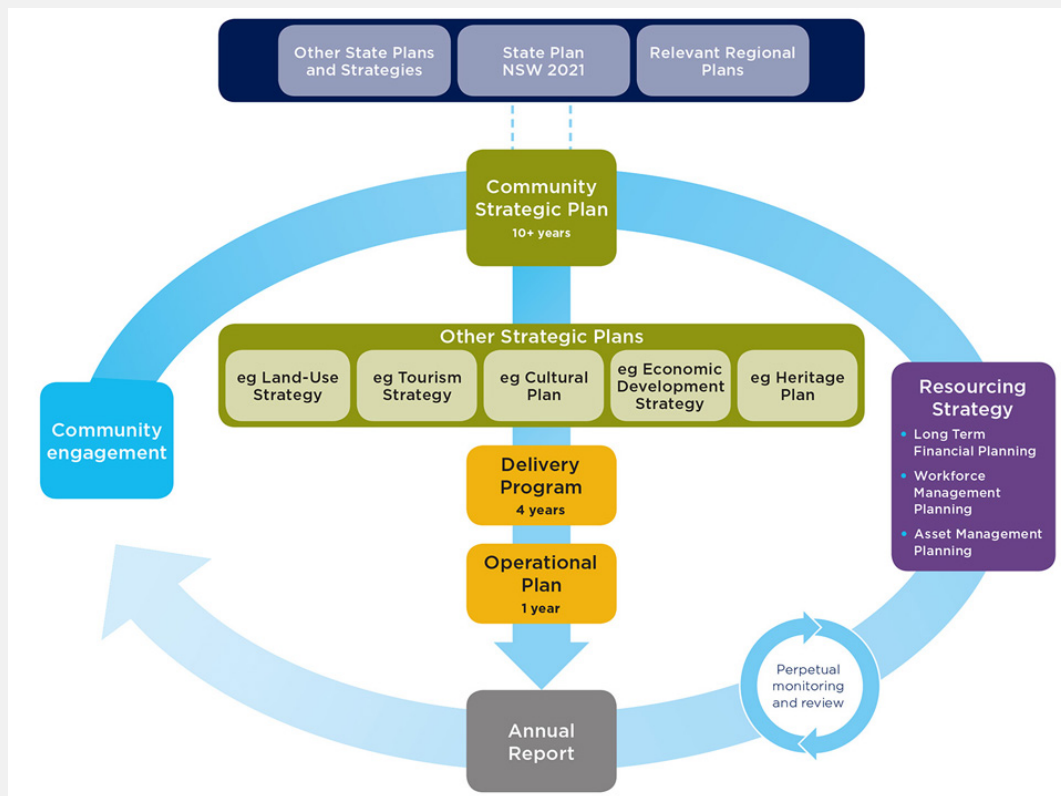
Source: OLG website 2017.

Previous reviews have raised issues regarding councils' public reporting on performance

Our performance audit of the Division of Local Government (now OLG) in 2012 found that public reporting by councils did not include adequate information to monitor aspects of council performance. It recommended strengthening councils' public reporting processes as an important part of improving financial viability, assessing performance, and assisting councils to respond to performance issues as these arose. Later in 2012, the Local Government Reform Panel reinforced these findings, highlighting the need for more consistent data collection and benchmarking to enable councils and the public to gain a clear understanding of how a council is performing relative to their peers. The approach adopted in NSW to improve performance reporting in local councils is comparable with approaches adopted in other jurisdictions.

1.2 About the audit

This audit used councils' 2015–16 annual reports to provide a comparative picture of the way councils communicate the effectiveness and efficiency of the services they deliver, demonstrate transparency in the prioritisation of resources, and encourage engagement of local communities in councils' service planning. The principles for good practice arising from our analysis of annual reports are applicable to council reporting on service delivery more generally.

We reviewed the annual reports from 105 local councils to gain a picture of how well they report on the efficiency and effectiveness of services. To do this, we considered reporting in terms of OLG's service delivery categories, and where councils were located (metropolitan, regional or rural). This approach has enabled us to identify specific areas needing improvement and highlight areas of better practice. However, the examples of better practice by councils in this report are illustrative of good practice but we have not audited the data in them.

Service delivery categories used to analyse reports are as follows:

- Governance and administration
- Health and safety
- Social and community
- Land use planning
- Environment
- Sewer and water
- Infrastructure
- Other.

Our approach to categorisation of activities is summarised in Appendix 2 of this report.

Given the limited guidance available, we developed better practice reporting principles

Given the limited guidance on reporting available from OLG, we developed a set of better practice principles to assess council reporting capability. These were drawn from work in professional and academic fields and also reflected general public sector reporting practice for service delivery. The principles we developed are:

- there is a structured approach to developing consistent and comparable reporting indicators
- performance over time is reported
- there are clearly stated service outcomes and progress reported against these
- targets and baseline data are included to guide performance assessment
- reported information is accessible to the community
- information on efficiency and cost-effectiveness is provided.

These principles were discussed with selected stakeholders and councils, as well as with OLG. Our consultation confirmed the principles were a reasonable basis for assessing reporting performance.

2. How councils report on the services they deliver

Councils report extensively on the things they have done, but minimally on the outcomes from that effort, efficiency and performance over time.

Councils could improve reporting on service delivery by more clearly relating the resources needed with the outputs produced, and by reporting against clear targets. This would enable communities to understand how efficiently services are being delivered and how well councils are tracking against their goals and priorities.

Across the sector, a greater focus is also needed on reporting performance over time so that communities can track changes in performance and councils can demonstrate whether they are on target to meet any agreed timeframes for service improvements.

The degree to which councils demonstrate good practice in reporting on service delivery varies greatly between councils. Metropolitan and regional town and city councils generally produce better quality reporting than rural councils. This variation indicates that, at least in the near-term, OLG's efforts in building capability in reporting would be best directed toward rural councils.

Recommendation

By mid-2018, OLG should:

*   assist rural councils to develop their reporting capability.

2.1 How well councils report on service delivery

Councils report more extensively on inputs and outputs

Most council reporting on service delivery includes extensive reporting on inputs and outputs. Of the 105 reports we analysed, more than 80 per cent of reported activities included some form of input and output reporting (Figure 2).

This type of reporting gives communities a general understanding of council activities. However, input and output reporting alone cannot demonstrate whether councils are delivering services effectively or making improvements over time. Examples of inputs in the reports we analysed include staff recruited, expert services purchased and quantities of materials used. Examples of outputs reported included numbers of library visits, new businesses established and length of roads resurfaced.

9

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | How councils report on the services they deliver

Figure 2: Percentage of reporting which included reporting on inputs, outputs, targets, outcomes and performance over time, 2015–16
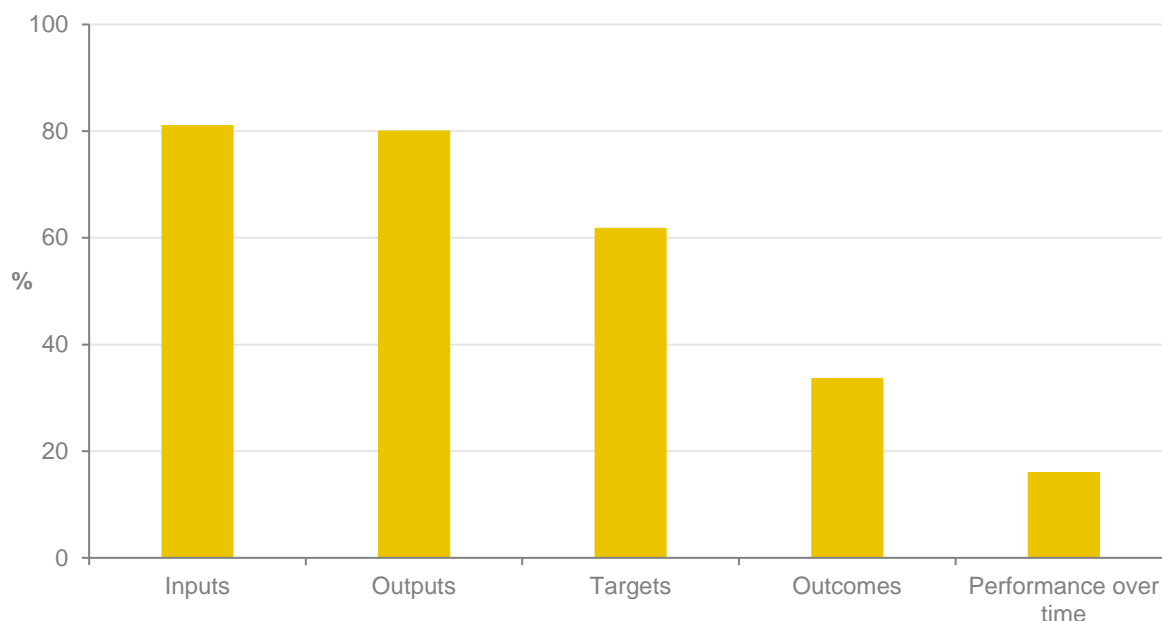
Source: Audit Office analysis of 105 published 2015–16 annual reports, 2017.

Service efficiency is not well reported

Reporting on efficiency is important in the local government context, where prioritising and using limited available resources to best effect can be complex. In councils' reports on services, the cost of service delivery is not frequently reported as an input measure. Given that input costs underpin assessments of efficiency (cost per unit of output), the absence of this information means that the community cannot assess how efficiently services are provided.

Annual reports include a financial statement which provides information on councils' expenditure. However, most statements are not reported in a format directly linking expenditure to specific service delivery activities. A 2013 Local Government NSW report, 'Influencing Change', found that even elected representatives said that understanding financial reporting was one of the most difficult challenges of their role. Improving communication of financial performance in reporting, and linking this information to service delivery, would improve the accessibility of this information to communities.

We found a number of examples of financial reporting being made more accessible to communities. Exhibits 1 and 2 produced by Tweed Shire and Shellharbour City councils show financial information presented in a format which allows the community to assess performance.

10

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | How councils report on the services they deliver

Exhibit 1: Better practice example - Using financial data to report on efficiency

Tweed Shire Council's annual report uses financial input and output data for service delivery areas.

Progress report for 2015–2016: **Caring for the Environment**

Performance against the objectives, identified in the 2013–2017 Delivery Program

Objective	Budget ($'000)		Actual ($'000)	
	Income	Expenditure	Income	Expenditure
4.1 Protect the environment and natural beauty of the Tweed	3,565	5,715	3,715	6,104
4.2 Conserve native flora and fauna and their habitats	1,219	3,087	580	2,497
4.3 Maintain and enhance Tweed Shire's waterways and its catchments	1,343	2,293	162	1,453
4.4 Manage the Tweed coastline to ensure a balance between utilisation and conservation	81	950	46	959
4.5 Improve the environmental capacity of the Tweed agricultural lands	75	145	92	79
Totals	**6,283**	**12,190**	**4,595**	**11,092**

Source: Tweed Shire Council Annual Report 2015–16.

11

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | How councils report on the services they deliver

Exhibit 2: Better practice example - Using financial data to report on efficiency

The Shellharbour City Council report presents the service delivery performance data along with top-line financial data in a format that allows the community to see what costs are associated with delivery of services.

community

1.1.1

Encourage and support activities and events where communities can gather and celebrate

Council continues to facilitate a number of civic events, community led activities and open days that encourage and support residents to gather and celebrate. Highlights over the past 12 months include: Carols by Candlelight, Australia Day 'Breakfast by the Lake', a Giant Slide Day, Pool Open Days, International Women's Day, Senior's Week and Anzac Day.

Council hosted Australia Day Celebrations on Tuesday, 26 January 2016 from 7am - 2pm. The event had free activities which included: face painting, an animal farm, pony rides, sand modelling, thong throwing, entertainment and much more. The Australia Day event raised $12,070 which was distributed to Oak Flats Lions Club, Rotary Club Shellharbour, Dunmore Rural Fire Brigade, Oak Flats Lionesses, Warilla Barrack Point Surf Life Saving Club, St Vincent D Paul Albion Park, Warilla/Shellharbour Arthritis Branch and Shellharbour City Arts Society. "Amp It Up" was again conducted as part of the celebrations. Three youth bands performed on the day that involved 10 young people. This provided a great opportunity to showcase local young people as part of this local celebration.

A Giant Slide Day was held for the first time at Reddall Reserve. The event was heavily promoted by WAVE FM and the weather was perfect. The event attracted a large crowd with more than 1500 people attending. To promote Council pools and increase usage over summer, a series of pool open days were held. The pool days included free entry, a sausage sizzle, youth activities, a library by the pool and a giant inflatable obstacle course.

Council's Carols by Candlelight was held on Friday 4 December and was attended by thousands of people. This was our largest number to attend our Carols event to date. This event has become an annual meeting place for our community to reconnect in the lead up to the Christmas holiday period. The event featured more than 30 performers and is another wonderful example of the calibre of talent in our region.

This year Council partnered with the Lake Illawarra PCYC to celebrate International Women's Day, with the theme 'Celebrating Shellharbour's Women in Sport'. The event attracted over 100 people and was also supported by a number of volunteers. A number of guest speakers from the local community participated including: Shellharbour City Council's Mayor – Marianne Saliba, local female athletes, trainers and local female Police Officers. A social media campaign was used to promote the event displaying historical images of local women in sport. This was shared by Council's social media channels and also the PCYC. The Mayor promoted awareness of the national campaign for International Women's Day through social media, #pledgeforparity.

The annual Senior's Week program of activities and events, were again well supported by the community. The national campaign 'Grow Young' was the focus of this year's program. Council hosted the official opening, which grows bigger each year and registrations exceeded 150 people for 2016. The opening included a Civic Welcome, guest speakers and entertainment from bush band 'No Such Thing'. Council also supported other events and activities in the ten day program which included sports activities, arts and crafts, educational programs and social activities.

Shellharbour City Council in conjunction with Albion Park and Warilla RSL Sub Branches, held an ANZAC Day service on Monday, 25 April 2016. The event was well attended by local schools, MPs, defence cadets, civic leaders and members of the community. The Historical Aircraft Restoration Society (HARS) honoured our service men and women with a fly over and the Salvation Army band were also in attendance.

Operational Income
$77k

Operational Expense
$683k

Capital Spend
-

Total performance progress met

100%

6
citizenship ceremonies held

100
new Australian citizens

21
community and civic events held

50%
of people feel connected with community

Shellharbour City Council **Annual Report 2015 | 2016** 13

Source: Shellharbour City Council Annual Report 2015–16.

12

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | How councils report on the services they deliver

**Around a third of council reports we analysed reported on service delivery outcomes**

Reporting on outcomes helps councils show how their activities are linked to impacts in the community. This is important for communities, because it shows whether council services are achieving their intended purpose.

However, as shown in Figure 2 earlier, only around a third of councils report the outcomes associated with their service delivery activities.

Councils are required to report on outcomes to a range of NSW Government agencies on issues such as land-use planning, sewer and water, the environment, health and safety and governance. Therefore, in many areas of service delivery, outcome information that could be used in public reporting would already be collected. The relatively low levels of reporting on outcomes shows that councils may not be using available information sources to report publicly and are losing opportunities for greater transparency with their communities.

Figure 3 below shows how well councils report on outcomes across various service delivery areas, and indicates a slightly greater emphasis on reporting on social and community service related outcomes.

Figure 3: Percentage of reports analysed that include outcome reporting, shown by service delivery area
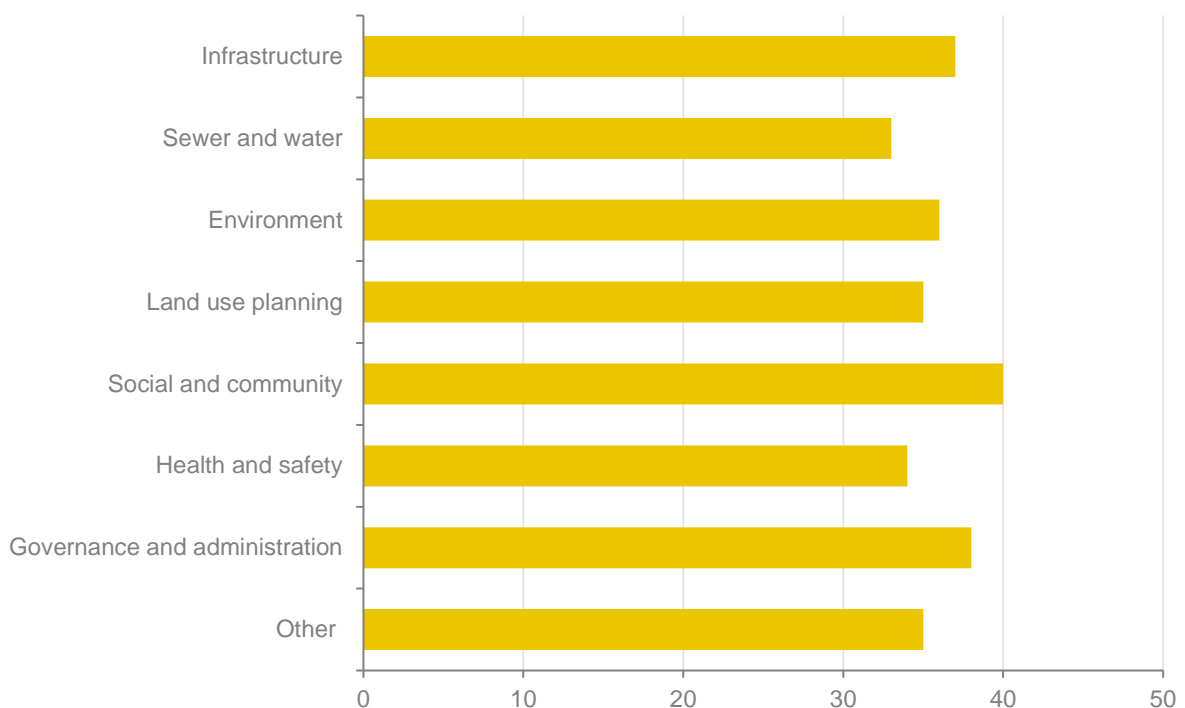
Source: Audit Office analysis of 105 published 2015–16 annual reports, 2017.

Better practices we observed included outcome statements linked to a concise set of performance targets, and use of community survey and resident satisfaction data to specify outcomes and set and measure targets. An example of this is highlighted at Exhibit 3.

13

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | How councils report on the services they deliver

Exhibit 3: Better practice example - Reporting on outcomes

Liverpool City Council includes a description of the desired outcome for each strategic direction. This links the actions listed, and shows clearly what council is striving towards.

Most councils do not report service performance over time

Councils in all geographic areas had minimal reporting on performance over time, as shown in Appendix 3. We found little use of time-series data or reporting of changes over time in council reports. It was notably absent in rural councils, with only four per cent of rural councils including this information, compared with approximately 40 per cent of councils in metropolitan areas. Reporting time series data is important to show trends in performance over time. Councils applying the Framework could start to generate time-series information that enables a picture of changes and improvements in service delivery over time, as well as how councils are tracking toward longer term strategic goals.

Although there is limited reporting of performance over time, there are examples of better practice. Exhibit 4 shows how Dungog Shire Council used data that is reported as part of their state agency compliance reporting requirements to provide a local picture of service delivery.

Exhibit 4: Better practice example - Reporting on performance over time

Dungog Shire Council provides an example of good practice reporting of service delivery outputs over time, where data from their implementation of the Framework and compliance reporting was used to provide a clear picture of trends in service delivery.

Source: Dungog Shire Council Annual Report 2015–16.

15

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | How councils report on the services they deliver

The use of objectives and targets to frame service delivery goals is variable

All council reports we reviewed included at least one stated objective in each of their service delivery areas, which is positive. These objectives can be simple - such as 'to deliver library services', or they can be higher-level outcome-driven objective statements drawn from community strategic plans - such as 'providing a safe and healthy environment'. We found that reports that linked outcomes with strategic objectives rather than simple delivery headings tended to report better overall in all service delivery areas.

The use of targets to accompany service delivery objectives also provides communities with a clear picture of what good progress will look like. As shown in Figure 2, we found that 62 per cent of the activities reported by councils included targets related to objectives. Where no target is stated, it is not clear how successfully the service has been delivered, and importantly, how effectively councils met their objectives for service delivery.

The use of objectives and related targets in reporting on service delivery allows councils to give communities a clearer picture of their effectiveness, as well as whether they are on-track to meet their service delivery commitments.

Appendix 3 includes an overview of where councils set targets for activities in each service delivery area.

Exhibits 5 and 6 show examples of how Eurobodalla and Albury City councils clearly set targets and measures for service delivery in their reports.

Exhibit 5: Better practice example - Reporting on targets

Eurobodalla Shire Council's annual report describes the 'Measure (Target) Actual' for services delivered, for all service areas. The example shows one of three targets reported for service delivery areas under the overall heading of Social Inclusion.

SOCIAL INCLUSION
Directorate: Community, Arts & Recreation
Responsibility: Divisional Manager Community & Recreational Development

Operational plan performance

L1.1 Develop and provide essential care services to children and families

Comment	Outcome	Measure (Target) Actual
L1.1.1 Three Bees supported playgroup project Awareness of supported playgroups is increasing. Negotiations with Bodalla and Mogo Primary School have been successful in planning new playgroups to commence next year. Successfully hosted first school readiness expo to provide families with information and connections to support school readiness.	100%	families provided with service **Target:** (30) **Actual:** 60; supported playgroups **Target:** (6) **Actual:** 7; funding requirements **Target:** (met) **Actual:** met
L1.1.2 Provide and manage Out Of School Hours (OOSH) centres and activities After school care to provide fun and engaging activities for school aged children and opportunities to learn new skills and engage in school activities. Narooma after school and vacation care exceeded quality standards for education services.	100%	occasions of care **Target:** (7,500) **Actual:** 8,479; families with service **Target:** (75) **Actual:** 89; National Framework **Target:** (compliance) **Actual:** met
L1.1.3 Provide and manage Vacation Care centres, activities and events Vacation care provides a variety of challenging experiences for school aged children to promote a healthy lifestyle and learn about citizenship. Activities included ANZAC day and NAIDOC week, science experiments, excursions to learn about local fauna, flora and marine life and recycling.	100%	families with support **Target:** (139) **Actual:** 122; occasions of care **Target:** (3,400) **Actual:** 3,270
L1.1.4 Coordinate, support and expand Family Day Care Educators network Improvements made in process for new educators, making a career in Family Day Care more attainable. Overcoming Bush Fire Zoning requirements has allowed the addition of a new Family Day Care Educator in Lilli Pilli.	100%	educators **Target:** (21) **Actual:** 18; compliance sessions **Target:** (2) **Actual:** 3; families with service **Target:** (120) **Actual:** 130; gatherings **Target:** (5) **Actual:** 9; care occasions **Target:** (12,000) **Actual:** 14,583

Source: Eurobodalla Shire Council Annual Report 2015–16.

16

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | How councils report on the services they deliver

Exhibit 6: Better practice example – Reporting on targets

Albury Council's annual report lists a series of 'aspirational targets' for Certificates and Approvals in its 2015/16 report. This style of reporting targets is repeated for all services areas.

2 PERFORMANCE REPORT

ALBURY 2030
A Growing Economy

OUTCOME 1.3
Plan and cater for increased population growth

Council continues to plan for Albury's long-term future through the development and implementation of a variety of projects and strategic plans.

Albury continued to experience a high level of growth, with development activity at its highest levels since 2004. During the financial year, 562 new dwellings/units were approved for construction and a total of 1,258 development applications or complying development certificates were determined. This was also supported by the take-up of 360 vacant lots across the city. Development activity was 7% higher than in 2014–15.

Performance levels in planning and building remain consistent in response to the high levels of demand and development activity as well as the resources available. There have been improvements across some areas on 2014–15 figures.

PERFORMANCE MEASURES :: Certificates and Approvals

KPI	ASPIRATIONAL TARGET	UNITS	ACHIEVED 2015–2016 (12 MONTH AVERAGE)	ACHIEVED 2014–2015 (12 MONTH AVERAGE)	ACHIEVED 2013–2014 (12 MONTH AVERAGE)
Building approvals	95	% service charter compliance	78	83	68
Construction certificates	95	% service charter compliance	84	82	88
Complying development certificates	95	% service charter compliance	65	59	70
Building certificates	95	% service charter compliance	71	72	72
Planning approvals – development Applications – town planning	95	% service charter compliance	83	86	88
Planning approvals – average processing time	21	Days	26	27	22
Planning certificates	95	% service charter compliance	99	98	96
Plumbing approvals	95	% service charter compliance	75	78	70
			ACHIEVED 2015–2016 (BASED ON ORIGINAL BUDGET)	ACHIEVED 2014–2015 (BASED ON ORIGINAL BUDGET)	ACHIEVED 2013–2014 (BASED ON ORIGINAL BUDGET)
Glenmorus Gardens profit	90	% of budget	320	59	77

AlburyCity **ANNUAL REPORT** 2015–2016   18

Source: Albury City Council Annual Report 2015–16.

There is significant variation in the quality of reporting on service delivery between metropolitan, regional town and city and rural councils

The quality of reporting varies between council type. Few rural or regional town and city councils provide any information to their communities on how their services are performing over time, and only around 20 per cent of rural councils reported activities included information on outcomes. By contrast, a higher proportion of metropolitan councils included targets, outcomes and performance over time data for each action than their rural and regional counterparts - and in some cases to a much larger extent.

Figure 4: Indicators of reporting quality by council area from 2015–16 annual reports
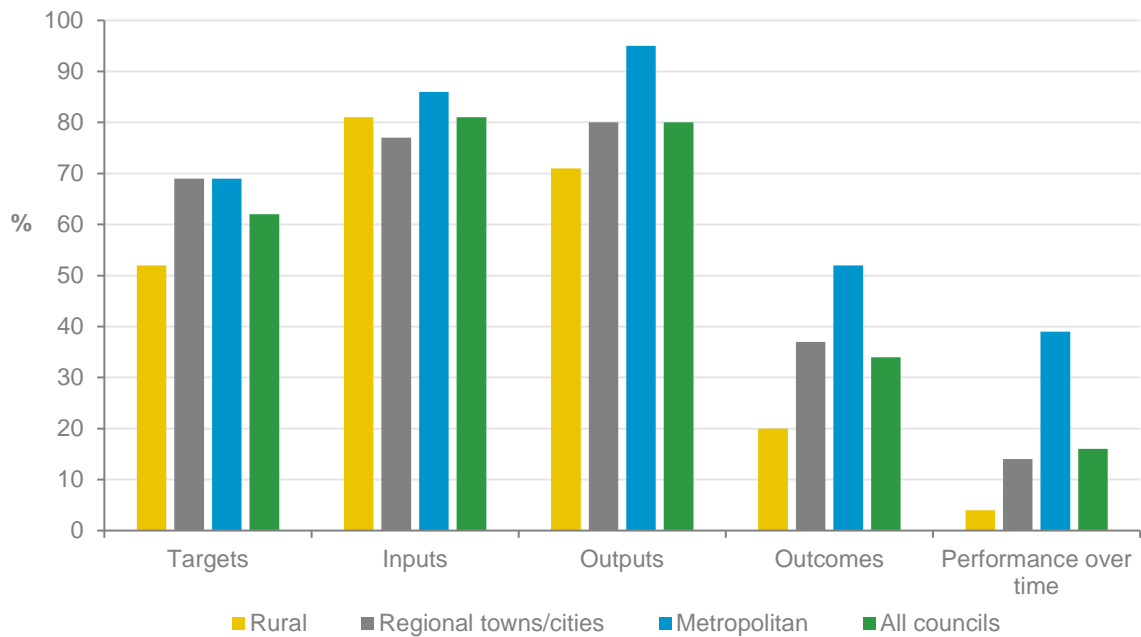
Source: Audit Office analysis of 105 published 2015–16 annual reports, 2017.

This audit did not explore in detail the reasons for this variation, but the degree of variation warrants a focus by OLG in these areas on reporting capability.

18

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | How councils report on the services they deliver

📄 3. Reporting requirements, guidance and principles

🔍 The Framework which councils are required to use to report on service delivery, is intended to drive good practice in reporting. Despite this, the Framework is silent on a number of aspects of reporting that should be considered fundamental to transparent reporting on service delivery. It does not provide guidance on reporting efficiency or cost effectiveness in service delivery and provides limited guidance on how annual reports link with other plans produced as part of the Framework. OLG's review of the Framework, currently underway, needs to address these issues.

Recommendation

By mid-2018, OLG should:

* issue additional guidance on good practice in council reporting, with specific information on:
    – reporting on performance against targets
    – reporting on performance against outcomes
    – assessing and reporting on efficiency and cost effectiveness
    – reporting performance over time
    – clearer integration of all reports and plans that are required by the Framework, particularly the role of End of Term Reporting
    – defining reporting terms to encourage consistency.

The Framework is silent on inclusion of efficiency or cost effectiveness indicators in reports

The guidelines produced by OLG in 2013 to assist councils to implement their Framework requirements advise that performance measures should be included in all plans. However, the Framework does not specifically state that efficiency or cost effectiveness indicators should be included as part of this process. This has been identified as a weakness in the 2012 performance audit report and the Local Government Reform Panel review of reporting by councils on service delivery.

The Framework and supporting documents provide limited guidance on reporting

Councils' annual reports provide a consolidated summary of their efforts and achievements in service delivery and financial management. However, OLG provides limited guidance on:

* good practice in reporting to the community
* how the annual report links with other plans and reports required by the Framework.

Further, the Framework includes both Annual and End of Term Reports. However, End of Term reports are published prior to council elections and are mainly a consolidation of annual reports produced during a council's term. The relationship between Annual reports and End of Term reports is not clear.

OLG is reviewing the Framework and guidance

OLG commenced work on reviewing of the Framework in 2013 but this was deferred with work re-starting in 2017. The revised guidelines and manual were expected to be released late in 2017.

19

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | Reporting requirements, guidance and principles

OLG should build on the Framework to improve guidance on reporting on service delivery, including in annual reports

The Framework provides limited guidance on how best to report on service delivery, including in annual reports. It is silent on inclusion of efficiency or cost effectiveness indicators in reporting, which are fundamental aspects of performance reporting. Councils we consulted would welcome more guidance from OLG on these aspects of reporting.

Our consultation with councils highlighted that many council staff would welcome a set of reporting principles that provide guidance to councils, without being prescriptive. This would allow councils to tailor their approach to the individual characteristics, needs and priorities of their local communities.

20

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | Reporting requirements, guidance and principles

4. Opportunities for better reporting

Consolidating what councils are required to report to state agencies would reduce the reporting burden and enable councils to better report on performance. Comparative performance indicators are also needed to provide councils and the public with a clear understanding of councils' performance relative to each other.

Recommendations

By mid-2018, OLG should:

- commence work to consolidate the information reported by individual councils to NSW Government agencies as part of their compliance requirements.
- progress work on the development of a Performance Measurement Framework, and associated performance indicators, that can be used by councils and the NSW Government in sector-wide performance reporting.

Streamlining the reporting burden would help councils improve reporting

The NSW Government does not have a central view of all local government reporting, planning and compliance obligations. A 2016 draft IPART 'Review of reporting and compliance burdens on Local Government' noted that councils provide a wide range of services under 67 different Acts, administered by 27 different NSW Government agencies. Consolidating and coordinating reporting requirements would assist with better reporting over time and comparative reporting. It would also provide an opportunity for NSW Government agencies to reduce the reporting burden on councils by identifying and removing duplication.

Enabling rural councils to perform tailored surveys of their communities may be more beneficial than a state-wide survey in defining outcome indicators

Some councils use community satisfaction survey data to develop outcome indicators for reporting. The results from these are used by councils to set service delivery targets and report on outcomes. This helps to drive service delivery in line with community expectations. While some regional councils do conduct satisfaction surveys, surveys are mainly used by metropolitan councils which generally have the resources needed to run them.

OLG and the Department of Premier and Cabinet have explored the potential to conduct state-wide resident satisfaction surveys with a view to establishing measures to improve service delivery. This work has drawn from a similar approach adopted in Victoria. Our consultation with stakeholders in Victoria indicated that the state level survey is not sufficiently detailed or specific enough to be used as a tool in setting targets that respond to local circumstances, expectations and priorities. Our analysis of reports and consultation with stakeholders suggest that better use of resident survey data in rural and regional areas may support improvements in performance reporting in these areas. Rural councils may benefit more from tailored surveys of groups of councils with similar challenges, priorities and circumstances than from a standard state-wide survey. These could potentially be achieved through regional cooperation between groups of similar councils or regional groups.

Comparative reporting indicators are needed to enable councils to respond to service delivery priorities of their communities

The Local Government Reform Panel in 2012 identified the need for 'more consistent data collection and benchmarking to enable councils and the public to gain a clear understanding of how a council is performing relative to their peers'.

OLG commenced work in 2012 to build a new performance measurement Framework for councils which aimed to move away from compliance reporting. This work was also strongly influenced by the approach used in Victoria that requires councils to report on a set of 79 indicators which are reported on the Victorian 'Know your council' website. OLG's work did not fully progress at the time and several other local government representative bodies have since commenced work to establish performance measurement frameworks. OLG advised us it has recently recommenced its work on this project.

Our consultation identified some desire amongst councils to be able to compare their performance to support improvement in the delivery of services. We also identified a level of frustration that more progress has not been made toward establishment of a set of indicators that councils can use to measure performance and drive improvement in service delivery.

Several councils we spoke with were concerned that the current approaches to comparative reporting did not adequately acknowledge that councils need to tailor their service types, level and mix to the needs of their community. Comparative reporting approaches tend to focus on output measures such as number of applications processed, library loans annually and opening hours for sporting facilities, rather than outcome measures. These approaches risk unjustified and adverse interpretations of performance where councils have made a decision based on community consultation, local priorities and available resources. To mitigate this, it is important to:

- adopt a partnership approach to the development of indicators
- ensure indicators measure performance, not just level of activity
- compare performance between councils that are similar in terms of size and location.

It may be more feasible, at least in the short term, for OLG to support small groups of like councils to develop indicators suited to their situation.

Based on our consultations, key lessons from implementing a sector-wide performance indicator framework in Victoria included the benefits of:

- consolidation of the various compliance data currently being reported by councils to provide an initial platform for comparative performance reporting
- adopting a partnership approach to development of common indicators with groups of like councils.

Section two

Appendices

Appendix one – Response from agency

Office of Local Government

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Our Reference: A578553
Your Reference:
Contact: Sonja Hammond
Phone: 02 4428 4143

Ms Margaret Crawford
Auditor-General of NSW
Level 15
1 Margaret Street
SYDNEY NSW 2000

Dear Ms Crawford

Thank you for your letter of 21 December 2017, providing a copy of the report *"Council Reporting on Service Delivery 2017'* following the performance audit of NSW councils' annual reports. The Office of Local Government (OLG) appreciates the opportunity to respond to the report and notes the findings and recommendations in relation to reporting on service delivery by NSW councils.

Since the implementation of the Integrated Planning and Reporting (IP&R) framework in 2010, councils have reached a level of maturity in the area of preparing plans and working with their communities. OLG acknowledges that it is now timely to focus on efficient reporting.

To this end, the revised IP&R Guidelines will strengthen the requirements for councils relating to reporting on service delivery. When released, the revised IP&R Manual will provide further guidance and support to councils that will address the first recommendation in the report regarding reporting on performance against targets, outcomes, over-time and efficiency, and cost effectiveness of service delivery.

Work to implement a single state-wide database to assist individual councils meet their compliance requirements will be considered as part of the Government's response to the Independent Pricing and Regulatory Tribunal report into reporting and compliance burdens.

OLG is working on the Performance Measurement Framework for councils in NSW, incorporating appropriate performance indicators. This will assist in consistent sector-wide performance reporting.

It is acknowledged that the reporting capabilities of rural councils could be enhanced, and OLG will look at working with those councils, either individually or through Joint Organisations that will be established later in 2018.

Thank you again for the opportunity to respond to the report and for engaging with OLG throughout the audit process.

Yours sincerely

Tim Hurst
Acting Chief Executive
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24/1/18

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Strengthening local government

24

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | Appendix one – Response from agency

Appendix two – Service delivery categorisation

The audit assessed 105 council annual reports for the 2015–16 financial year, currently available on each of their websites. We have used the following classifications.

Classification by council type

This report has used OLG's classification of councils by type and reported the results in the following groups:

- Metropolitan includes Metropolitan and Metropolitan Fringe councils
- Rural includes Rural and Large Rural councils
- Regional Towns and Cities remains as classified by OLG.

Classification of service delivery activities

These annual reports were assessed using the following service delivery categories:

- Governance and administration
- Health and safety
- Social and community
- Land use planning
- Environment
- Sewer and water
- Infrastructure
- Other.

These reflect the service delivery categorisation by OLG, with the exception that the land use planning and environment categories have been separated into two categories.

Section headings within annual reports were reviewed and categorised as performance in one of these service delivery functions. For example, headings, such as council 'has a secure and well managed water supply' were classified as sewer and water, and statements such as 'plan for and provide opportunities, activities and services for youth' were classified as social and community. Where headings were less clearly indicative of the service delivery area they related to, for example, 'plan and cater for increased population growth,' we referenced the descriptive text to determine the service delivery category. It is noted that not all councils directly provide all types of service for example, sewer treatment and water supply services, and that this directly influences the character of the activities grouped under this category.

The diversity across councils' service delivery profiles and reporting styles required a level of judgement to categorise the service delivery profile of councils across the state within OLG's specified list. Those activities councils describe as their advocacy role, in areas such as economic development and addressing gaps in services provided to communities by other levels of government (such as advocating to increase the availability of general practitioner or allied health services), have been categorised as Other. It should also be noted that the activities categorised as sewer and water in metropolitan and metropolitan fringe councils differ markedly from those in the other two groups, as these councils do not manage their sewer and water facilities either directly or indirectly through partnerships such as Hunter Water.

25

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | Appendix two – Service delivery categorisation

Table 1: Audit Office principles for council service delivery performance reporting

	Good performance reporting attribute	Reference
1.	Having a consistent, comparable, and structured approach to underpin the indicators reported.	RH Dougherty Awards Australasian Reporting Awards Boyle, 2009
2.	Placing performance information in context, by comparison to past performance or targets.	RH Dougherty Awards Boyle, 2009
3.	Clearly stating the service outcomes sought, and progress against these.	Boyle, 2009
4.	Having information on targets and baseline data combined to guide performance assessment over time.	Australasian Reporting Awards Boyle, 2009
5.	Ensuring reports are accessible to the community.	RH Dougherty Awards Australasian Reporting Awards Boyle, 2009
6.	Linking inputs to outputs and outcomes, and thereby providing valid efficiency and cost-effectiveness information.	Boyle, 2009

Source: Audit Office analysis 2017.

26

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | Appendix two – Service delivery categorisation
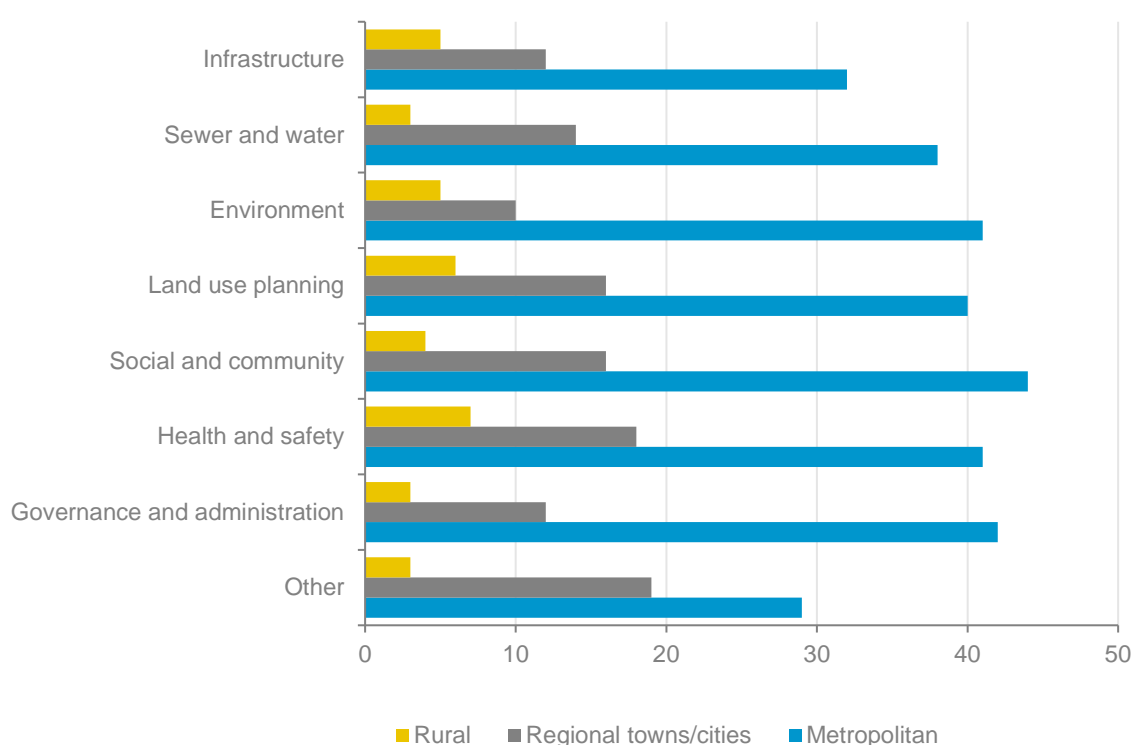
Appendix three – Reporting targets and performance over time

Reporting performance over time

The audit found that reporting across service delivery areas was relatively consistent by council type. While there was some variation by service delivery type, councils who did report service over time tended to do that in all service delivery areas. As can be seen in Figure 5, metropolitan councils were more likely to report performance over time than other councils.

Figure 5: Performance reporting over time by council type and service delivery area, 2015–16
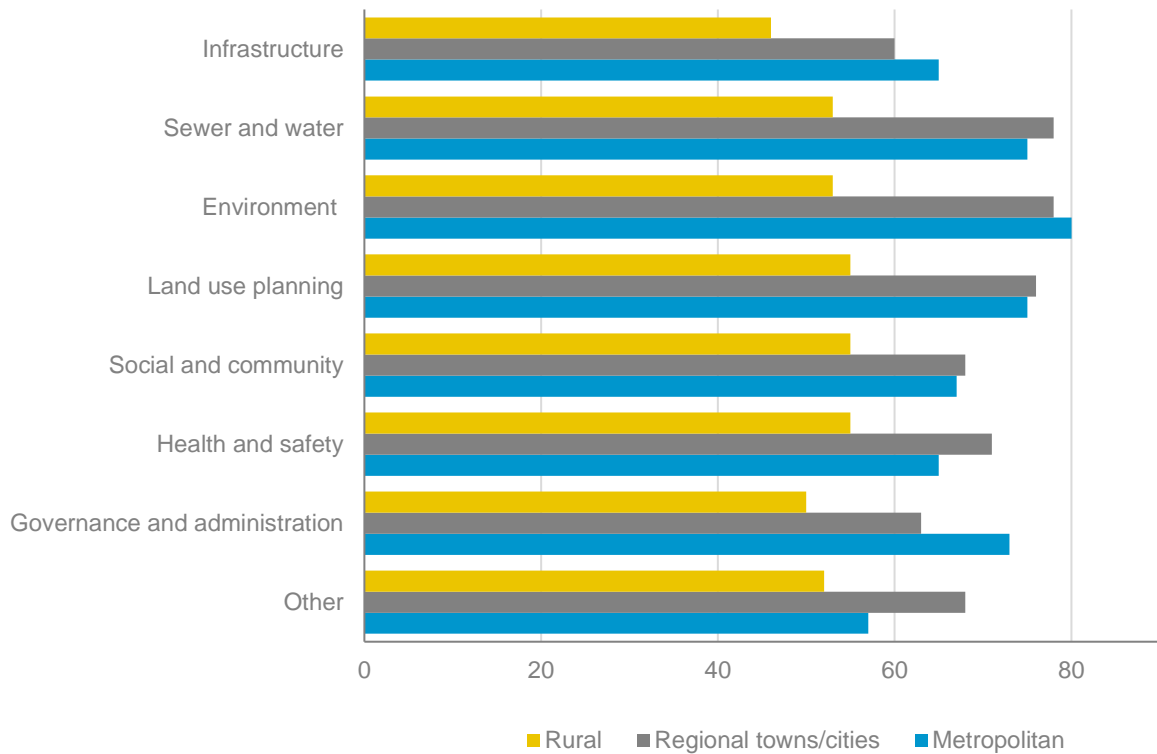

Source: Audit Office analysis of 105 published 2015–16 annual reports, 2017.

27

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | Appendix three – Reporting targets and performance over time

Reporting objectives accompanied by targets

The audit found that reporting objectives accompanied by targets across service delivery areas was also relatively consistent by council type. While there was some variation by service delivery type, councils who did report targets tended to do that in all service delivery areas. As can be seen in Figure 6, metropolitan and regional town and city councils were more likely to report objectives accompanied by targets than rural councils.

Figure 6: Proportion of reported objectives accompanied by a stated target, by council type, 2015–16

Source: Audit Office analysis of 105 published 2015–16 annual reports, 2017.

28

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | Appendix three – Reporting targets and performance over time

Appendix four – Performance auditing

What are performance audits?

Performance audits determine whether an agency or council is carrying out its activities effectively, and doing so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include a government program, all or part of an agency or council, or consider particular issues which affect the whole public sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits in local government is set out in section 421B of the *Local Government Act 1993*.

Why do we conduct performance audits?

Performance audits provide independent assurance to parliament and the public.

Through their recommendations, performance audits seek to improve the efficiency and effectiveness of government agencies and local councils so that the community receives value for money from government services.

Performance audits also focus on assisting accountability processes by holding managers to account for performance.

How are performance audits selected

When selecting and scoping topics, we aim to choose topics that reflect the interests of parliament in holding the government to account. Performance audits are selected at the discretion of the Auditor-General based on our own research, suggestions from the public, and consultation with parliamentarians, agency heads and key government stakeholders. Our three year performance audit program is published on the website and is reviewed annually to ensure it continues to address significant issues of interest to parliament, aligns with government priorities, and reflects contemporary thinking on public sector management. Our program is sufficiently flexible to allow us to respond readily to any emerging issues.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing. They can take up to nine months to complete, depending on the audit's scope.

During the planning phase the audit team develops an understanding of agency or council activities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the agency, council or program activities are assessed. Criteria may be based on best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork the audit team meets with agency or council management to discuss all significant matters arising out of the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with agency or council management to check that facts presented in the draft report are accurate and that recommendations are practical and appropriate.

A final report is then provided to the agency or council head for comment. The relevant minister and the Treasurer are also provided with a copy of the final report. This will include the Office of Local Government and its Minister for local government audits.

The report tabled in parliament includes a response from the agency or council head on the report's conclusion and recommendations. In multiple agency performance audits there may be responses from more than one agency or from a nominated coordinating agency.

29

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | Appendix four – Performance auditing

Do we check to see if recommendations have been implemented?

Following the tabling of the report in parliament, agencies or councils are requested to advise the Audit Office on action taken, or proposed, against each of the report's recommendations. It is usual for agency audit committees to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee (PAC) to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report is tabled. These reports are available on the parliamentary website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards.

Internal quality control review of each audit ensures compliance with Australian assurance standards. Periodic review by other Audit Offices tests our activities against best practice.

The PAC is also responsible for overseeing the performance of the Audit Office and conducts a review of our operations every four years. The review's report is tabled in parliament and available on its website.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100.

30

NSW Auditor-General's Report to Parliament | Council reporting on service delivery | Appendix four – Performance auditing

Appendix five – About the audit

Audit objective

To assess how effectively council reports clearly communicate performance in delivering key services to the public.

Audit criteria

The audit addressed the following criteria:

1. Councils' annual reports on service delivery are compliant with the *Local Government Act*
2. Councils' annual reports demonstrate a link between stated objectives and the level and type of services delivered
3. Councils' annual reports provide meaningful information which allows the public to assess performance against the goals set
4. Councils' annual reports provide meaningful information which allows the public to assess both efficiency and effectiveness.

Audit scope and focus

The audit examined the 2016–17 annual reports published by councils on their websites.

The audit considered reporting on key services, in the service delivery categories described in the body of the report.

Audit Exclusions

The audit commented on reporting of service delivery performance, and did not assess the underlying service performance.

Audit approach

The audit team conducted the audit in accordance with ASAE 3500 Performance Engagements and ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The standards require the audit team comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective.

Our procedures included:

1. Establishing good practice principles through research and consultation
2. Applying good practice principles to 2016–17 published annual reports
3. Highlighting good practice in reporting
4. Consulting with councils and key stakeholders on potential improvement strategies

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology was designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing. The Standard requires the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*, and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by the Office of Local Government and those stakeholders who participated in the workshops and discussion held during the audit. We would also like to thank other stakeholders that spoke with us and provided material during the audit

Audit team

Jo Manion, Huntley Evans, Daniel Irwin and Michelle Ravindran conducted the performance audit, Rod Longford and Claudia Migotto provided strategic direction. Caroline Karakatsanis was the engagement reviewer.

Audit cost

Including staff costs, travel and overheads, the estimated cost of the audit is $236,316.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help parliament hold government accountable for its use of public resources.

OUR VALUES

Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

Professionalism – we are recognised for our independence and integrity and the value we deliver.

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