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# The Australasian Local Government Performance Excellence Program

## Northern Beaches Council

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**pwc**



18 December 2020

FY20

#### Disclaimer

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# The Australasian Local Government Performance Excellence Program FY20



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# NSW FY20

## local government highlights



### Workforce profile

pg 9

Across our participating NSW councils, our findings show a median of 9.5 FTE per 1,000 residents, still high compared to a median of 4.6 in SA and 4.9 in WA. This metric ranges widely across the types of councils, from a median of 4.3 in NSW metro, to 8.8 in NSW regional and 13.1 in NSW rural councils. The median employee costs per 1,000 residents is \$864k, and represents 36% of total operating expenses (down from 37% in FY19).



### Overtime

pg 11

There is a far greater reliance on the use of overtime in NSW councils, with a median result of 4% of total salaries and wages reflecting paid overtime, making it more than three times that of any other jurisdiction. The median overtime spend per FTE is highest in NSW rural and regional councils, with around \$3k per FTE, and lower in NSW metro councils, with \$2.1k per FTE.



### Diversity & Inclusion workforce strategy

pg 20  
& 21

NSW councils continue to focus on D&I, with 64% having a formal D&I strategy in place, compared to 33% of NZ, 38% of WA and 40% of SA councils. Councils need to ensure that the D&I strategy is not only embedded into the workplace culture but leverages foundational policies. Our findings highlight a broad range of D&I policies being offered across all councils however, there was a higher percentage of NSW councils offering 'transition to retirement' policies (74%), compared to other jurisdictions.



### Transition to retirement policy

pg 34  
& 35

We see 74% of NSW councils preparing eligible employees for the transition to retirement by having a formal policy in place. For those NSW councils with a formal policy, the main support options offered include reduction in working hours (93%), and flexible working options during transition (93%, up from 79% in FY19). Encouragingly, we see an uplift in the proportion of NSW councils offering pre or post retirement counselling services (21%, up from 9% in FY19), although this remains lower than 33% of NZ and 40% of SA councils offering this service.



### Leave management

pg 36

We see a greater proportion of the NSW workforce with unused leave balances, with 42% carrying 4 weeks or more (up from 38% in FY19). This is on par with WA councils and slightly higher than SA councils (40%). One impact of the 2020 pandemic has been deferred holidays and we encourage an active focus during 2021 to ensure employees are planning for a break, with mental and physical wellbeing a major consideration.



### Finance function cost

pg 48

NSW councils have reported a five year high in relation to the cost of finance as a percentage of revenue, at 2.6%, an increase from 2.4% in FY19. However, NSW is one of the jurisdictions with the lowest cost of finance as a percentage of revenue which coincides with NSW councils having the lowest proportion of finance employees with postgraduate and bachelor degree qualifications (21% and 38% respectively).

# NSW FY20

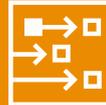
## local government highlights



### Finance function maturity

pg 50

Given the large number of new technologies available to improve process efficiencies and effectiveness within the finance function, there is an opportunity for NSW councils to reduce the reliance on spreadsheets, with 80% frequently performing manual data wrangling. Only 26% of NSW councils are frequently using data transformation and blending tools, and an even smaller 10% frequently using data visualisation as a way to engage and assist with decision making.



### IT priorities over the next three years

pg 65

It is very encouraging to observe a remarkable increase in the proportion of NSW councils ranking 'cyber security implementation' within their top three IT priorities (76%, up from 44% in FY19). This is followed by improving technology remotely (52%), not unexpected given how quickly councils had to shift the way they engaged with their employees and community in the first half of 2020. Online customer service (40%) came in as the overall third priority.



### Cyber security

pg 67 & 71

We now observe 24% of NSW councils with a formal cyber security strategy (up from 18% in FY19), with a further 40% reporting a strategy is currently in draft. We also see an upward shift in the proportion of NSW councils with a cyber security incident response plan (48%, up from 34% in FY19), which is encouraging given 64% of NSW councils experienced successful phishing attacks and 32% malware breaches.



### Service delivery

pg 83 & 95

Looking at services that can have a distinctive impact on how residents feel about their council, we observe \$94 per resident in parks and gardens, \$62 in cultural and community services (CSC), \$57 in libraries, \$52 in town planning and \$38 in sporting grounds.

We have noticed a further shift towards the outsourcing of solid waste management, with 48% of operating expense pertaining to outsourced contracts, up from 46% in FY19.



### COVID-19 | Business continuity plan and Work from home (WFH)

CCAT

86% of NSW councils reported operating with a business continuity plan (BCP) prior to 1 March 2020. While around half of those councils were covered for a major utility disruption, flood, and fire, just 36% were covered for a health (pandemic) emergency. Prior to March 2020, half of the NSW councils had a formal WFH policy; between March and June 2020, 96% implemented a WFH period; but moving forward just 38% will continue to offer WFH as part of a manager approved plan, compared to around 60% of WA and SA councils.



### COVID-19 | IT disruptions & Innovations

CCAT

The main IT disruptions impacting a smooth transition to WFH were caused by staff with poor home internet access, reported by 84% of NSW councils, followed by a lack of access to laptops or mobile desktop hardware (53%). The top three innovations implemented by NSW councils were click and collect (74%, with 55% of councils continuing post COVID), online classes (70%, with 43% continuing) and online community meetings (62%, with 40% continuing). Interestingly, prior to COVID-19 just 17% offered click and collect, 11% online classes and 4% online community meetings.

## Methodology

PwC and Local Government Professionals, NSW are pleased to release the seventh report as part of the Australasian Local Government Performance Excellence Program. We would also like to acknowledge and welcome our new councils across all jurisdictions.

The objective of the program is to empower councils with comparative data analytics to better communicate, control and manage their internal business performance with their stakeholders. As part of 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.

Councils are provided with the opportunity to enhance their ability to monitor and manage their internal business performance over time, and better prioritise change based on data-driven decision making. Annually, councils obtain a report with customised charts and contextual commentary, as well as access to the interactive data explorer platform.

The current comparative insights are provided to councils through the use of PwC's extensive experience with local government and in developing, delivering and analysing a variety of business process data collections across multiple industries. The process undertaken to produce this customised insights report for each participating council is outlined below.

### How the report was produced:



#### Respondents

- 50 NSW councils, 6 NZ councils, 10 SA councils, and 21 WA councils participated in the FY20 program.
- The data collection includes quantitative and qualitative data elements.
- The identity and information of each council was kept confidential throughout the process via PwC's secure online platform, Datapoint.



#### Data collection and submission feedback

- The data collection for the 2019-20 financial year was launched in July 2020, and Datapoint was used to collect and amend data over a four-month period.
- Subsequent to the initial data submission, a data submission feedback pack was distributed to councils highlighting their key metrics in chart format to review and verify the data.
- Councils had an opportunity to amend their data, prior to the council-nominated 'Superuser' approving the final submission.
- Results of the individual councils were restricted to the PwC analytics team working on this engagement.



#### Analysis and insights

- Upon completion of the data collection and feedback stages, the PwC analytics team commenced its extensive data set analysis.
- To enable relevant comparisons, we adjusted financial data for NZ councils to reflect A\$ using the average NZ\$ exchange rate across FY20.
- PwC and Local Government Professionals, NSW subject matter experts, 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

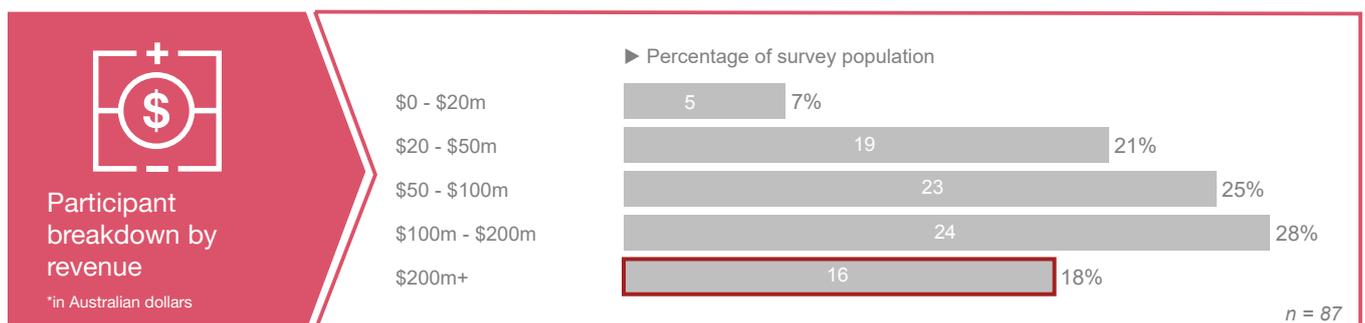
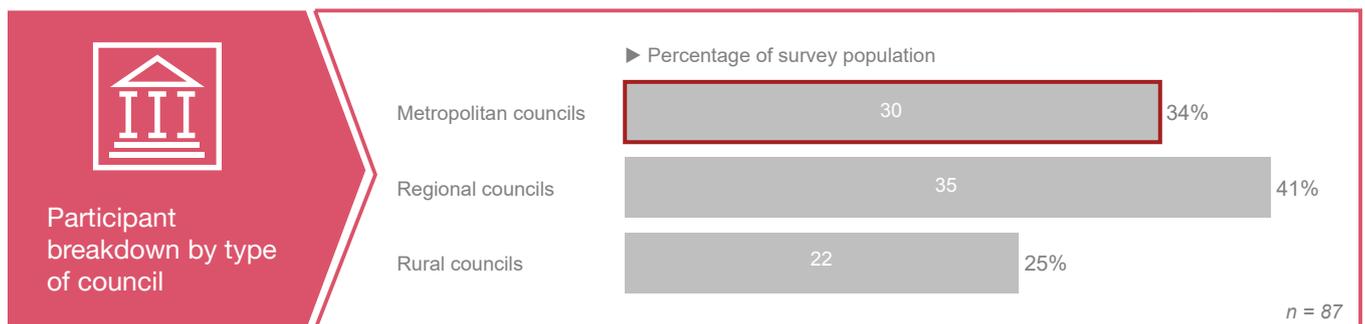
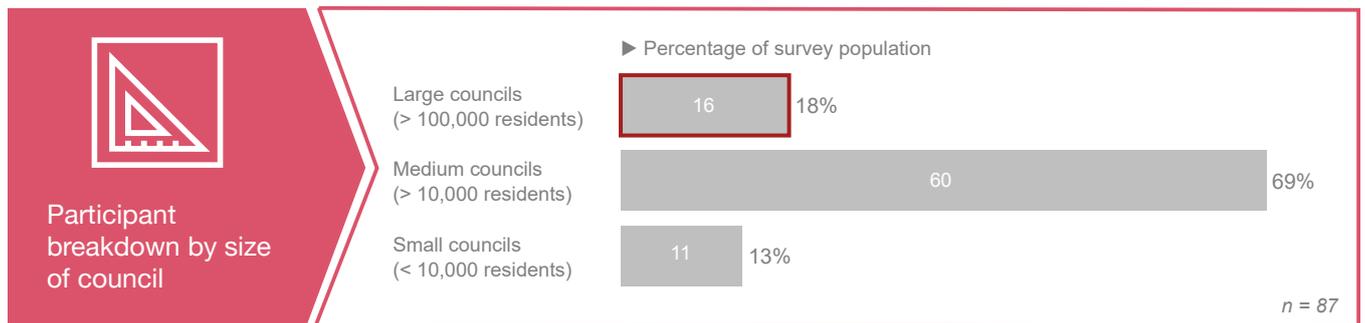
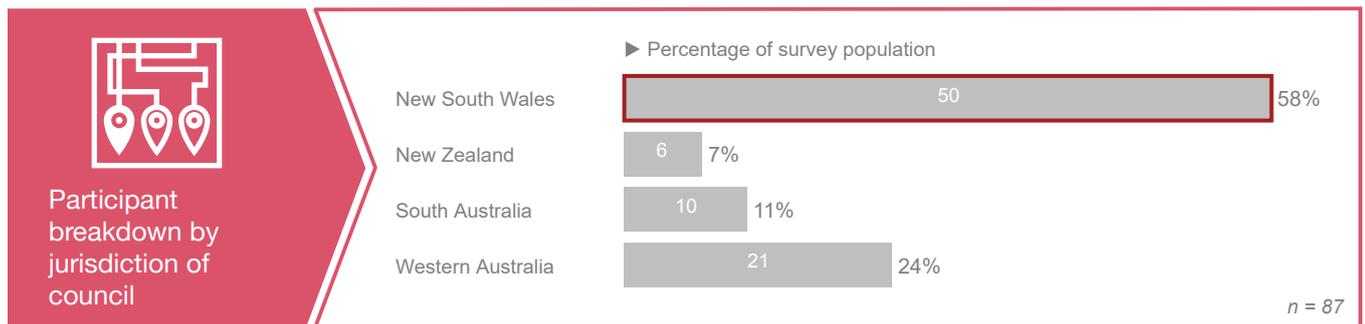
- The results reflect the 2019-20 financial year, based on data collected from all 87 councils.
- A customised insights report was provided to each participating council that compares its business performance to that of the survey population across a range of areas.
- The reports are presented in a non-identifiable way; councils only see their results in relation to the survey population.
- These insight reports represent a starting point for further discussions, rather than a conclusive assessment in any particular area.
- In addition to this report, councils will be able to further explore, filter, compare and extract key metrics using the Council Comparative Analysis Tool (CCAT), accessed via Datapoint Explore.
- Councils that subscribe to the Council Comparison Window (CCW) and give their consent for other councils in their nominated region/cluster to view their results, will also have access to this view within the CCAT.

## Survey population

This insights report is based on data derived from 87 councils across Australia and New Zealand. Throughout this report, participating councils have been identified by their jurisdiction, size of the resident population (small, medium or large), and the type of council (metro, regional or rural).

To group councils by size, we used the estimated 2019 resident population provided by the Australian Bureau of Statistics (for Australian councils) and the 2019 resident population provided by Statistics New Zealand (for NZ councils). Councils have been classified as 'large' if they have more than 100,000 residents, 'medium' for residents between 10,000 to 99,999, and 'small' for fewer than 10,000 residents.

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



## Understanding this report

The Australasian Local Government Performance Excellence Program FY20 is customised for individual survey participants. All charts within the report represent the individual council's results relative to the survey population that responded to that particular question.

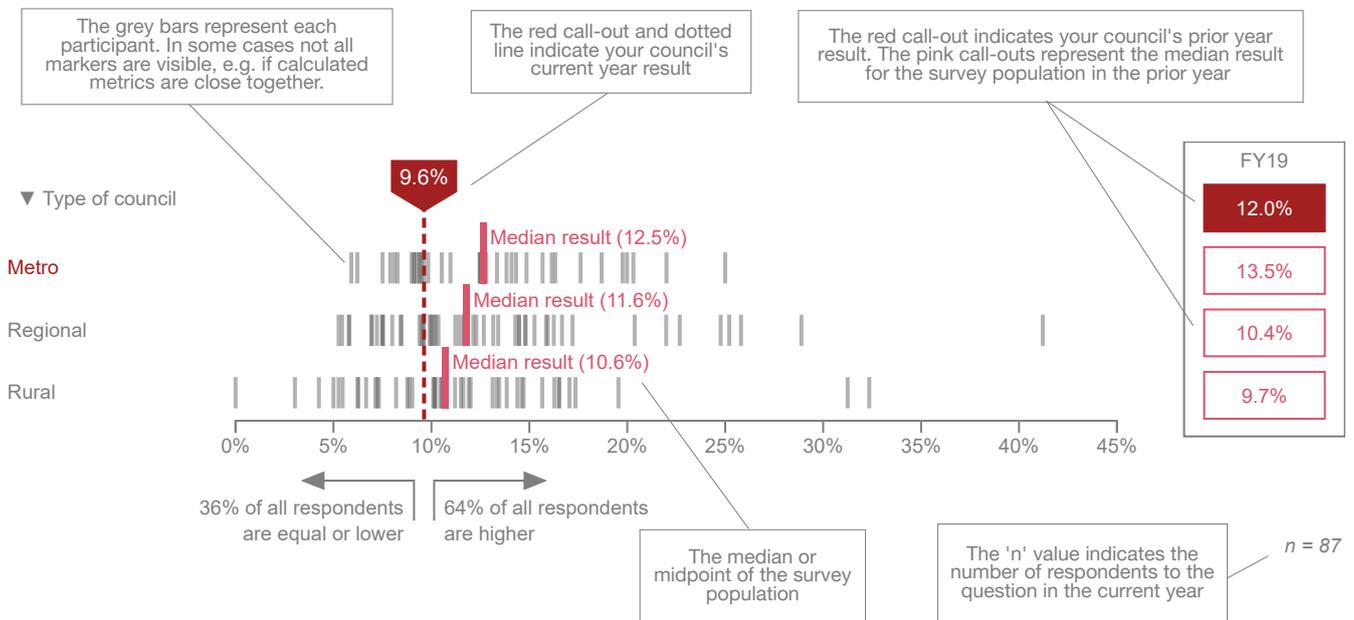
The commentary provided in the report has been prepared for the overall program and while it does not change for each council, it should provide relevant information to help each council understand the context of its own results.

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

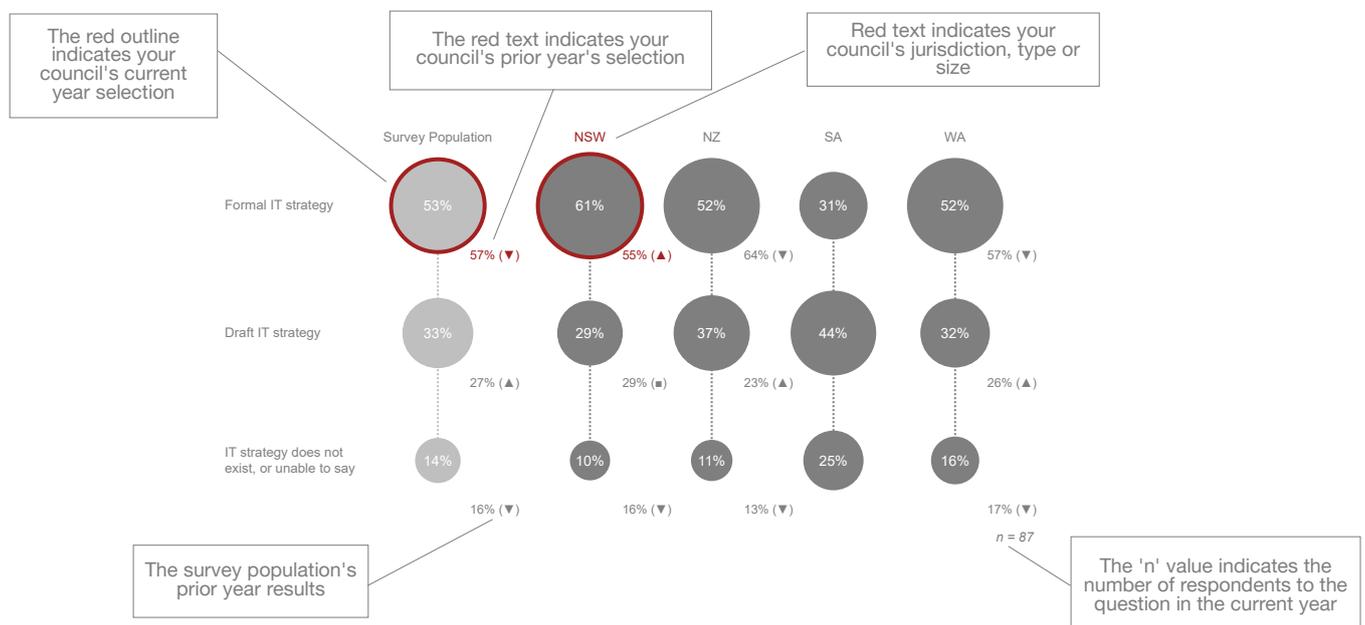
If no input was recorded by your council for this year and/or last, the red indicator will be missing from the charts and the result for the overall population will be displayed.

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

### Example Chart 1.1

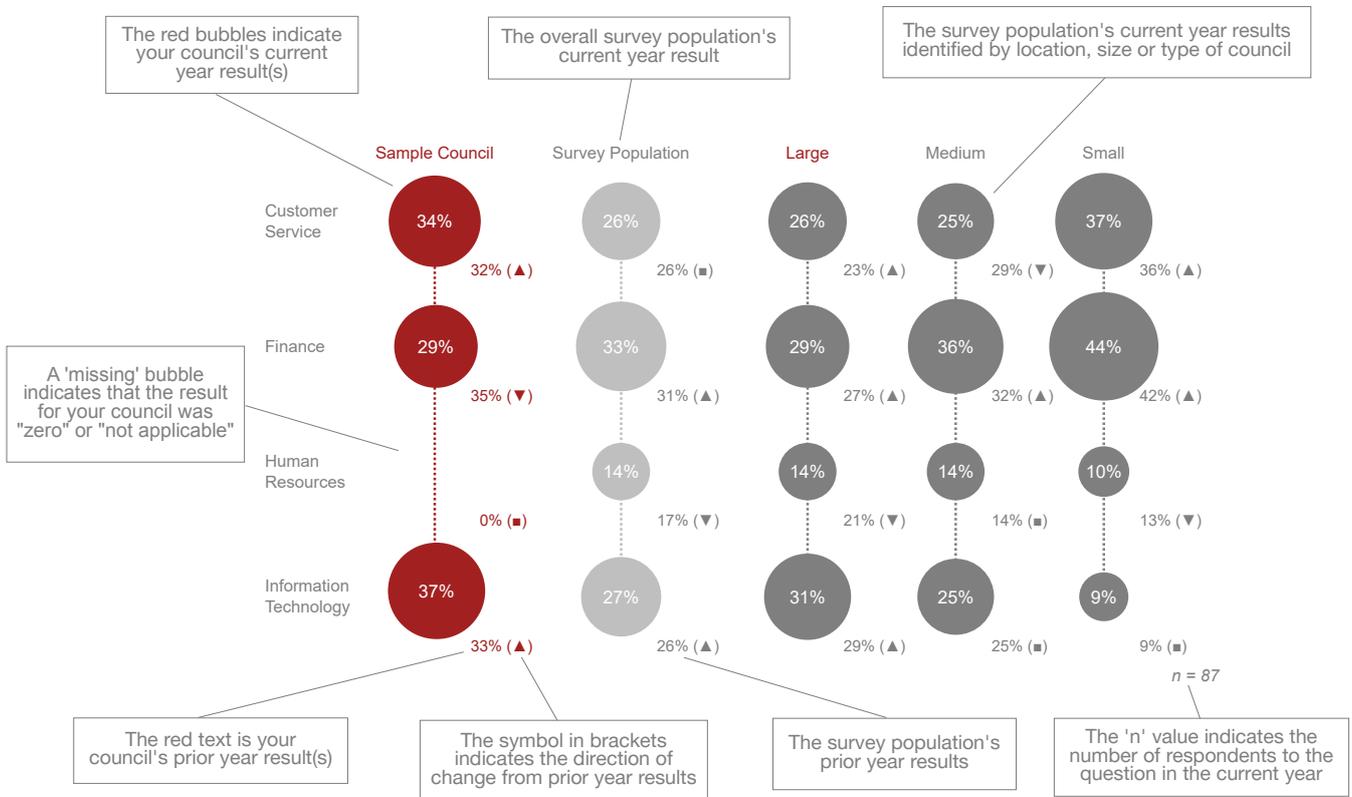


### Example Chart 1.2



## Understanding this report

Example Chart 1.3



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

- Evaluate their own practices to better understand current operational and management performance
- Identify focus areas when striving to optimise operational excellence

Understand how businesses – and in some cases international businesses – perform in terms of workforce, operations and finance using results from similar surveys conducted by PwC globally.

### Sharing results with third parties:

This report has been provided to each participating council so that a participating council can understand how it compares to the aggregated findings and for no other purpose. 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 and/or metrics referred to are extracted from the Australasian Local Government Performance Excellence Program survey (survey) conducted by PricewaterhouseCoopers and commissioned by Local Government Professionals, NSW. The survey was not conducted for the specific purposes of the council and was limited to only the councils who participated in it and based on the data they provided. The reliability, accuracy or completeness of this information has not been verified by PwC, Local Government Professionals, NSW or any other person. Accordingly, no one should act on the basis of this information and neither Local Government Professionals, NSW nor PwC accept any responsibility for the consequences of any person's use of or reliance on this information or any reference to it."*

# Workforce



Workforce



Finance



Operations



Service Delivery



Corporate  
Leadership



Asset  
Management



**52%**

of councils have a formal  
Diversity and Inclusion  
workforce strategy



**42%**

of the surveyed workforce has  
4 or more weeks of accrued  
annual leave



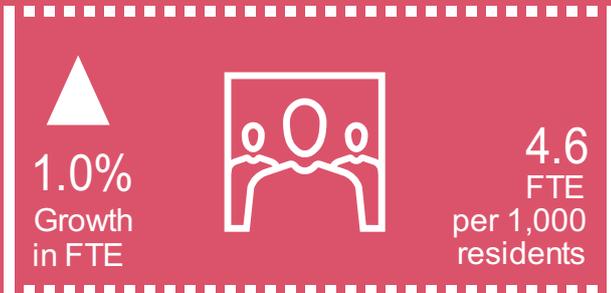
**92%**

of councils reported workplace  
culture and behaviours as the  
top talent strategy focus area

# Northern Beaches Council's workforce profile at a glance

FY20 | Metro council | Large council

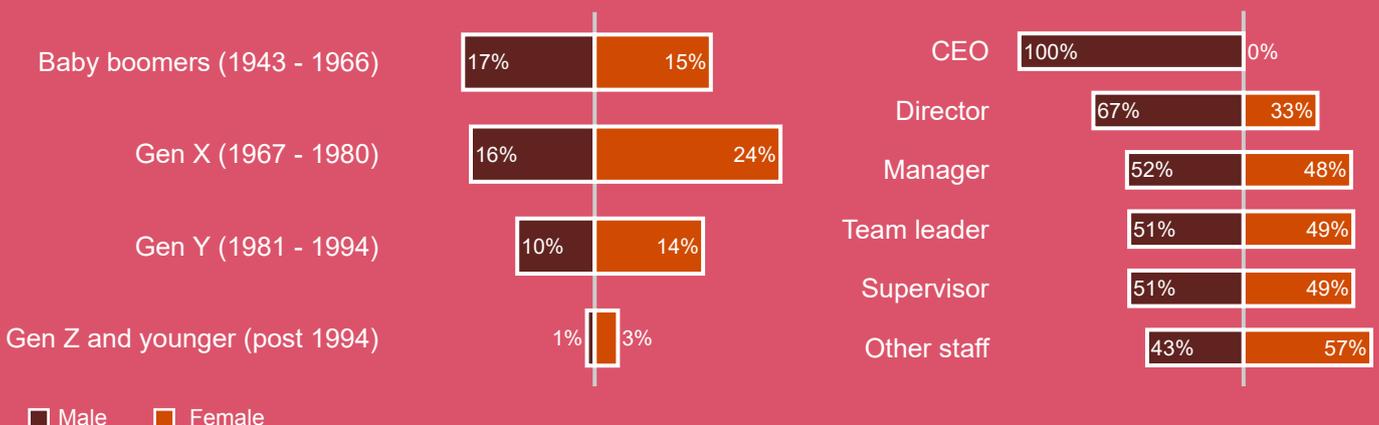
## Your FTE and employee costs



## Who joined and who left your council during FY20?



## Does your council have a gender-diverse workforce?



## Workforce Trend Summary

### Northern Beaches Council

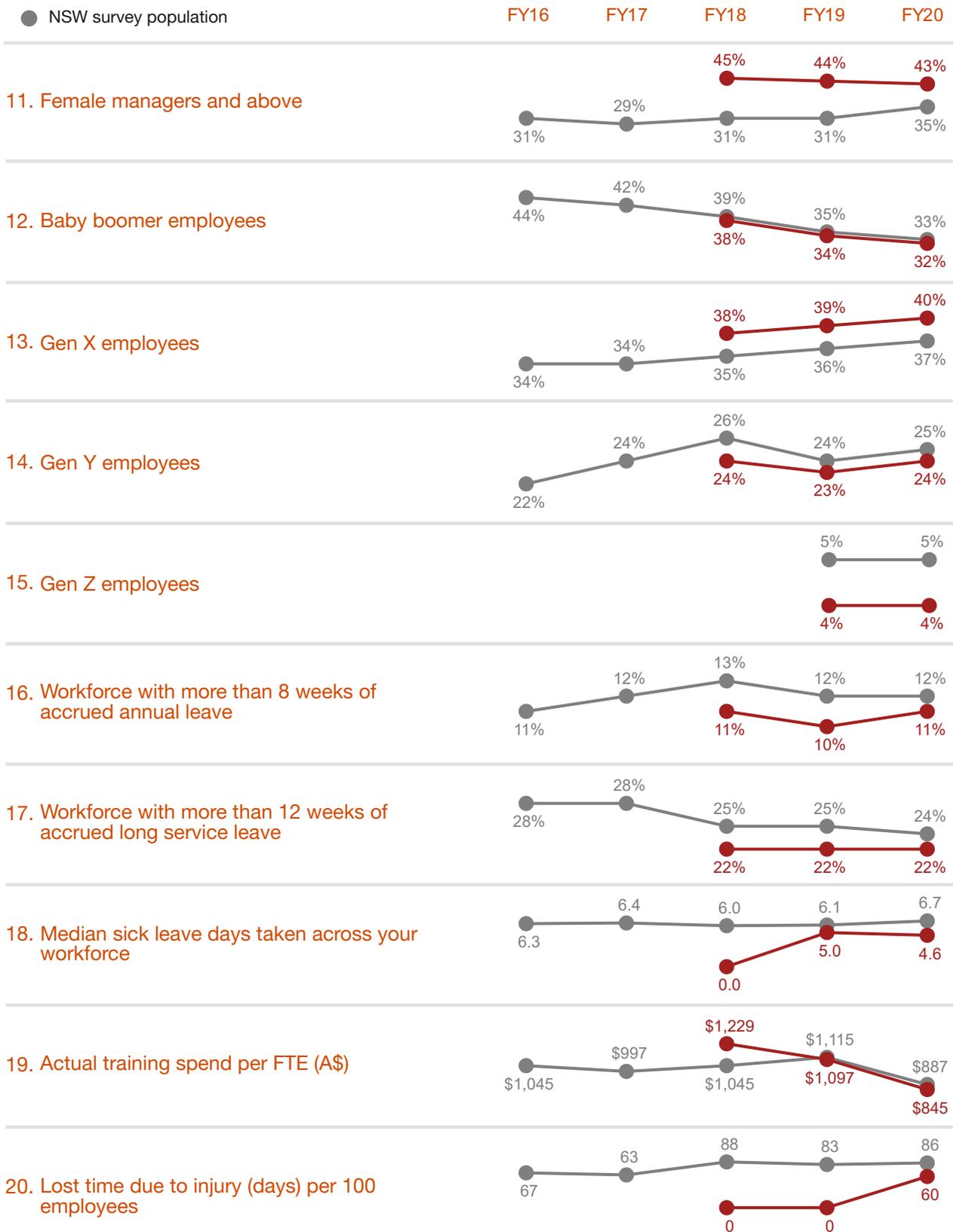
- Northern Beaches Council
- NSW survey population



## Workforce Trend Summary

### Northern Beaches Council

- Northern Beaches Council
- NSW survey population



## Workforce structure and cost impact

### Employee costs

A council's workforce is its most important and productive asset. Workforce planning is an essential part of a council achieving their strategy, and as such council leaders need to consider the different types of capabilities that will be required in the future. Having a clear plan on how existing resources will be upskilled, and new resources will be hired (or borrowed) is essential to deliver the council's strategy.

Our survey highlights that the median council total employee costs as a proportion of operating expenses (i.e. the employed workforce measure) remains stable at 37%. At a jurisdictional level, WA has the highest median total employee costs as a proportion of operating expenses of 40%, followed by SA (38%), NSW (36%) and NZ (31%).

This is a complex metric that can have a number of factors impacting the result, including wage growth levels, a change in

the level of outsourced versus insourced services, service mix and a change in the workforce size or staff level/skills mix, all of which can be at a different rate of change to overall cost growth.

Differences between Australian and NZ councils in the extent of outsourcing services continues to be prevalent, although the gap is shrinking; NZ councils spend 26% of operating expenses on

outsourcing services. In comparison, this figure ranged from 16% in NSW, to 19% in SA, and 20% in WA councils.

The overall FTE per 1,000 residents metric has increased, with a current median of 7.0, compared to 6.4 in the prior year. This is the highest result we have observed in the past 4 years, compared to the lowest median of 6.4 in FY19.

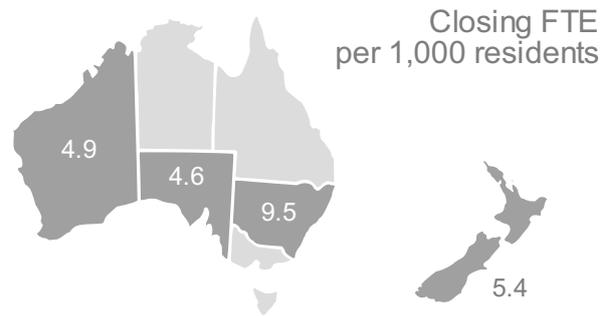


Figure 1.1: Employee costs as a percentage of total operating expenses (type of council)

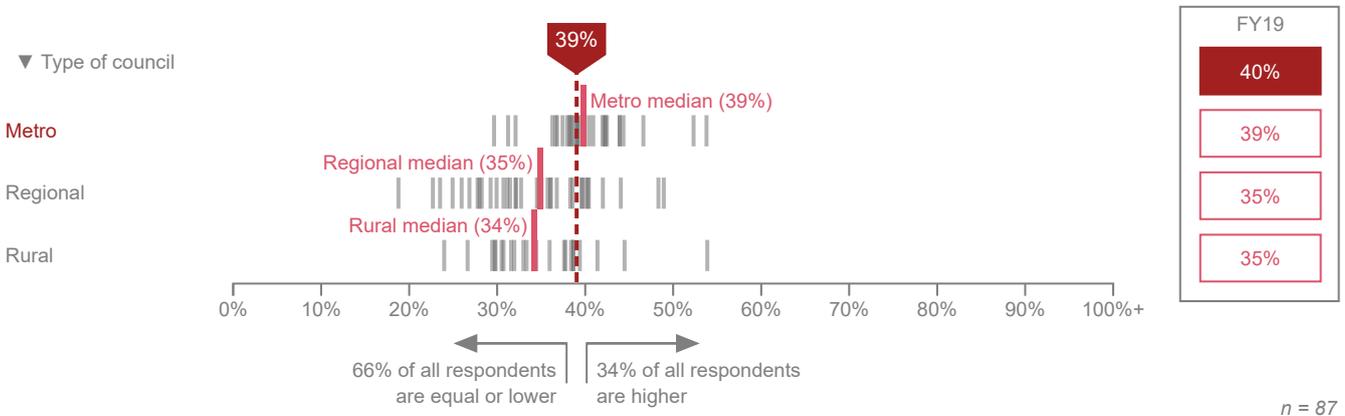
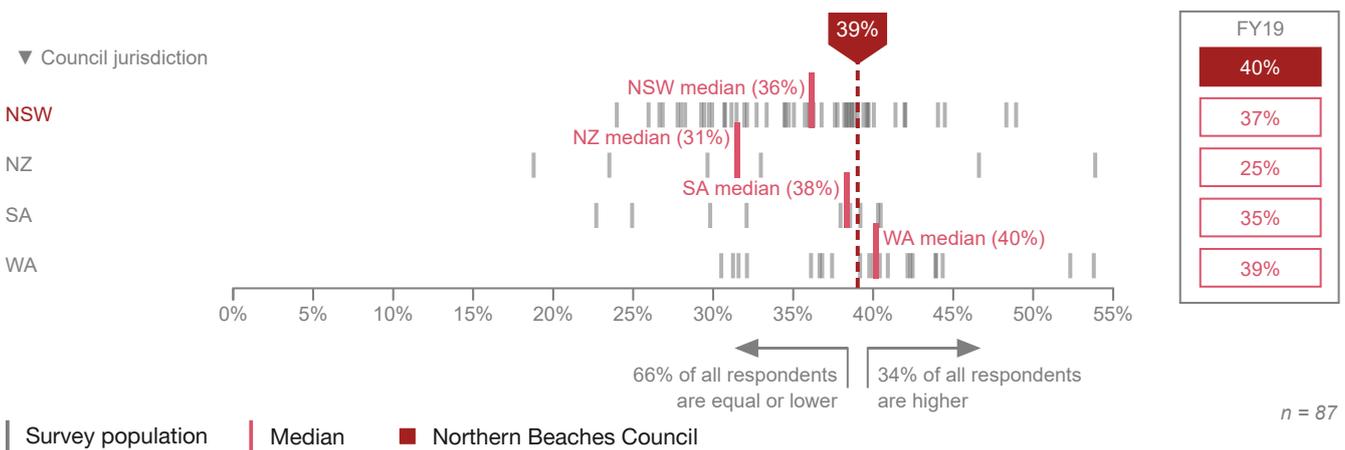


Figure 1.2: Employee costs as a percentage of total operating expenses (council jurisdiction)



Survey population | Median | Northern Beaches Council

## Workforce structure and cost impact

### Overtime

When strategically and effectively planned, overtime can be used to manage seasonal and unexpected short-term changes in labour demand, allowing for greater flexibility and improved employee engagement.<sup>1</sup> However, when overtime becomes a long-term solution, employee well-being is impacted resulting in higher labour costs and lower productivity.

An important factor today is to ensure wage compliance is in order. Organisations can discover that small configuration issues in payroll or time and attendance systems can lead to non-compliance especially with employees on awards with overtime entitlements.<sup>2</sup>

The overall median council spend on overtime for permanent and fixed-term contract employees as a percentage of

total salaries and wages has remained stable, at 2.5%.

We continue to observe a far greater reliance on the use of overtime in NSW councils, with a median result of 3.8%, making it more than three times that of any other jurisdiction. Further, as discussed over the page, NSW councils also place a higher reliance on the deployment of more expensive agency staff, compared to their counterparts.

NSW councils should identify where the overtime is being recorded and assess this against work plans to determine if the use of overtime is an appropriate workforce strategy.

The median overtime spend per FTE for NSW councils continues to be noticeably

higher than the other jurisdictions. SA councils have the lowest median spend, followed by NZ councils. The lower median spend by SA and NZ councils may be associated with the much higher rate of outsourcing by both councils of some services or corporate functions that usually utilise overtime as part of the resourcing strategy.

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

Your FY20  
overtime spend  
per FTE was  
**\$1,186**

NSW councils'  
FY20 median  
overtime spend  
per FTE  
**\$2,856**

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

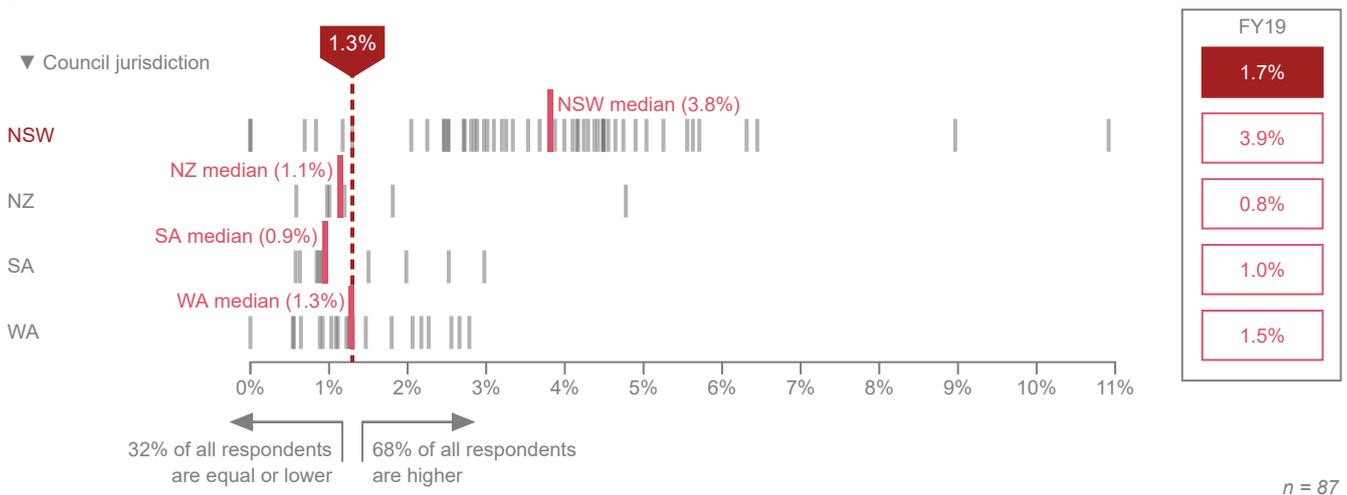
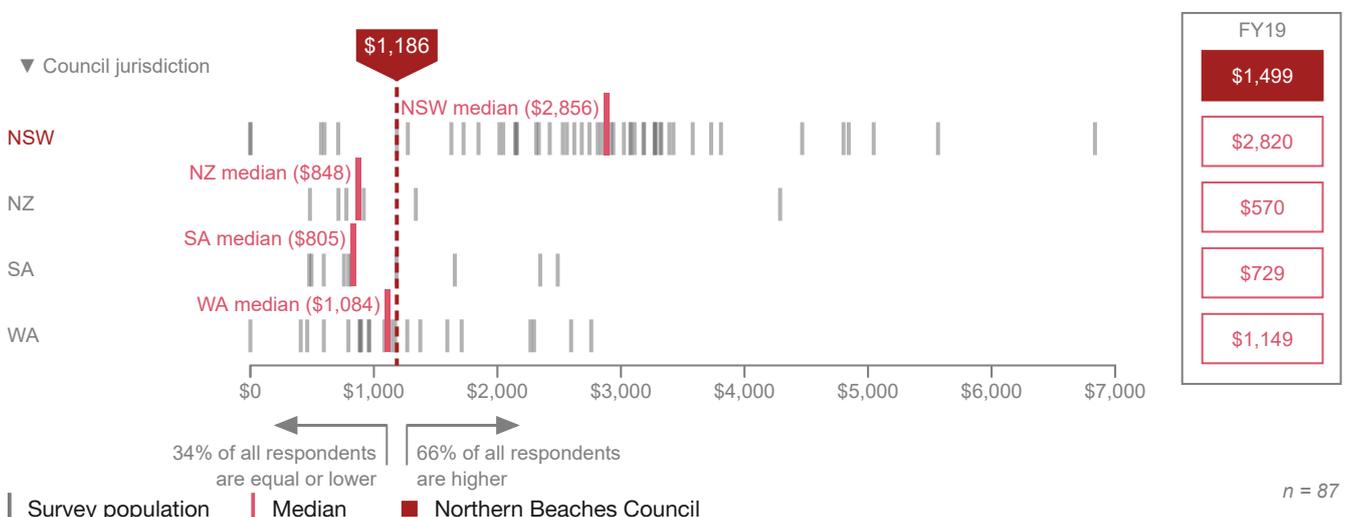


Figure 1.4: Overtime spend per FTE (A\$)



<sup>1</sup> Kronos, "Good vs. bad overtime - how to spot the difference", <https://www.kronos.com/blogs/what-works/good-vs-bad-overtime-how-spot-difference>, accessed November 2020.  
<sup>2</sup> PwC, "Underpayment of your people - could it happen to your organisation?", <https://www.pwc.com.au/assurance/wage-underpayment-could-it-happen-to-your-organisation>, accessed November 2020.

## Workforce structure and cost impact

### Agency staff

Agency staff provide councils with the opportunity to access additional resources, skills and expertise as the need arises. Agency staff provide councils with added flexibility and can serve as part of an alternative resourcing strategy, rather than utilising overtime or base-level resourcing to assist with seasonal workflow fluctuations.

Our median result shows a decline in the use of agency staff this year, with agency staff costs representing 1.3% of total employee costs, (compared to 1.8% in FY19). With agencies more likely to operate in metro areas, we observe metro councils continuing to rely more heavily on agency staff, compared to their regional counterparts.

Across SA councils, we notice an upward trend in the use of agency staff - the median agency cost represents 3% of total employee costs this year, up from a stable 2.2% in the past two years.

Councils should determine future workforce skill and capability requirements as part of their workforce planning. Councils need longer planning horizons, and alignment between strategy choices and workforce implications.<sup>3</sup> Consideration must be given to the correct balance between the investment and development in a council's own workforce and the use of agency staff. Further, to avoid unexpected escalations in agency costs, clear policies and procedures on the use of agency staff should be documented and agreed prior to use.

#### Key considerations

- How will the council's strategy change over time and how will this affect workforce demand in the short, medium and long term?
- Have you identified significant gaps between supply and demand for critical skills and capabilities?
- Do you leverage 'what-if' scenarios and determine workforce capacity and capability implications for each? Scenarios help identify talent gaps when different events occur and when workforce decisions are made.

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

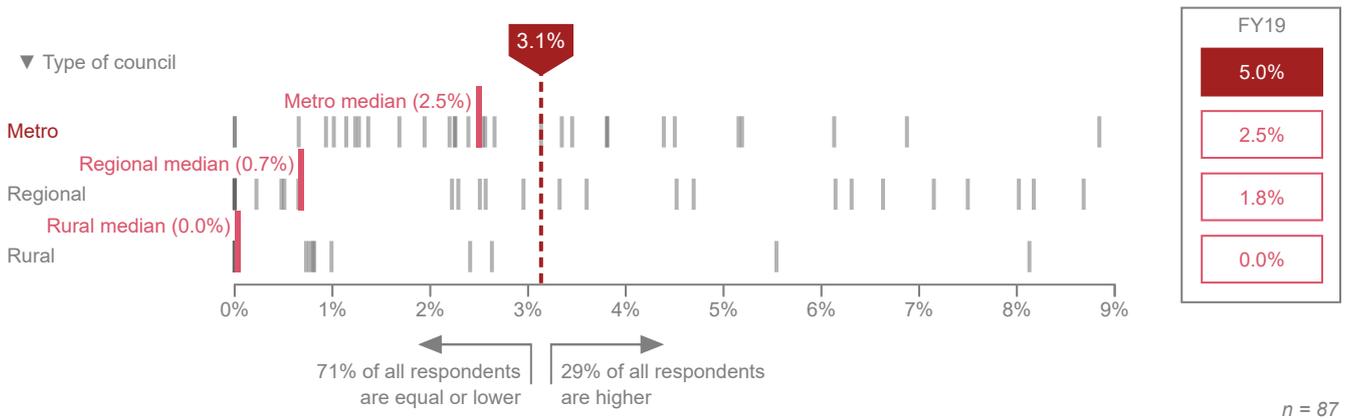
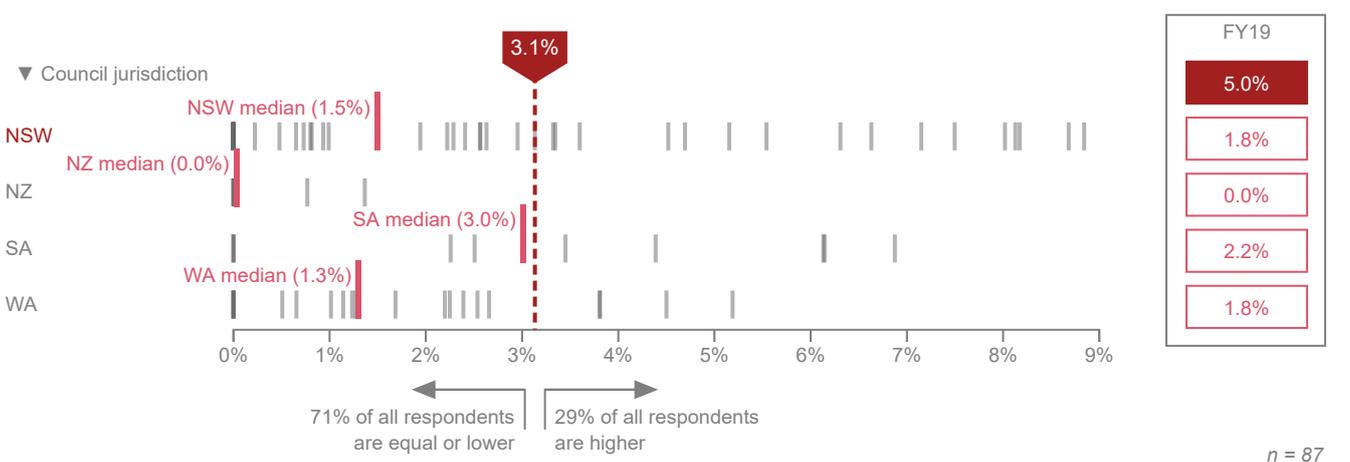


Figure 1.6: Agency staff spend as a percentage of total expenditure on employees and agency staff (council jurisdiction)



Survey population | Median | Northern Beaches Council

## Organisational design

### Span of control

Span of control is determined by a number of factors including the size and culture of an organisation, complexity of tasks, skills and capabilities of both the manager/supervisor and employee, and preferred communication methods between managers and their direct reports. Within a council, the service mix will also influence the overall span of control.

Councils should determine the optimal team structure within the different service areas, to better equip teams and management with a blend of skills, both in technical delivery and management experience.

Our 'span of control' metric can be used to monitor management overhead as it measures the number of non-managerial employees ('other staff' in our survey) as a ratio of employees with management responsibility ('supervisors and above' in our survey). A wider span of control indicates reduced layers of management,

which can present staff with more autonomy and on-the-job career development opportunities.

Our survey highlights a widening span of control compared to the previous years, with an overall 3.7 median span of control (up from 3.4 in FY17/18 and 3.5 in FY19). At a jurisdictional level, SA had the highest median of 4.4, followed by NZ (4.1), WA (3.9) and NSW (3.1).

We continue to observe large councils with a wider median span of control, compared to their counterparts. This is most likely taking advantage of their scale of operations and geographic location, with a result of 4.2 (an upward shift from 3.8 a year ago). It should be noted that small-sized councils have widened their median span of control; it was just 2.7 in FY16, compared to 3.6 in FY20, and they have now surpassed medium councils, with a median of 3.5 this year.

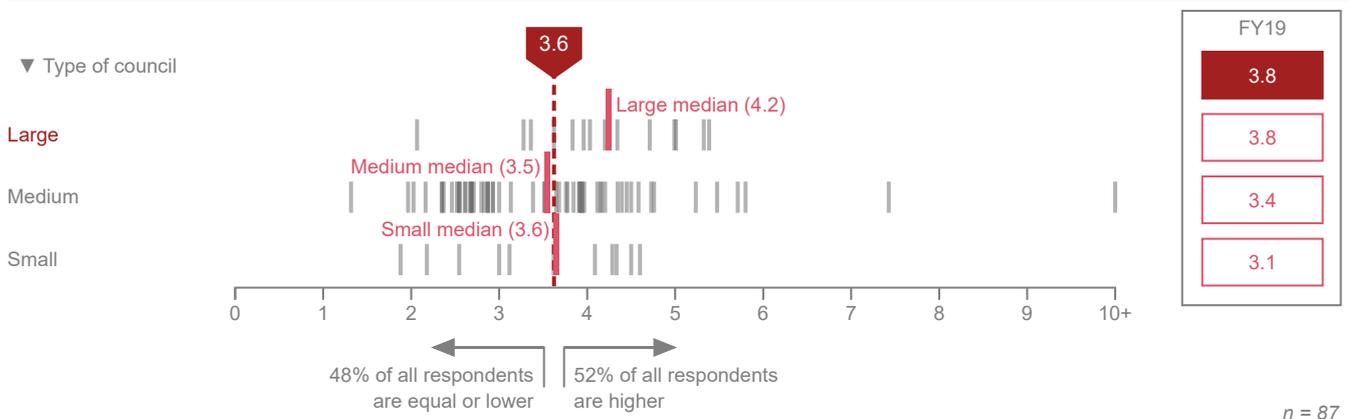
Councils should consider the optimal span of control for their own circumstances and acknowledge the potential benefits of a wider span of control such as increased productivity, improved career paths and efficient decision making, against the potential weaknesses of reduced employee supervision and support. Achieving a balance will allow councils to respond to changing community needs through more efficient decision making, and increased staff morale through providing adequate employee support and empowerment.

**Definition**

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



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



Survey population | Median ■ Northern Beaches Council

## Organisational design

### Staff level mix

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

We see a higher proportion of supervisors and above in small-sized councils, representing 24% of the total workforce, compared to 20% in large councils and 22% in medium councils. This result is expected, as smaller functional team sizes typically exist within smaller councils.

Councils should consider the optimal staff level mix. While a higher proportion of supervisors and above indicates increased expertise and experience within each function, an increase in 'other staff' may highlight an opportunity for greater staff development, empowering staff to utilise their innovation, creativity and skills.

#### Key considerations

- Do you collaborate with other councils periodically to share insights and learnings on optimal staff level mix?
- Does your council foster a culture of continuous learning and development? Are staff across all levels given meaningful roles, where they are encouraged to innovate and be creative?
- Have you developed and communicated clear career paths and opportunities for ambitious and talented staff to move up the managerial hierarchy?

Figure 1.8: Staff level split

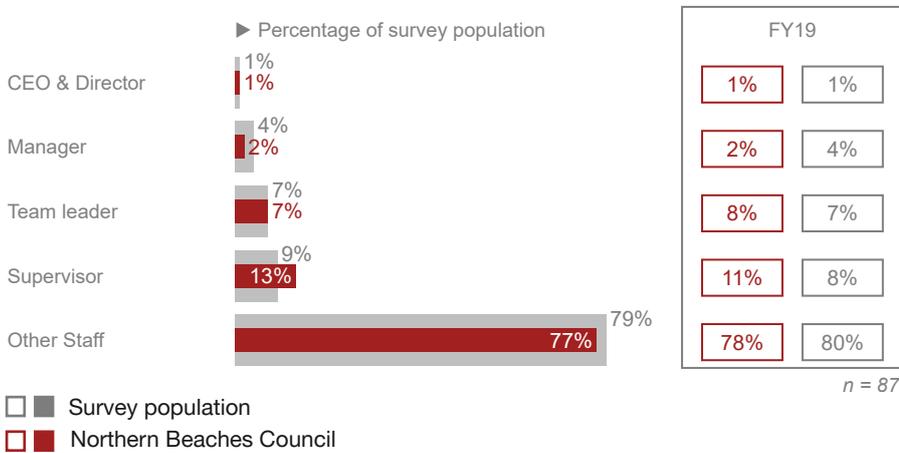
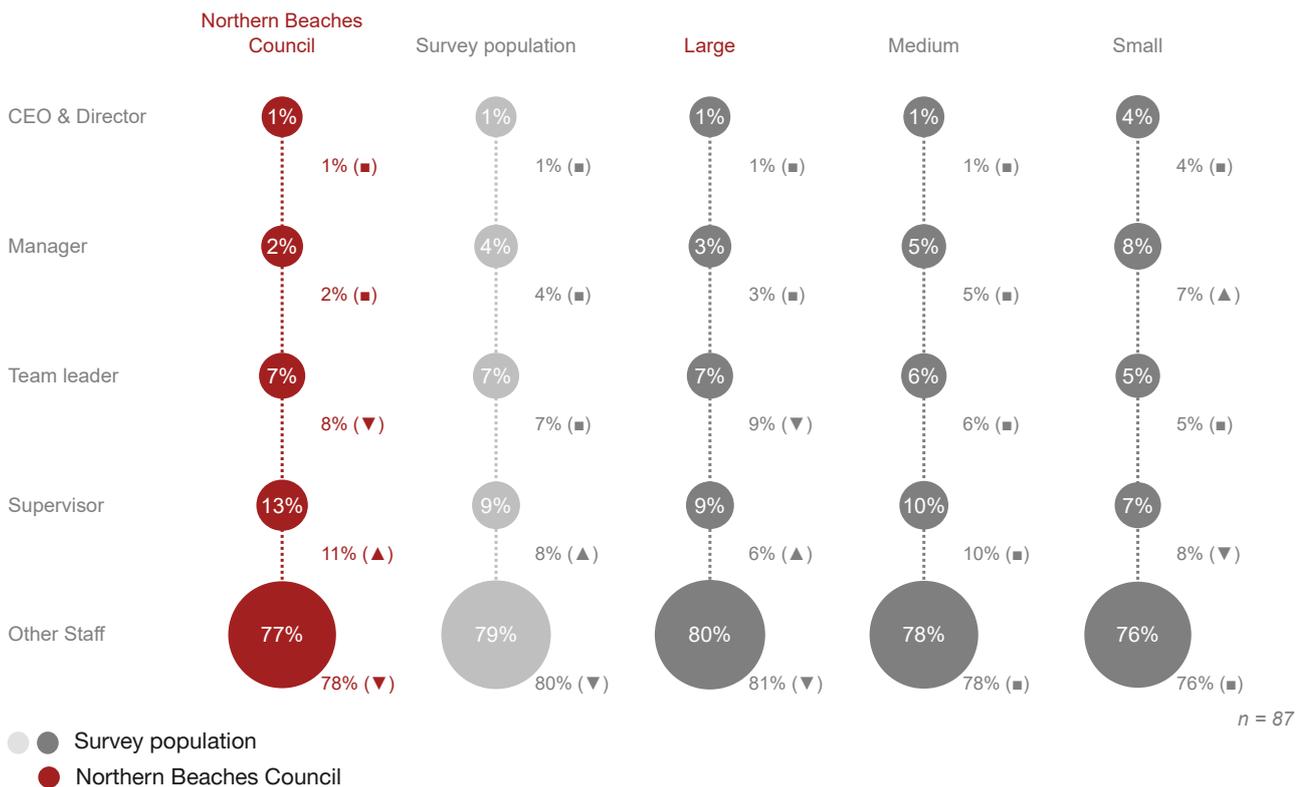


Figure 1.9: Staff level split (size of council)



## Don't fall short on new talent

### Rookie rate

The overall median rookie rate – the proportion of employees who joined a participating council in the past two years – decreased marginally to 23%, following a 24% result in FY19.

The median management rookie rate of supervisors and above having less than two years' experience remained stable at 17%. This result may be associated with the generational shift that is occurring. As retirements eventuate and roles become vacant, a trend towards a workforce with new management occurs, and brings with it an injection of fresh and varied managerial capabilities.

Local government is by definition close to home for its community. There is a real opportunity to attract new, experienced managers to the sector as responsibilities outside of work make working closer to home more appealing. The NZ and WA median rookie rate of 21% for supervisors and above, with less than two years' experience, suggests that this is happening, compared to 16% in NSW

and 13% in SA councils.

We also see NZ with the highest median rookie rate of 'other staff' having less than two years' experience of 34%, compared to NSW (24%), WA (23%) and SA (20%).

There is undoubtedly a need to retain organisational knowledge and relevant experience, and managerial stability helps to achieve this. However, new talent presents an opportunity to bring new ideas and practices. Members of a management or leadership team that join from outside an organisation are often confronted with cultures and behaviours that insiders may have accepted or come to terms with. So a healthy mix of 'rookies' among the management team can foster a new, lower risk, team dynamic and bring fresh ideas.

**Definition**

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

**Key considerations**

- Have you assessed your future workforce skill and capability requirements, taking into account alignment between strategy choices and workforce implications?
- Does your management rookie rate show that you are an appealing proposition for talented people from other sectors to join you once their career is established?

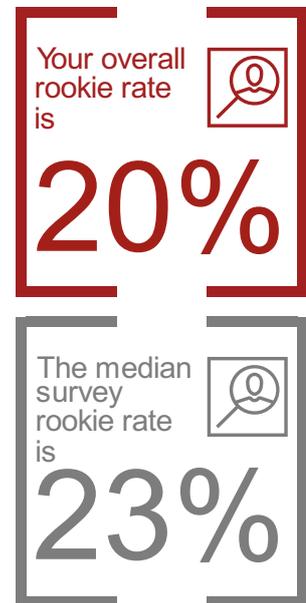
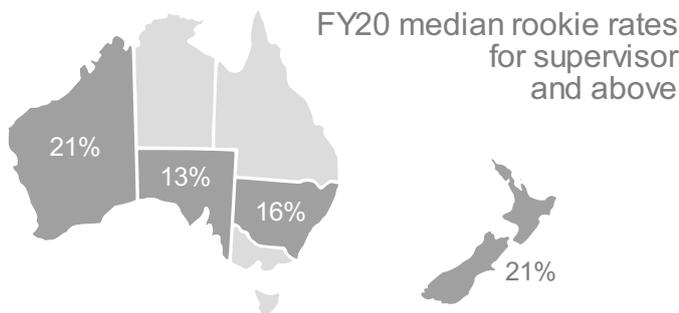
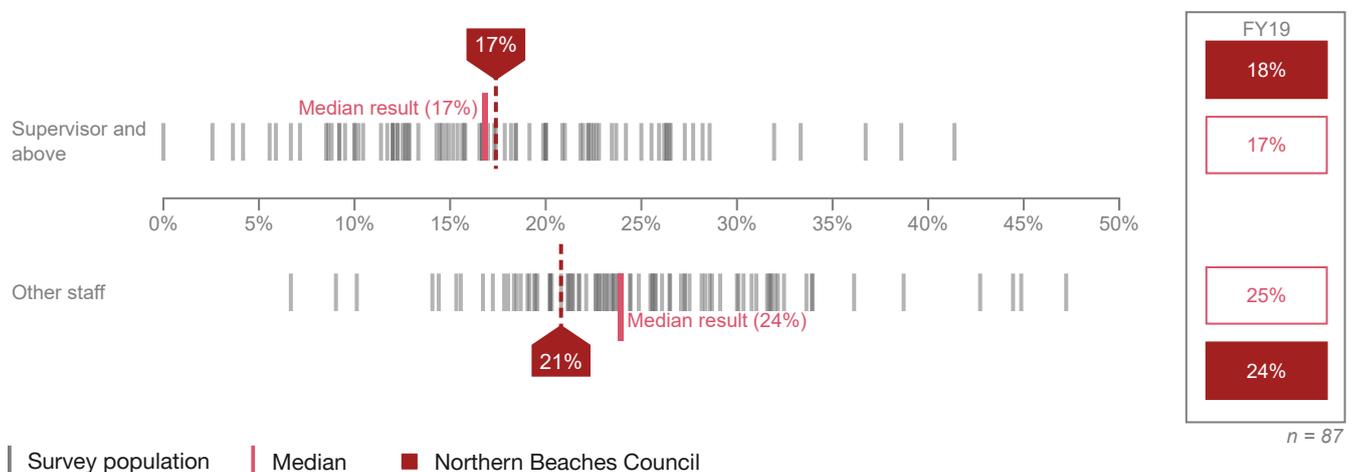


Figure 1.10: Rookie rate by staff level (proportion of staff who commenced in the past two years)



## Attracting, retaining and engaging talent

### Talent strategy

Organisations continue to compete for key talent and skills. Councils should showcase a strong and clear employer brand to attract a variety of talent from diverse backgrounds who possess the required skills, capabilities and experience. The ability to attract top talent can result in the potential for higher community satisfaction, increased productivity and increased employee satisfaction and retention.

Our survey highlights that the overall top three areas of focus in the talent strategy continue to be: workplace culture and behaviours (92% of councils); skills and adaptability of staff (78%); and effective performance management (63%).

With the exception of NZ councils, workplace culture and behaviours was the number one focus area across the

surveyed NSW, SA and WA councils, followed by skills and adaptability of staff.

PwC's 23rd Annual Global CEO Survey surveyed 1,581 global CEOs in 83 territories and highlighted that 41% of CEOs surveyed saw a stronger corporate culture and employee engagement as the top outcome arising from upskilling programs, followed by higher workforce productivity (22% of CEOs).<sup>4</sup> Therefore, councils should consider focusing on the upskilling of their workforce to assist with achieving a number of their key focus areas in their talent strategy.

Diversity and inclusion (D&I) is another important area for organisations as they strive to be an employer of choice. D&I has shifted into fourth place, with almost half of all councils focusing on D&I as part of their talent strategy, SA and NZ

councils (50%), WA councils (48%) and NSW councils (46%).

Another interesting insight is the shift in focus by NSW and SA councils on improving productivity via automation and technology. We observe 40% of NSW (up from 32% in the prior year) and 70% of SA councils (up from 48%) focused on automation and technology.

“There is certainly an appetite among Australians to learn. PwC’s ‘New World. New Skills’ survey shows 69% of adults are prepared to learn new skills or completely re-train in order to improve their future employability (this figure jumps to 77% among 18–34 year-olds). Yet only 23% are currently upskilling through their employer – which places Australia as the second least likely country to have people upskilling at work.”<sup>5</sup>

Figure 1.11: Areas of focus in the talent strategy



4 PwC, 2020, 23rd Annual Global CEO Survey: Navigating the rising tide of uncertainty

5 PwC, 2020, Australia's mismatched workforce

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

### New starter career backgrounds

It is important to consider not only whether an organisation has the right number of staff, but also the mix of skills and capabilities of a workforce.<sup>6</sup> In preparing for recruitment campaigns or designing new roles, councils should consider the diverse range of skills, capabilities and experience held by the current workforce and whether this reflects the diversity in the community.

Our survey asked councils to tell us more about their new starters, including whether they came from a local, state or federal government background, or other areas. Australian councils continue to see far more movement of staff between councils compared to their NZ counterparts; 21% of new starters in WA were recruited from local government, 17% in NSW and 15% in SA, compared to just 4% in NZ councils.

We see just under a third of councils not capturing a new employee's prior employment history. This is a missed opportunity for councils to be able to easily and quickly leverage prior skills or other industry knowledge, and assess how prior experience may affect the ongoing performance of staff.

#### Key considerations

- Do you acknowledge the skills, capabilities and experience of your current workforce to identify any gaps prior to recruiting new staff?
- Do you provide the opportunity for staff to upskill via 'on the job' exposure to get them ready for future applications for different roles within the council?

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



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

## Actively building a more inclusive and diverse workplace

### Diversity and inclusion workforce strategy

In times of uncertainty, having a strong focus on diversity and inclusion (D&I) and wellbeing is critical to helping staff feel safe and engaged, while also helping position the organisation for recovery and growth.<sup>7</sup> The actions councils take now, especially as a result of the pandemic, to support their staff will have long lasting impacts on employee engagement, reputation and on the council more broadly.

There are specific components that we believe are important towards making progress in D&I, including:

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

As noted above, having a robust and CEO sponsored D&I strategy is fundamental to

making sustained progress in D&I. Our overall results show that over half the councils now have a formal D&I workforce strategy, with 28% developing one and only 1 in 5 councils without one at all.

The rate of adoption of a D&I strategy differs across the various jurisdictions. NSW is more likely to have implemented a formal D&I strategy (64%), compared to just 33% of NZ, 38% of WA and 40% of SA councils.

The size and type of council also influences the likelihood of a D&I strategy, with 46% of small, and 41% of rural councils, without one. This may be due to small and/or rural councils having the ability to be more flexible and agile with employee needs due to their size and therefore a formal strategy is not considered necessary. However, this could also highlight the limited resources available to drive the design, implementation and monitoring of a D&I strategy.

PwC's Diversity and Inclusion team<sup>8</sup> have highlighted 6 key considerations for

organisation who are focused on establishing an inclusive workplace:

- Is your D&I strategy aligned to your organisational strategy and good practice guidance?
- Are there systemic barriers preventing you from realising the benefits of flexible working and from accessing top talent?
- Is a D&I lens applied to business processes impacted by COVID-19, e.g. return to office plans, restructuring, complaints handling?
- Do senior leaders understand why D&I is important and are they equipped with the necessary skills to lead inclusively?
- Are you deriving actionable insights from your D&I and culture data to obtain an evidence-based approach?
- Have you identified and taken steps to mitigate key risks relating to D&I, mental health and wellbeing?

Introducing a D&I strategy is only part of the way towards a more inclusive workplace. Councils need to ensure that D&I is embedded into the workplace culture by council leaders setting the tone from the top and showcasing D&I's importance, leveraging foundational policies as they relate to D&I, ensuring the D&I strategy aligns to the overall business strategy, and bringing D&I to life through the actions and behaviours of employees.

#### Definition

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

Figure 1.13: Did your council have a formal diversity and inclusion workforce strategy in place during FY20?



7 PwC, "Diversity & Inclusion Consulting", <https://www.pwc.com.au/people/diversity-and-inclusion.html>, accessed November 2020.

8 PwC, "Diversity & Inclusion Consulting", <https://www.pwc.com.au/people/diversity-and-inclusion.html>, accessed November 2020.

## Creating a culture supporting diversity and inclusion

### Diversity and inclusion policies

Councils that reported having a formal D&I workforce strategy in place were asked to record the specific policies applied to support their strategy.

Our findings highlight a broad range of D&I policies being offered across all councils, with rostered time-in-lieu (100%), employee assistance programs (99%), health and wellbeing program (94%), parental leave and flexible working (93%) taking the top four spots. These policies support employee wellbeing and mental health, and have a direct positive impact on productivity, staff satisfaction and motivation.

The adoption rate of a floating public holiday policy continues to remain low across all jurisdictions. This policy allows staff to 'swap' a national/state-recognised public holiday with a day of their choosing and is often used by staff from different cultural or religious backgrounds as a way

to recognise important celebrations that are meaningful to them, such as Lunar New Year or Diwali.

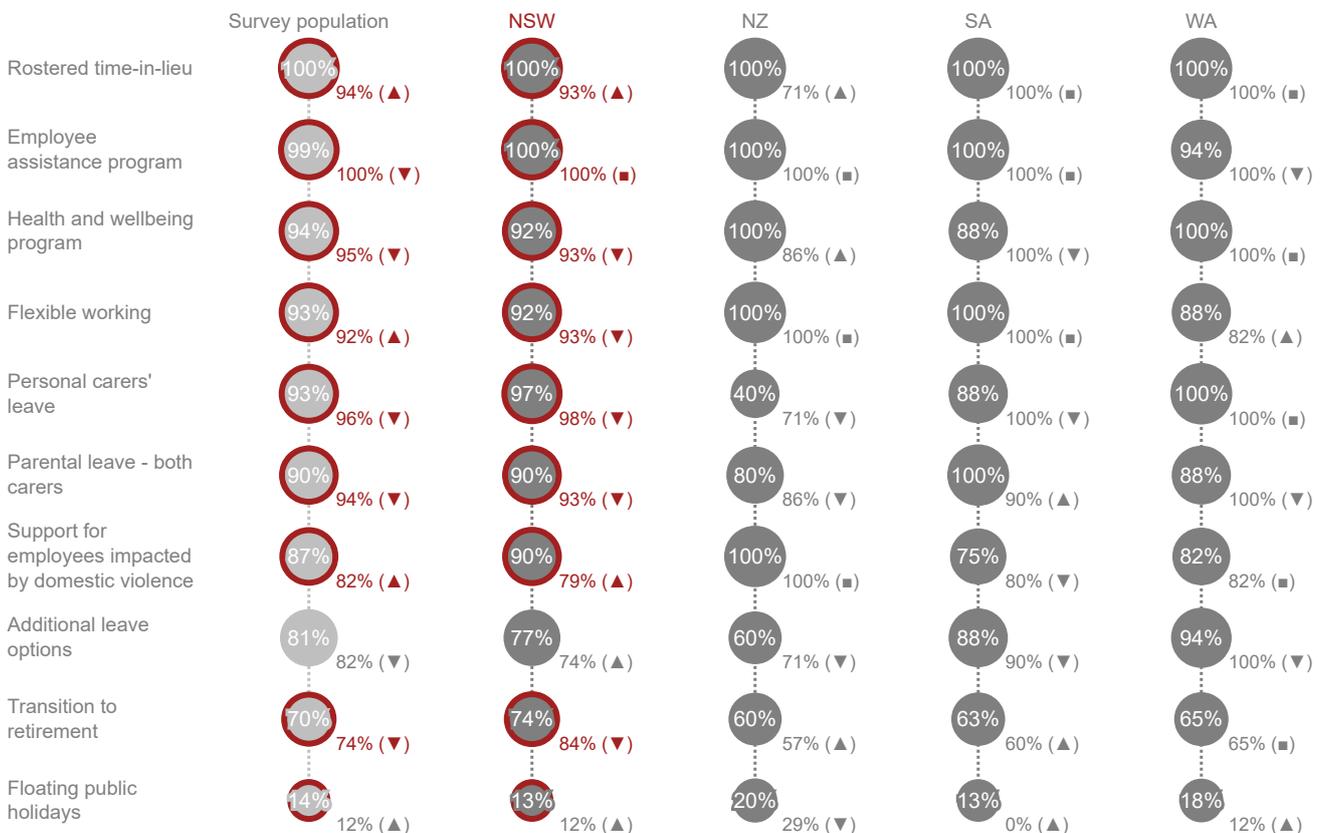
With millennials increasingly interested in the types of policies offered by employers, councils will be in a better position to attract talent to the local government sector if they can demonstrate they are an agile and diverse employer.

PwC Australia's 23rd CEO Survey<sup>9</sup> reported 40% of local CEOs surveyed noted significant progress had been made when implementing diversity and inclusion strategies to attract a wide range of talent and ensure inclusiveness. Investing in the 'whole of employee' experience is recommended and includes a broad range of D&I initiatives resulting in a stronger culture and employee engagement, higher productivity, improved talent acquisition and retention, and in turn stronger community satisfaction.

#### Key considerations

- Have you sought feedback from staff on your D&I initiatives to understand what is working well and to identify key gaps?
- Is there a strong tone from the top on the importance of D&I so that staff feel comfortable to access the D&I initiatives available to them? Does the council embed a D&I culture?
- Is your leadership-led D&I strategy aligned with the overall council strategy and has it been developed collaboratively with staff across the council?

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



● Survey population  
○ Northern Beaches Council

n = 69

9 PwC, 2020, 23rd Annual Global CEO Survey: Navigating the rising tide of uncertainty

## Planning for new D&I initiatives

### Collection of Diversity and Inclusion demographic data

Organisations with a diverse workforce are better placed to generate creativity in decision making, leverage a stronger understanding of their customers, foster improved staff morale and increase productivity. To determine whether a council has a diverse workforce and to better understand how effectively the council's workforce represents the communities it serves, collecting demographic data on employee diversity is a good starting point.

The emphasis lies in the way this data can be analysed to assist in the introduction of new D&I initiatives as well as enhance existing policies. It is important to note that there is an understanding and upholding of data privacy obligations where data is collected and councils must explain to employees why demographic data is being collected and confirm the confidential nature of the stored data.

Our findings show that 77% of councils collect gender data for new and existing employees. However the collection of data detailing an employees' Aboriginal or Torres Strait Islander background (32%), ethnicity (31%) and disability (26%) for new and existing employees are not widely performed by councils.

We also observe that it is very rare for councils (5%) to collect demographic data on employees' sexual orientation, with a small percentage of councils (9%, or around 8 councils) including this as an optional disclosure.

SA councils are limited with the various D&I datasets they collect, only collecting gender data (70%) and/or ethnicity data (10%). In comparison, WA councils are more likely to collect a variety of D&I data, 81% collect gender, 47% collect employee data on Aboriginal/Torres Strait Islander background and ethnicity, and 38% of WA councils collect disability data.

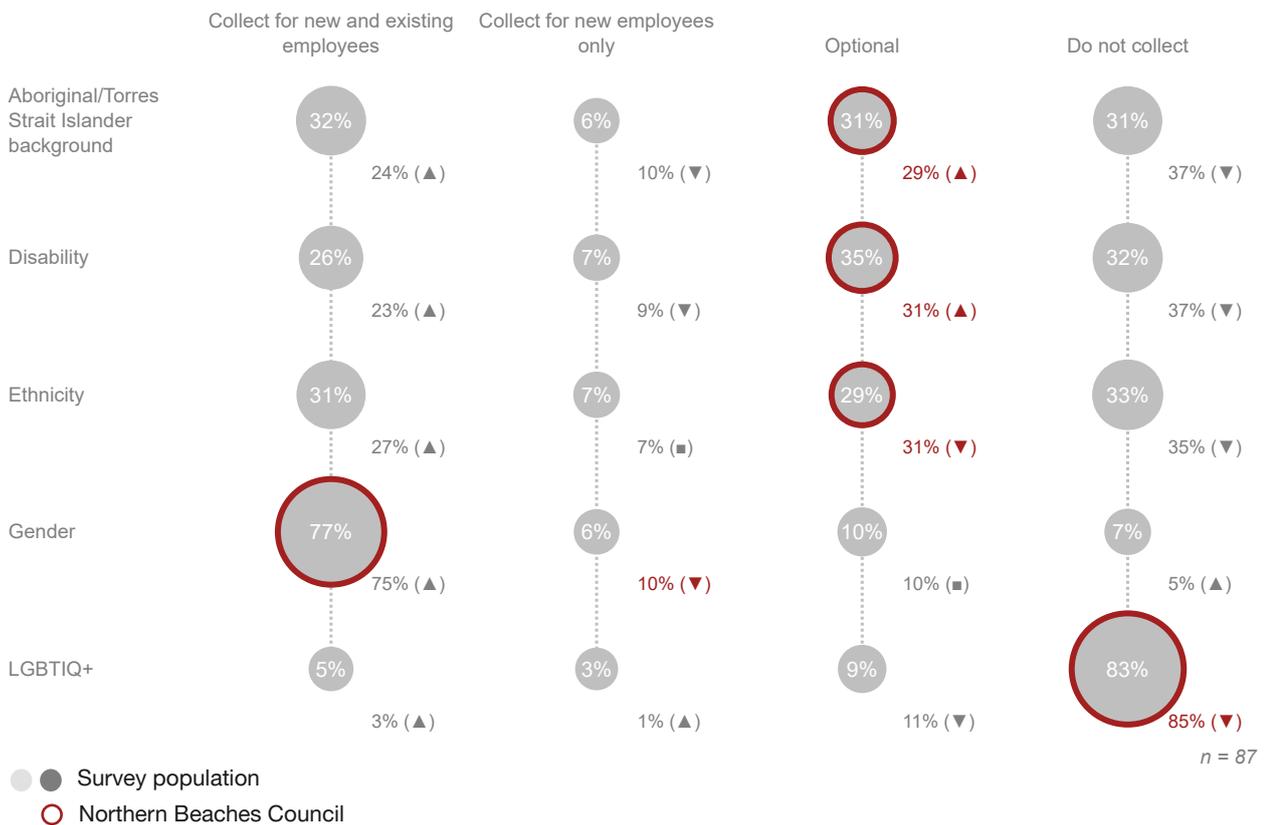
When collecting D&I demographic data from staff, a 'no response' can provide valuable insights. Assessing the proportion of employees who are not responding to these questions may be an indication of how comfortable and safe they feel at work.

Whether you have a low response rate when requesting D&I demographic data or a high response rate to a 'prefer not to disclose' option, councils can use this information to understand why this is the case and what action should be taken to allow staff to feel comfortable and safe to disclose.

#### Key considerations

- How are you using any collected D&I data to achieve or revise your D&I strategy?
- How is the D&I data collected used to enhance the workplace D&I culture?
- How do you ensure that your council is meeting its legal requirements when collecting and storing D&I demographic data?

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



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

### Recruitment gender diversity

The proportion of new recruits that are women within our surveyed councils has declined to a median of 48%, compared to 50% in the last two years, and 52% in FY17.

NZ councils continue to be more likely to recruit females, with a median of 61% female new starters. This corresponds to the higher overall female workforce in NZ councils as detailed in the Gender Diversity section in this report.

Rural councils have decreased the proportion of women being recruited, with a median of 40% female new starters, down from 54% in FY19.

Achieving overall gender balance in recruitment can be a result of a concerted effort to address biases and look for opportunities to promote alternate candidates; alternatively, it can sometimes happen by chance when several imbalanced workforces are aggregated. For example, where men predominate in IT and women do so in HR. The benefits of a diverse workforce can only truly be achieved when there is gender balance within and across individual teams.

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

#### Key considerations

- Have council recruitment and selection policies and procedures been reviewed and updated where needed to encourage gender equality?<sup>10</sup>
- Has your council set gender targets and reported these targets publicly to demonstrate its commitment to gender diversity in the workplace?
- How is your council ensuring that unconscious bias is removed from the recruitment decision-making process?

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

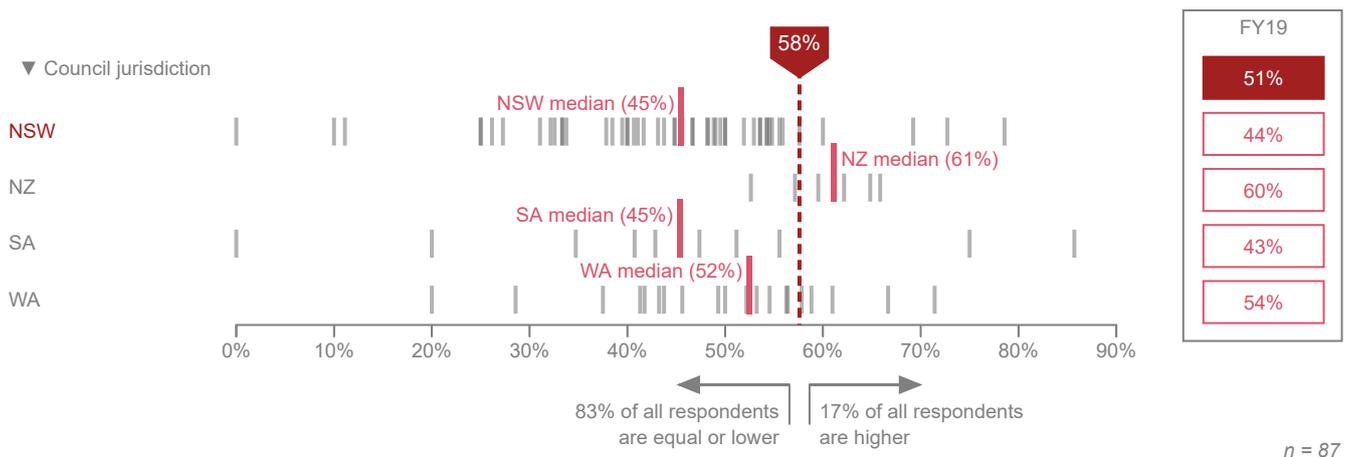
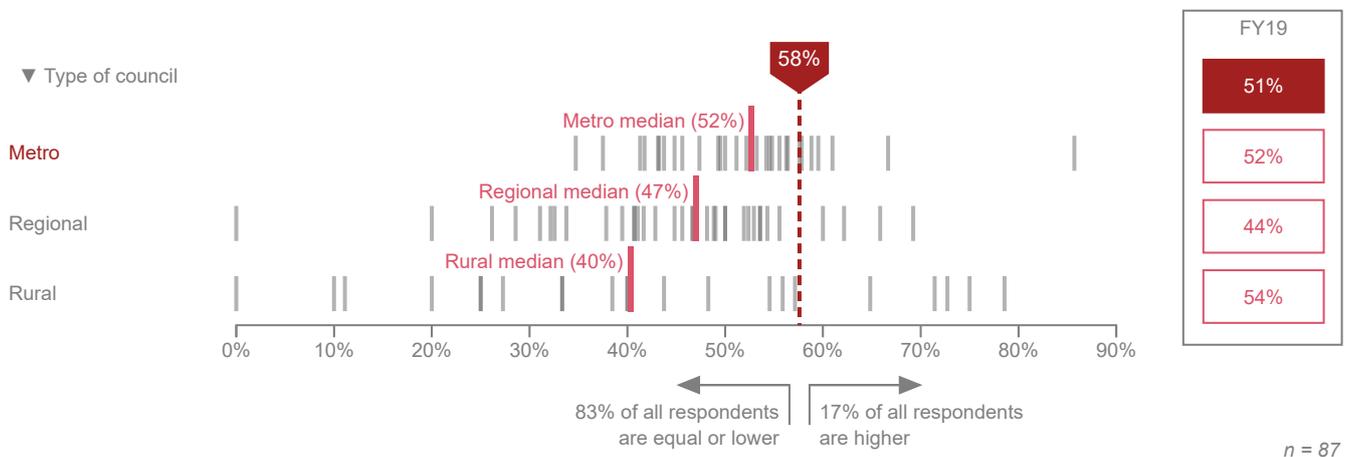


Figure 1.17: Proportion of female new starters (type of council)



Survey population | Median | Northern Beaches Council

<sup>10</sup> Workplace Gender Equality Agency, "How to set gender diversity targets", [https://www.wgea.gov.au/sites/default/files/documents/SETTING-GENDER-TARGETS-Online-accessible\\_0.pdf](https://www.wgea.gov.au/sites/default/files/documents/SETTING-GENDER-TARGETS-Online-accessible_0.pdf), accessed November 2020.

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

### Staff turnover

The impact of the initial COVID-19 response is reflected in our median local government staff turnover rate. We observe limited movement among employees with the lowest median staff turnover rate in four years, at 11.8% (including fixed term (FT) contractors) or 9.9% (excluding FT contractors).

While all jurisdictions have a lower median staff turnover rate, across WA councils we see the sharpest decline to 12.6% (including FT contractors), from 15.3% in the prior year, followed by NZ councils where the median result fell from 19.8% in FY19 to 17.2% in FY20.

NSW councils were less impacted, with a median result of 11.6% (including FT contractors), down from 12.6% in the prior year and SA councils remained stable, with 10.1%.

While a healthy turnover rate is desirable for organisations, councils should continue to monitor their results. After a period of many employees hunkering down during 2020, we expect to see staff turnover intensify during 2021 as the economy re-opens and new jobs are created as a result of the pandemic and economic response. It is also important to recognise the changing generational workforce mix and future retirements we will see in local government. Further, digitisation may also impact the nature of some existing roles in the future as councils move towards digital transformation across many business processes, which could result in additional long-term shifts in the workforce.

#### Key considerations

- Are exit interviews performed to understand the root cause of staff leaving? If so, what do you do with this information? Is data analysed to identify any common themes and or/trends?
- Are staff surveys performed periodically to assess staff morale, understand staff satisfaction levels and to determine if there are any common pain points?

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

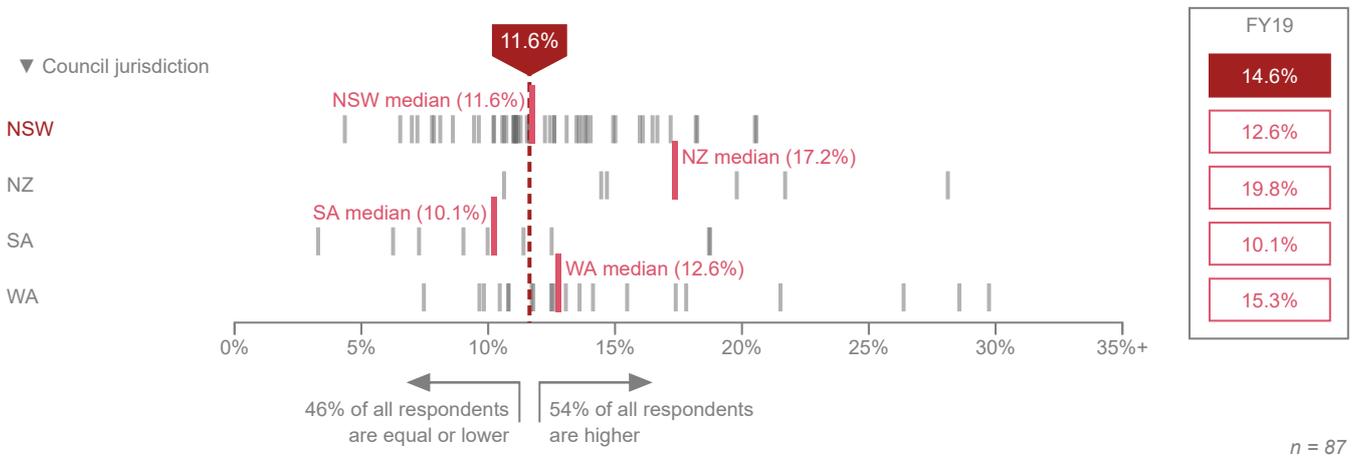
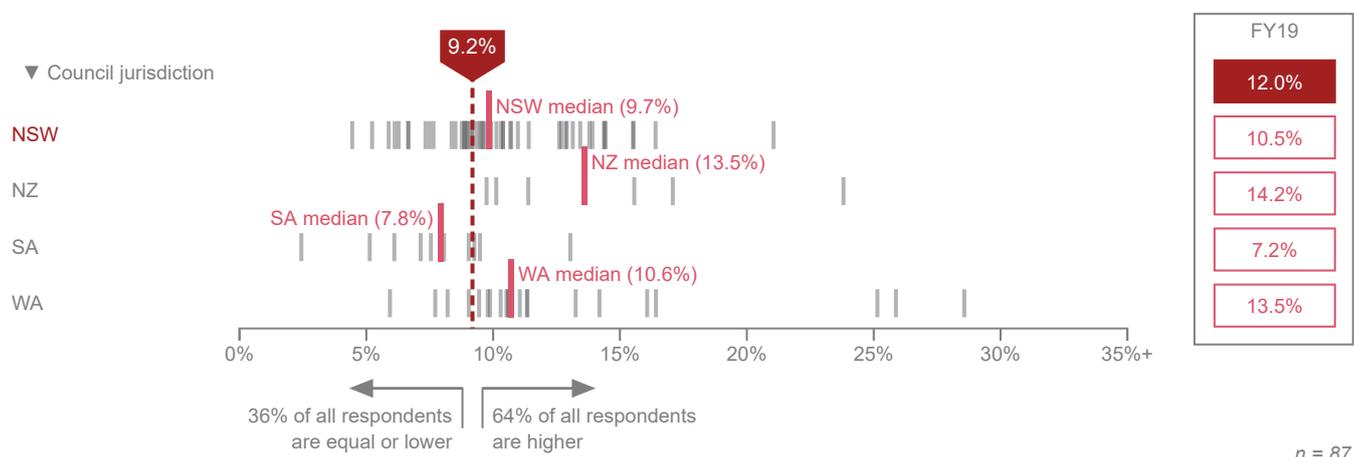


Figure 1.19: Staff turnover rate (excluding fixed-term contract employees)



Survey population | Median ■ Northern Beaches Council

## Who is leaving your council?

### Staff turnover rate in detail

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

Our survey findings highlight that within our survey population, Gen Z has a higher median staff turnover rate (26%), compared to the other generations. This is slightly accentuated due to the lower headcount of this cohort (it represents just 5% of the surveyed workforce), and they are most likely performing roles that have traditionally had higher turnover. Regardless, each council should review their Gen Z turnover and discuss trends and anecdotal evidence with the senior leadership team.

At a jurisdictional level, NZ councils continue to have the highest median rate

of turnover across all generations (Gen Z: 68%, GenY: 20%, Gen X: 13% and baby boomers: 14%). This can be compared to SA councils who have the lowest median turnover rate across all generations except Gen Z (Gen Y: 10%, Gen X: 7% and baby boomers: 10%). Regarding the Gen Z generation, WA councils have the lowest median turnover rate of 20%.

When looking at overall median turnover by staff level, we continue to see higher median turnover rates at either end of the staff level spectrum of senior management and 'other staff', compared to the middle ranks of team leader and supervisor. An accentuated median turnover rate at the 'other staff' level is seen in NZ (15%) and WA councils (13%), compared to 9% in SA and 10% in NSW councils.

When comparing overall median turnover rate across the four corporate services

areas, the median turnover within HR continues to be the highest at 12%. The median IT turnover rate has decreased in the past year, sitting at an all time low of 5%.

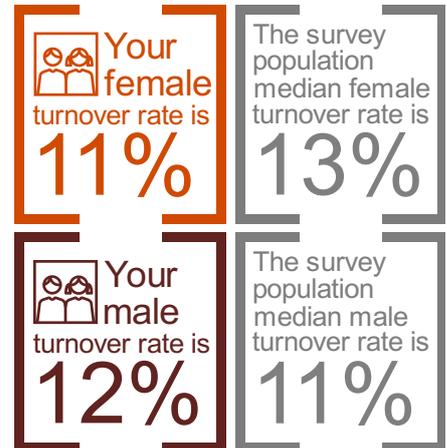


Figure 1.20: Staff turnover rate by generation

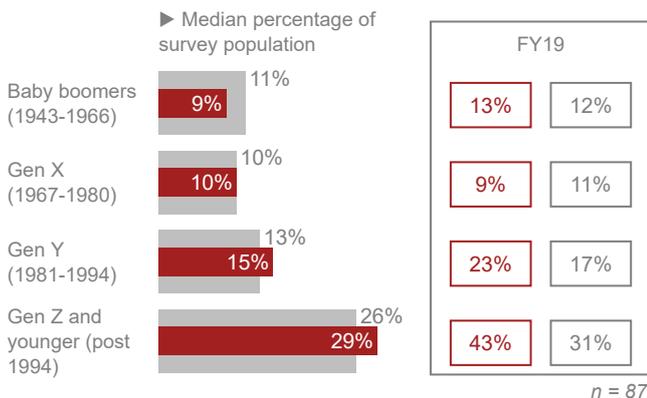


Figure 1.21: Staff turnover rate by tenure

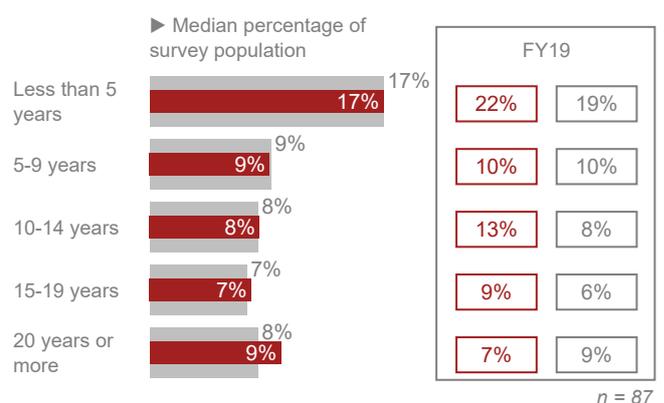
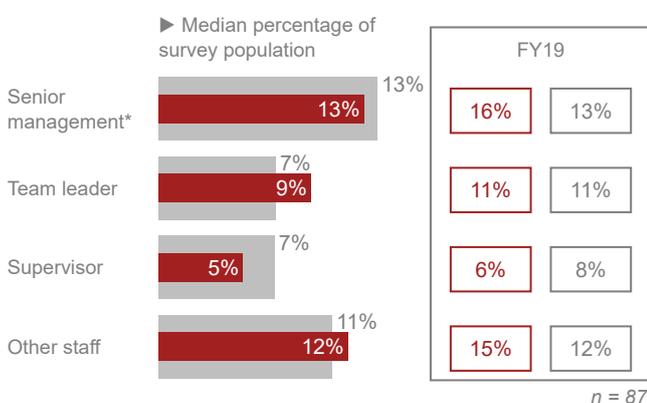


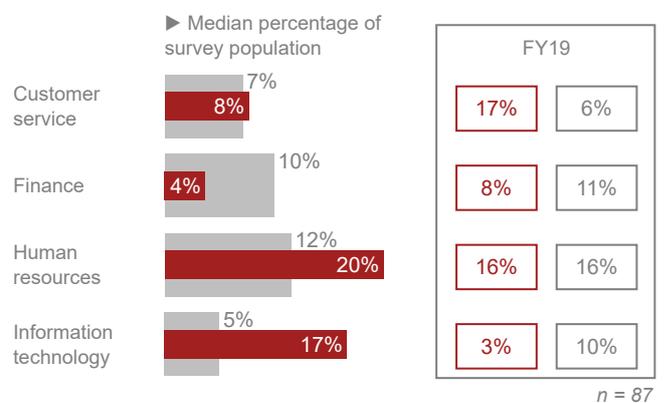
Figure 1.22: Staff turnover rate by staff level



\*Includes CEO, Director and Manager.

Legend:   
 Survey population   
 Northern Beaches Council

Figure 1.23: Staff turnover rate by corporate service area



## Turnover rate for employees in their first year of employment

### Staff turnover rate in year one

Insights into the effectiveness of your council's talent and recruitment strategy, as well as reflections on industry-wide changes in practice and outcomes, can be achieved by examining the turnover rate in the first year of employment.

The median year one staff turnover rate of 14.6% has fallen from 15.6% in FY19, moving in parallel with the overall turnover measure (the overall median staff turnover rate excluding fixed term contractors reduced to 9.9%, down from 10.9% in FY19).

When analysed at a jurisdictional level, NSW and WA councils both experienced a decline in first year attrition, to 14.9% and 13.5% respectively, down from 15.7% and 19.4% in FY19 respectively. This suggests improved stability of new recruits within NSW and particularly WA councils.

The gap between the median year one staff turnover rate of 13.5% in WA, and

the equivalent overall WA turnover rate of 10.6% has closed even further in the past year, suggesting an improvement in the selection and retention of new employees.

In NZ, the gap between the median year one staff turnover rate (20.4%) and the equivalent overall turnover rate (13.5%), is the largest gap across jurisdictions which may suggest challenges exist in selecting new employees who will remain beyond the first year of employment.

We also consider diversity measures in the analysis of the median year one staff turnover rate, and as reported last year, we continue to see overall equity in the rate at which men and women exit a council in their first year of employment (13%).

However, it should be noted that women in NZ councils were almost twice as likely to leave in their first year (26%), compared to their male counterparts (14%). In

addition, the median female first year attrition rate in NZ (26%) has increased compared to last year's equivalent rate of 18%. We suggest NZ councils analyse data from exit interviews to understand any root causes or whether common themes can be identified.

#### Definition

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

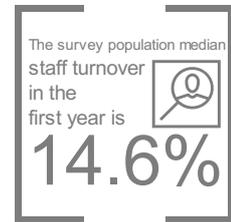


Figure 1.24: Staff turnover rate in the first year (excluding fixed-term contract employees)

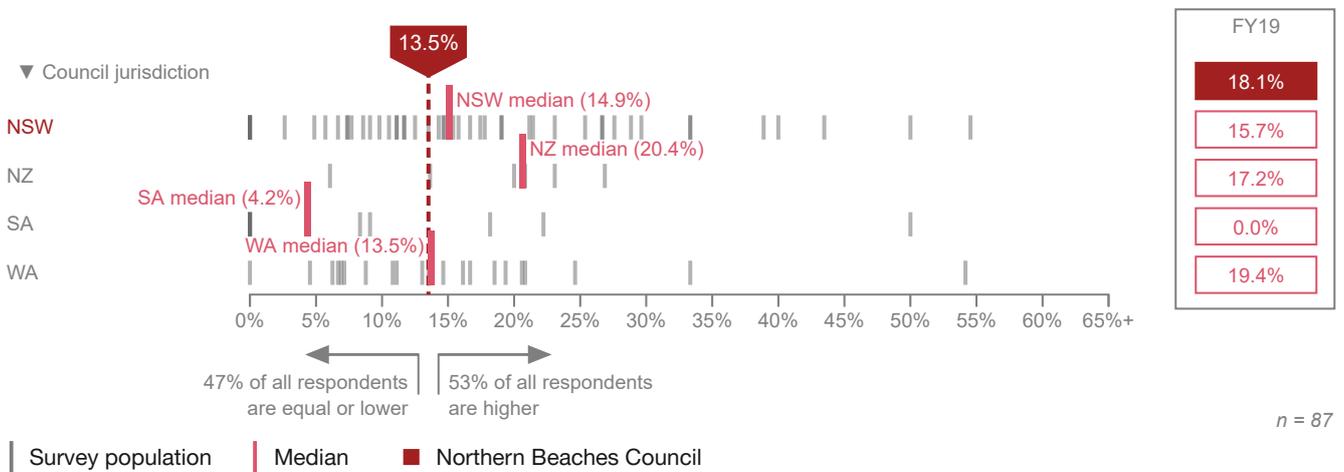


Figure 1.25: Median gender turnover rate in the first year (council jurisdiction)



## Turnover rate for employees in their first year of employment

### Generational turnover rate in the first year

Over the last four years we have consistently observed year one turnover volatility in the Gen Y and younger generation, compared to the Gen X and baby boomer cohorts.

However, our findings show for the first time in our program that Gen Y employees have the lowest median staff turnover rate in their first year of employment (11%, down from 13% in FY19), compared to the other cohorts. This shift is most pronounced in WA councils where the prior year median results ranged between 17-24%, but in FY20 it is at an all time low of 6%.

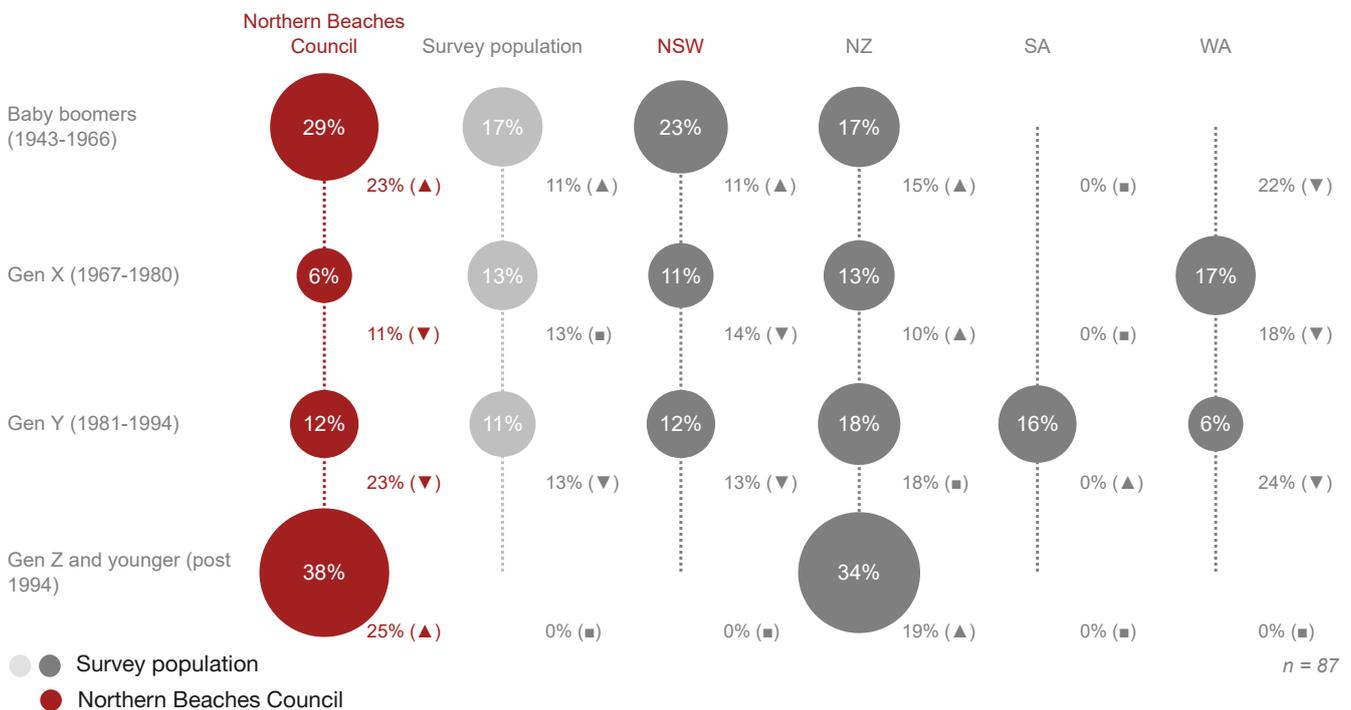
Conversely, SA councils now have a median Gen Y year one turnover rate of 16%; we recommend further analysis be conducted by these councils to understand if it is a result of the 2020 pandemic or whether new factors are at play within this cohort.

Within the baby boomer cohort, we usually observe a low and stable median year one staff turnover rate. However this year, our findings show a median of 17%, up from 11% in FY19. Of concern, is the rapid rise in baby boomers in NSW councils leaving in their first year of employment; they are twice as likely to leave in their first year of employment, compared to the prior year (23%, up from 11% in FY19).

Organisations face many challenges - one being the diverse nature of managing staff across the many generations. Staff of various generations have different management preferences and ways of working, for example Gen Y and beyond typically prefer their managers to act like a coach or mentor, while Baby Boomers typically prefer a dependable and consistent manager. As such, it is

important for managers with a diverse team to acknowledge the varying mindsets of staff, and manage, encourage, and motivate them accordingly, and then build a workplace culture surrounding this. This will enable organisations, including councils, to attract and retain the best talent that transcends generations and will therefore assist in successfully achieving the organisations goals more efficiently.<sup>11</sup>

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



11 PwC Digital Pulse 2020, "Why attracting and retaining the top Millennial talent is key to future success"

## Talent diversity

### Gender diversity

The local government sector has the opportunity to serve as an exemplar workplace for the inclusion of women. This year women represent 44% of the surveyed workforce, a slight dip from 47% in the prior year.

The proportion of women in the workforce remains highest in NZ councils (53%), followed by WA councils (49%). Women in NSW councils continue to represent 41% of the total workforce, and in SA councils represent 46%.

Further analysis was performed analysing gender diversity at each staff level, and we continue to observe slow but positive progress at the CEO and director levels. In FY16, just 15% of CEOs were women,

compared to 24% in FY20. Female directors represented 28% of the total director pool in FY16, and now make up almost a third (32%) of all directors.

A global PwC survey conducted in 2018 that went to 3,627 professional working women, aged 28 to 40, highlighted three essential elements that, when prioritised by leaders, are highly impactful in moving gender equality forward and helping to advance the careers of women:

- **Transparency and trust** - greater transparency about promotions and pay, or what helps or hurts womens careers, so they understand where they stand, make their own case successfully and trust the feedback received.

- **Strategic support** - proactive networks of leaders and peers who will develop, promote and champion women at home and in the workplace.
- **Life, family care and work** - women need employers to rethink their approach to balancing work, life, parenthood and family care and provide organisational solutions that work.

Gender equality benefits everyone, and men are required to help, especially in providing women with the strategic support and advocacy needed for career success and progression.<sup>12</sup>

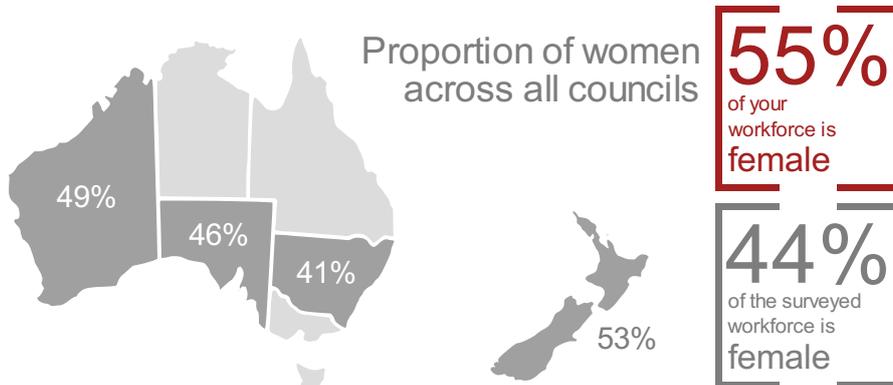
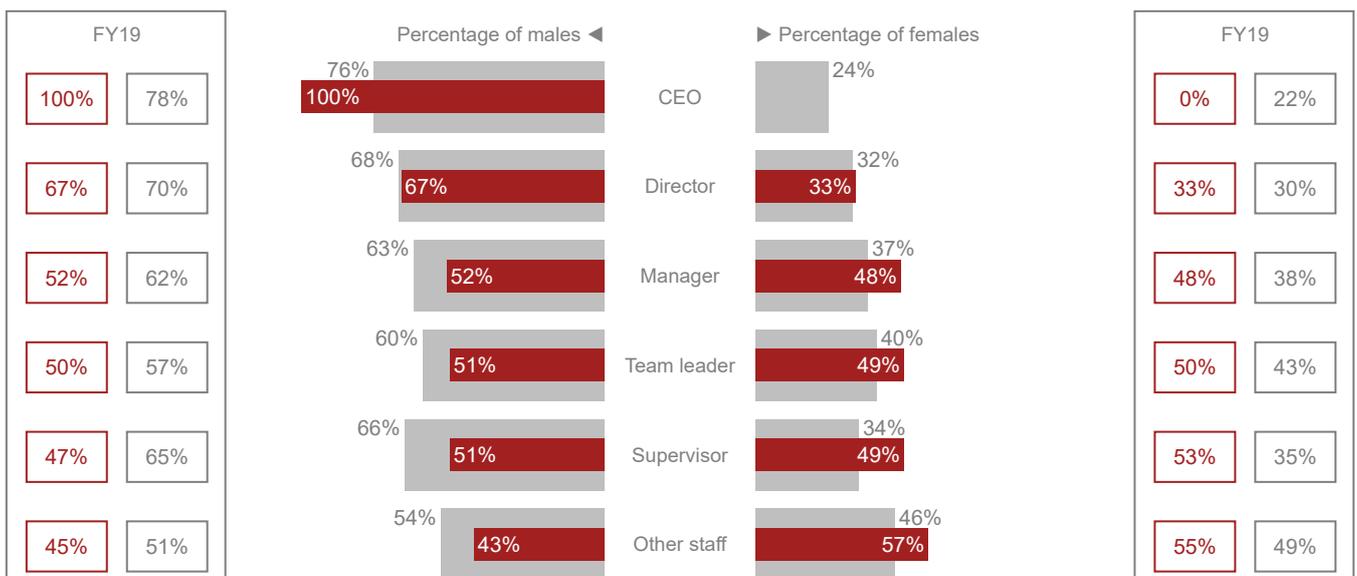


Figure 1.27: Gender split by staff level at 30 June 2020



n = 87

Legend:  
 Survey population  
 Northern Beaches Council

12 PwC Global 2018, "Time to talk: What has to change for women at work"

## Talent diversity

### Pipeline of female employees

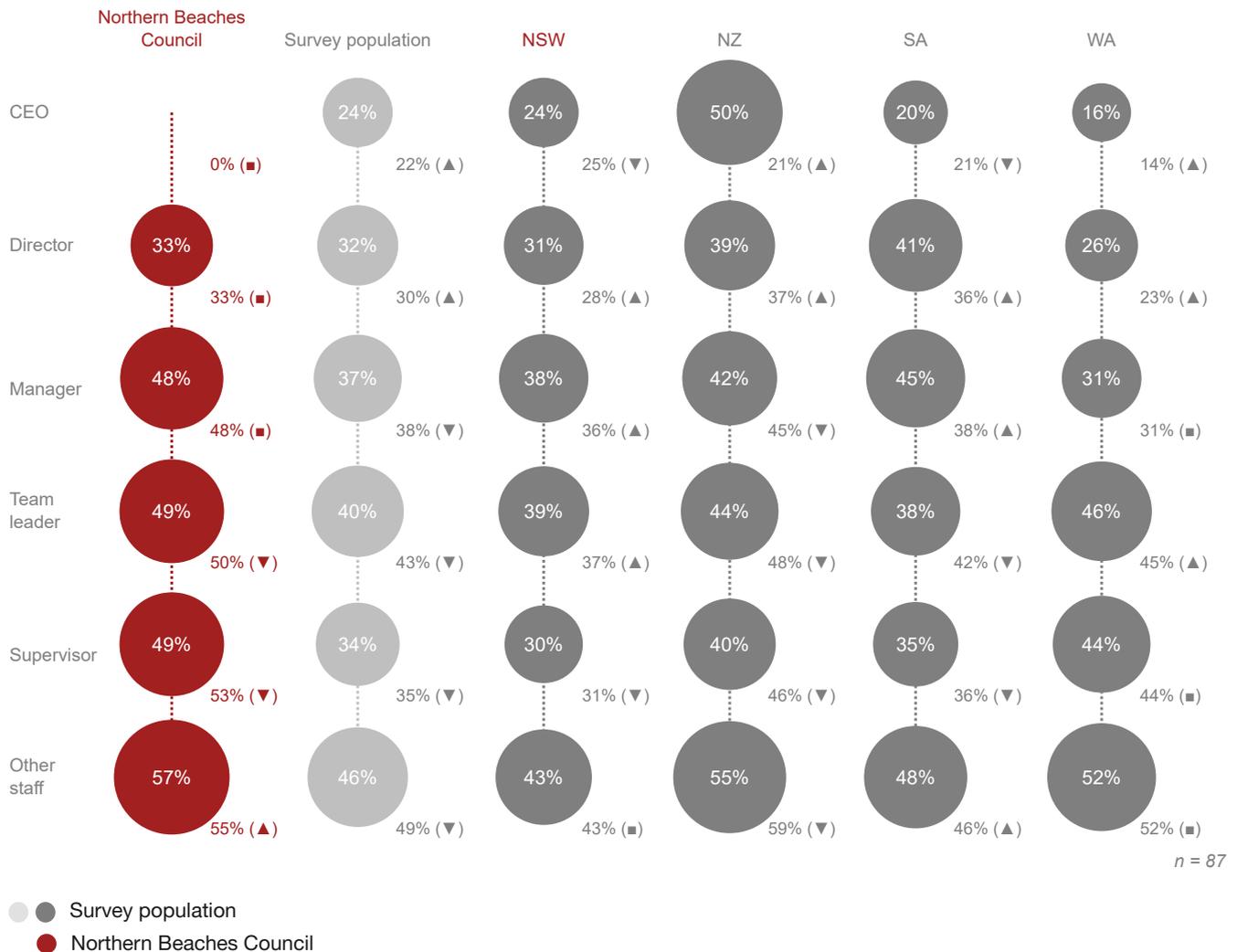
Over the last four years, we see the trend of women moving into senior management and leadership positions increasing in the local government sector. Importantly, our findings show an increase in the proportion of women at the CEO level (24%), up from 22% in FY19. Female representation at the director level also continues to improve.

We see 50% female representation at the CEO level in the NZ councils surveyed, and 41% and 45% in the Director and Manager role respectively, within the SA councils surveyed.

PwC's 2020 Women in Work Index noted an increase in Australia's female boardroom representation, 31.5% in 2018, up from 28.7% in 2017.<sup>13</sup> This is in line with the increasing trend of women moving into senior management positions within the surveyed councils. Councils should assess their initiatives surrounding the attraction, promotion and retention of female talent. First and foremost, a merit-based, unbiased selection process for recruitment and promotion should be implemented, while other key policy levers may include (but are not limited to)

offering flexible working hours, mentoring programs, diversity and inclusion programs and awareness, and active sponsorship of women by the leadership team.

Figure 1.28: Female employees by staff level



13 PwC, 2020, 'Women in Work Index 2020: The opportunities and challenges of the tech revolution'

## Talent diversity

### Gender diversity in senior levels

Although progression on many aspects of gender equality is improving, there is still difficulty in achieving female representation in leadership roles. The Workplace Gender Equality Agency (“WGEA”) 2018–19 data<sup>14</sup> highlights that while women make up half (50.2%) of the private sector workforce, women make up only:

- 31.5% of key management positions<sup>15</sup>
- 26.8% of directors
- 17.1% of CEOs
- 14.1% of board chairs

Analysing the pipeline of future female leaders across our survey population, we found the median proportion of female employees at manager level and above is slowly increasing at 35%, up from 33% in FY19. The median in SA councils is much higher, with 45% female managers and above, followed by NZ councils at 40%.

The WGEA report analysed the representation of women in senior leadership roles, with 36.7% of women in

manager roles in 2019 (up from 36.3% in 2018), and 17.1% are CEOs (up from 16.8% in 2018).<sup>16</sup>

In comparison, we see a blended overall female CEO and director median of 25% in local government, consistent with the prior 6 years, except for a dip to 20% in FY17.

An opportunity continues to exist for councils to improve gender diversity in senior levels, particularly as roles become

vacant due to the aging workforce. Councils should encourage female talent in leadership roles as a way for councils to future proof their workforce.

Encouraging and supporting women in future leadership roles by redesigning roles and work to enable and normalise flexibility across levels and genders, and role-modelling cultural change by council leaders, will assist councils in being future-fit.<sup>17</sup>

#### Key considerations

- Does your council see a need for change, and the need for more equality in leadership roles?
- Are council leaders equipped with the skills and knowledge to drive cultural change?
- Are both men and women supported through life transitions?
- Are women encouraged to apply for leadership roles?
- Is infrastructure in place to support a more inclusive and flexible workplace?

Figure 1.29: Females at manager and above levels

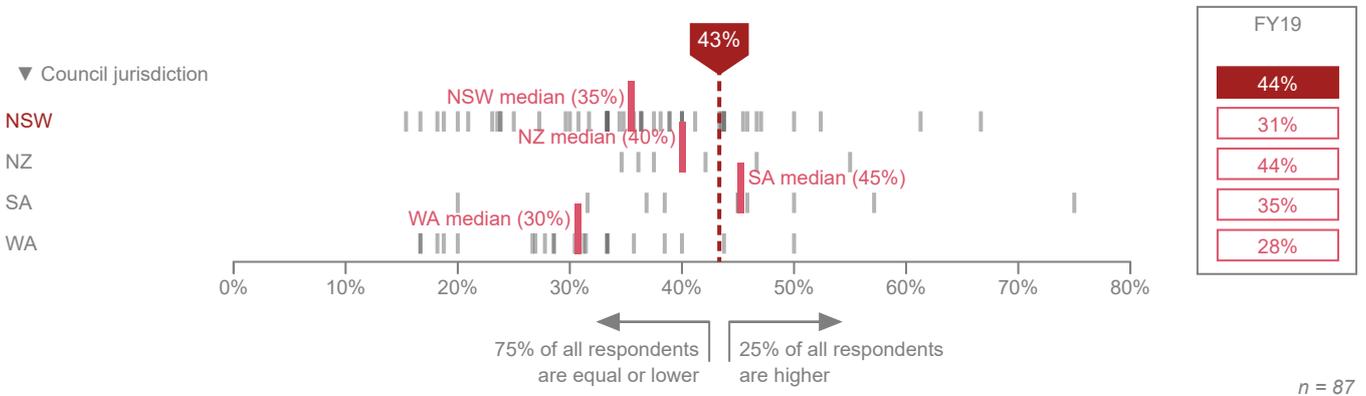
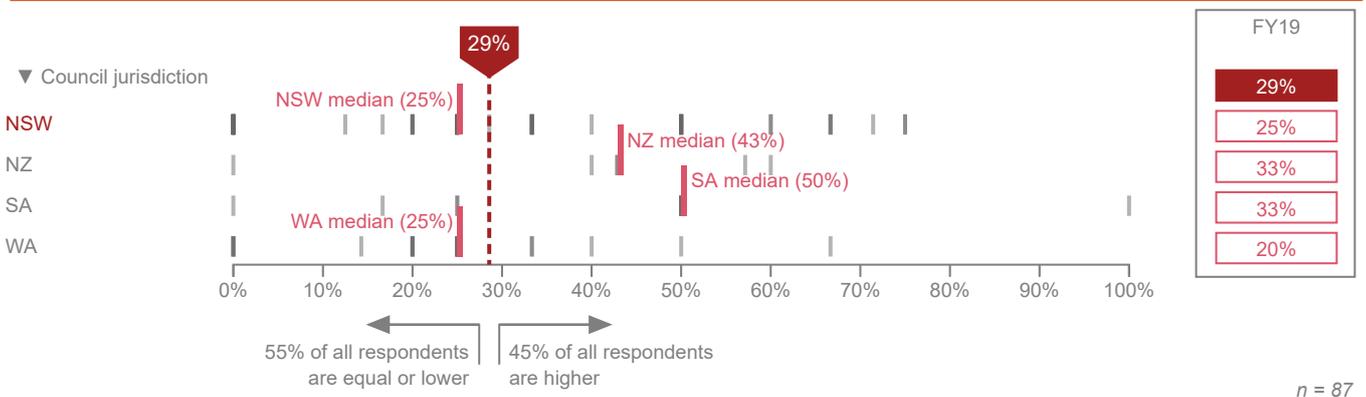


Figure 1.30: Females at CEO and Director levels



Survey population | Median | Northern Beaches Council

<sup>14</sup> Workplace Gender Equality Agency (WGEA), “Women in Leadership”, <https://www.wgea.gov.au/topics/women-in-leadership>, accessed November 2020

<sup>15</sup> 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.

<sup>16</sup> Workplace Gender Equality Agency (WGEA), November 2019, ‘Australia’s gender equality scorecard. Key findings from the WGEA’s 2018-19 reporting data’.

<sup>17</sup> Workplace Gender Equality Agency (WGEA), “Women in Leadership”, <https://www.wgea.gov.au/topics/women-in-leadership>, accessed November 2020

## A fair process for promotions

### Promotions

The rate of promotion, analysed by gender, can indicate how successful a council is in achieving equality of opportunity and reward in the workplace. It is important that councils are growing the career opportunities for both women and men in leadership positions.

Unlike the prior year, we observe a slight disparity in the proportion of men and women being promoted to supervisor or above; 0.7% of women were promoted, compared to 0.9% of men. However, when analysed at a jurisdiction and council type level we observe greater disparity.

WA councils were the only jurisdiction that achieved a promotion gender balance in FY20 of 0.5%. NSW councils see a higher rate of men (1.1%) being promoted into supervisor and above levels, compared to 0.8% of women. Likewise in SA councils, a higher proportion of men (0.9%) than women (0.3%) were promoted to supervisor or above levels. Conversely, NZ councils see a higher rate of women

(1.6%) being promoted into supervisor and above levels, compared to 1.3% of men.

Gender promotion balance also varied by council size. Large and medium councils had a much closer alignment of women and men being promoted to supervisor and above roles; 0.4% of women, compared to 0.6% of men in large councils, and 1.0% of women, compared to 1.2% of men in medium councils. However, small councils had a much larger gap with 0.5% of women being

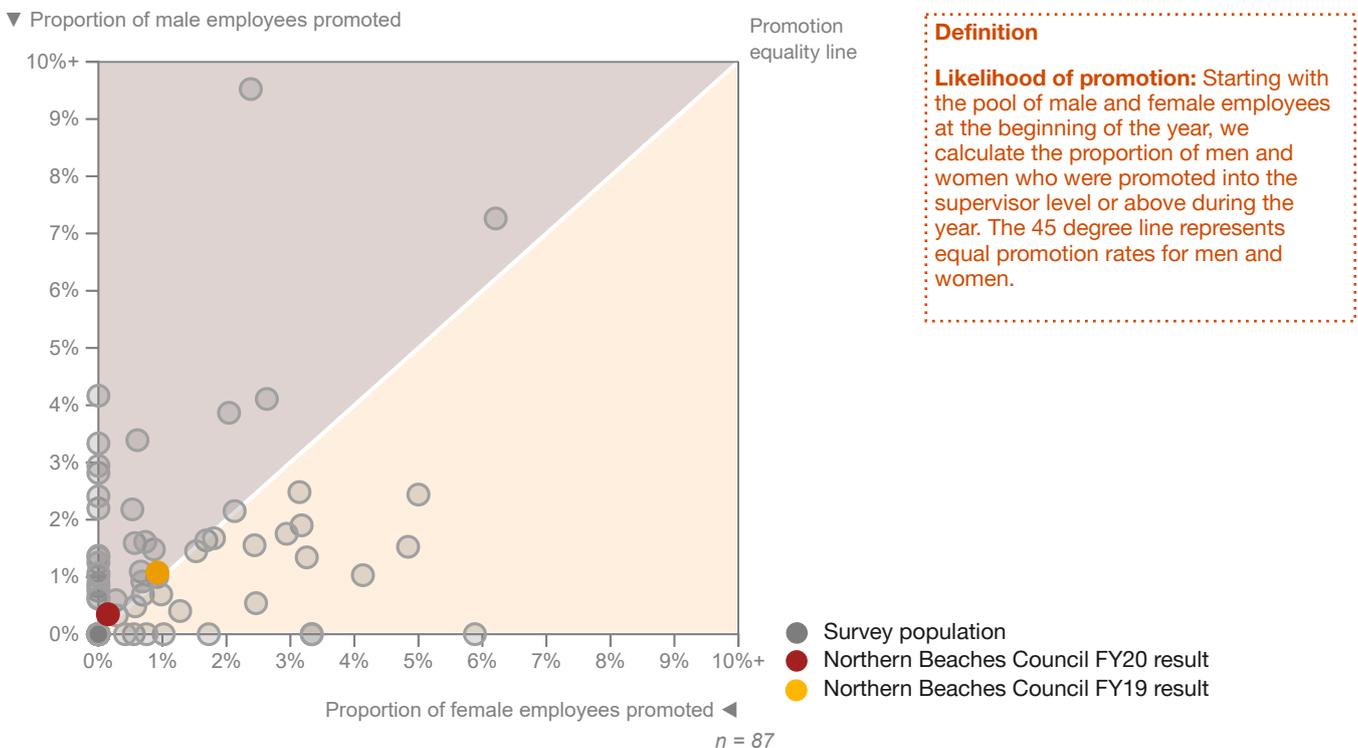
promoted into supervisor and above levels, compared to 1.1% of men.

It should be acknowledged that cultural change occurs over time so a single year of results should be read with care; a slight increase in female or male promotions, especially if one off, might not be correcting or revealing any gender imbalances across the staff levels. Councils should assess whether it is providing fair opportunities for long-term progression of both female and male employees, across all staff levels and business areas.

#### Key considerations

- Do you have a rigorous and independent talent review process that removes gender bias when looking at promotions into senior level roles?
- Does the council apply a merit-based selection process, when promoting staff into senior executive positions?
- Do you analyse the proportion of male and female promotions across the council by position and business unit?

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



## A fair process for promotions (continued)

### Rate of promotion

Our program also examined the rate of promotion for all employees across different staff levels. The calculation in Figure 1.32 examines the proportion of employees who were included in the opening headcount of a specific staff level, and were promoted during the year.

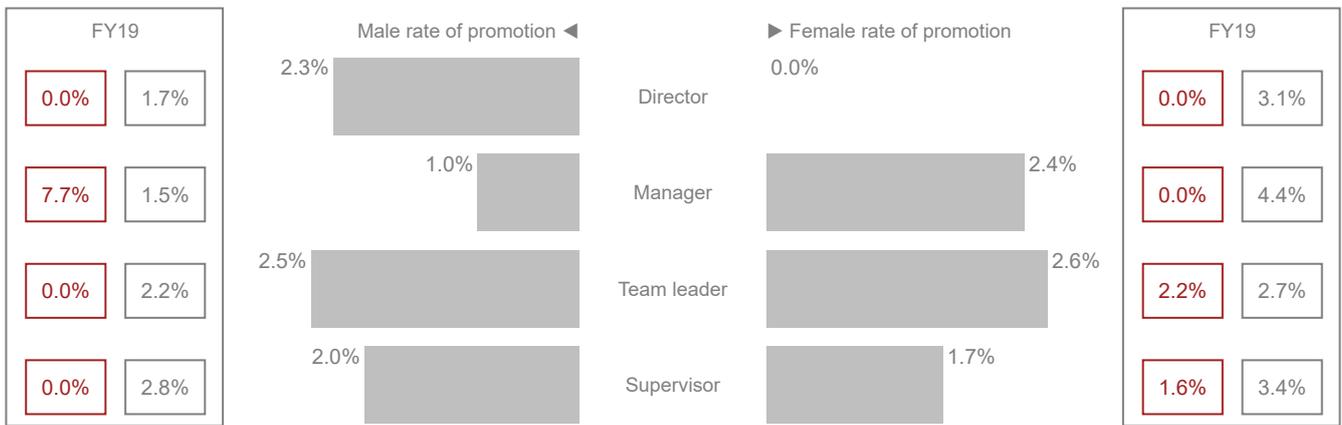
Within the manager level, we continue to observe a three year trend with a higher proportion of female managers being promoted, compared to male managers. Women in the manager grade were more than twice as likely to be promoted, compared to male managers (2.4% vs 1.0%).

The team leader level is close to parity this year, compared to prior years. We observe 2.6% of female team leaders being promoted, compared to 2.5% of male team leaders. In comparison, in FY19 and FY18, women in the team leader role were 1.2 times more likely to be promoted, compared to their male counterparts.

Both the team leader and supervisor roles are key career milestones where potential successors for key leadership roles may emerge, so we encourage councils to continue focusing on gender balance at this level.

For the first time in our program, there is an absence of female directors being promoted across all jurisdictions (0%), compared to 2.3% of male directors being promoted. Both NZ and SA councils have a larger gap, with 4.5% and 15% of male directors being promoted respectively, compared to 0% of their female counterparts.

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



Survey population  
  Northern Beaches Council

n = 87

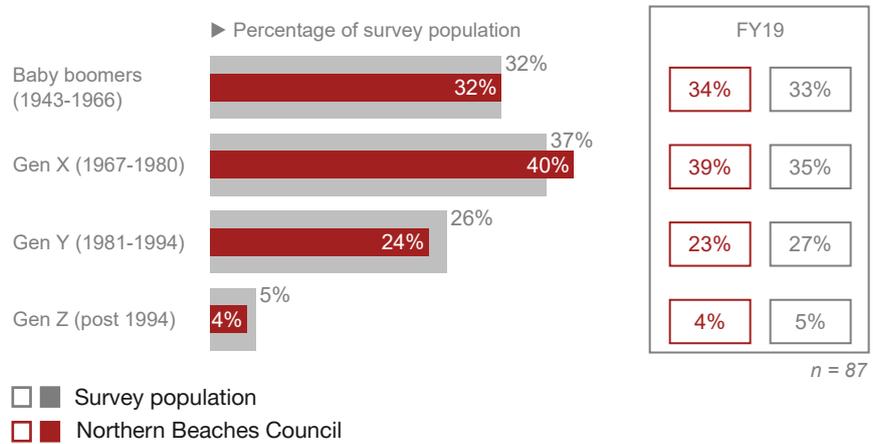


## How are you preparing for the generational shift?

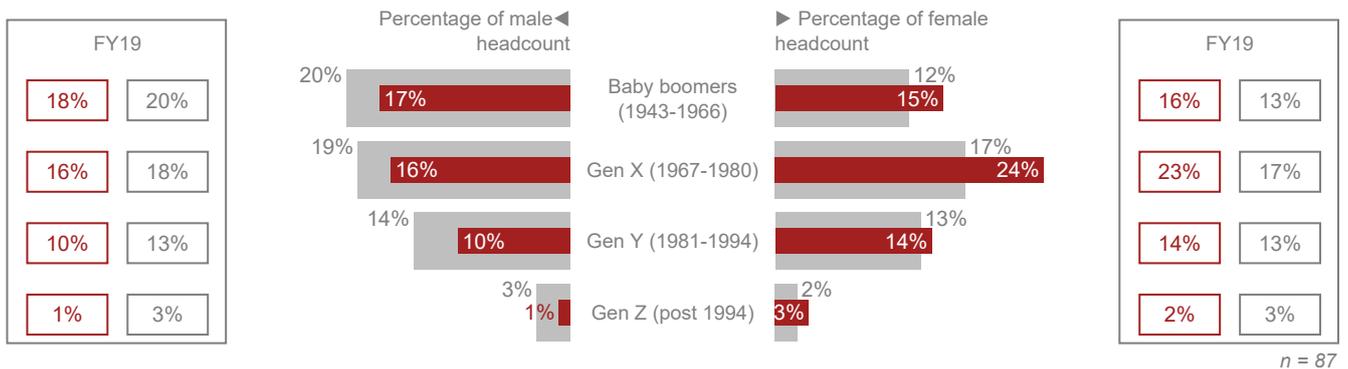
### Generational diversity

Understanding the patterns and trends by profiling generational workforce diversity assists councils as they plan for the future by introducing and enhancing relevant HR strategies and initiatives. Overall, we observe minimal change in the generational profiling in the past year. Although examining by staff level (Figure 1.35), shows an increasing number of councils are now led by Gen X members, with this generation entering the age bracket where these leadership roles have traditionally been awarded. Although baby boomers and Gen X make up 69% of the council workforce, the needs of all employees should be considered as the council seeks to create an inclusive and dynamic environment for staff to serve their communities.

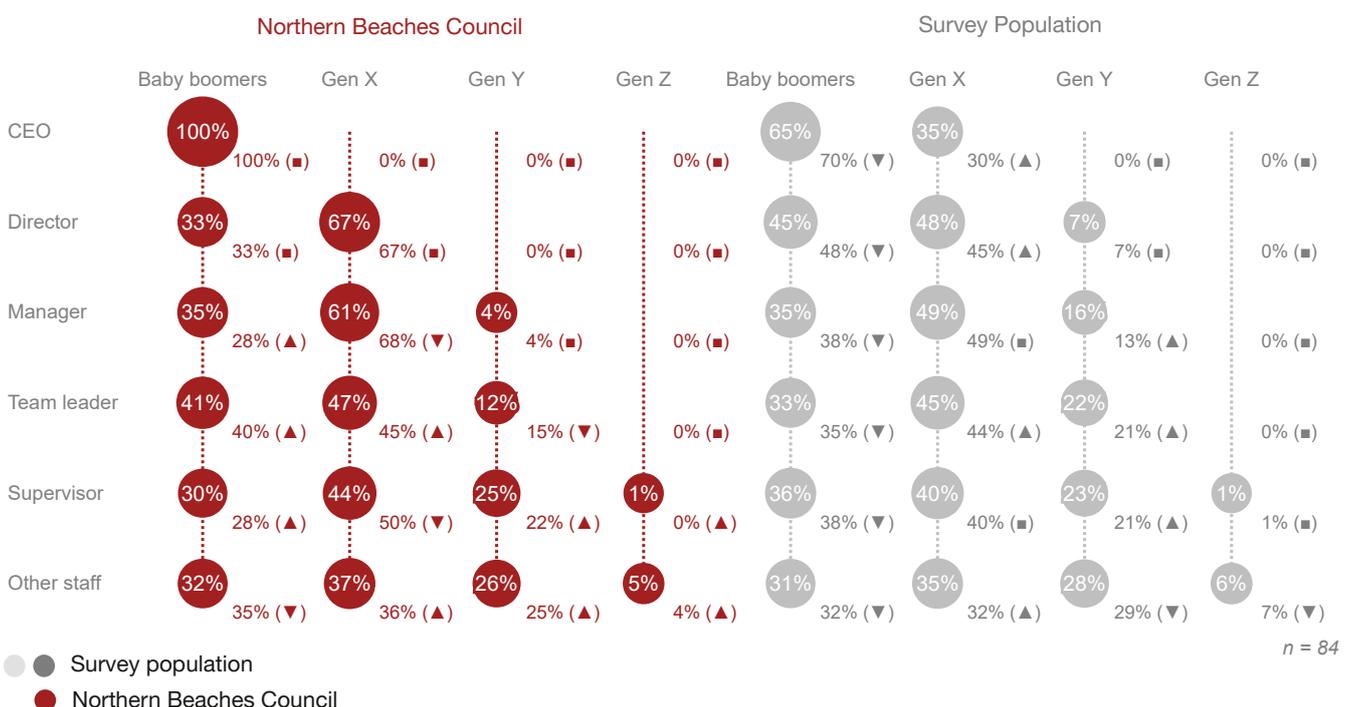
**Figure 1.33: Headcount mix by generation**



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



**Figure 1.35: Generational mix by staff level**



## How are you preparing for the generational shift?

### Potential retirements

As the generational transition from baby boomers to Gen X continues to play out in many councils, it is vital that councils continue to assess their readiness to transition critical knowledge and expertise within various functions and departments. Understanding and forecasting the potential future retirements over the next five to ten years is critical when preparing for a future fit workforce.

Different councils will find themselves in different positions at different times with regard to the age demographics of their workforce. At a jurisdiction level, the workforce currently appears to have a healthy mix of staff from across generations, and the sector has largely achieved the generational shift from baby boomers in positions of leadership. For councils that find themselves in a different position, perhaps reaching out to a neighbouring council and learning from their experience will help.

Across the entire surveyed council workforce, the percentage of staff reaching the retirement age of 65 in the next five years sits at 14%. Small councils

are the outlier, with 17% of their workforce having the option to retire in the next five years.

When this data is dissected at a more granular level, as expected we show a higher proportion of employees in senior positions having the option to retire, especially in ten years. Figure 1.36 shows potential retirements by 2025 or in five years, and in the Council Comparative Analysis Tool (CCAT) we also show potential retirements in the next ten years.

Across the director pool, we observe 14% of directors potentially retiring in five years and this jumping to 36% in ten years or 2030. This result is consistent with results from the past five years and is not surprising given the anecdotal relationship between age and position. Directors play a critical role in ensuring that departments are run smoothly and effectively, therefore councils should adequately prepare for these retirements and have effective succession plans in place, targeting talented managers to prepare for the move into these leadership roles.

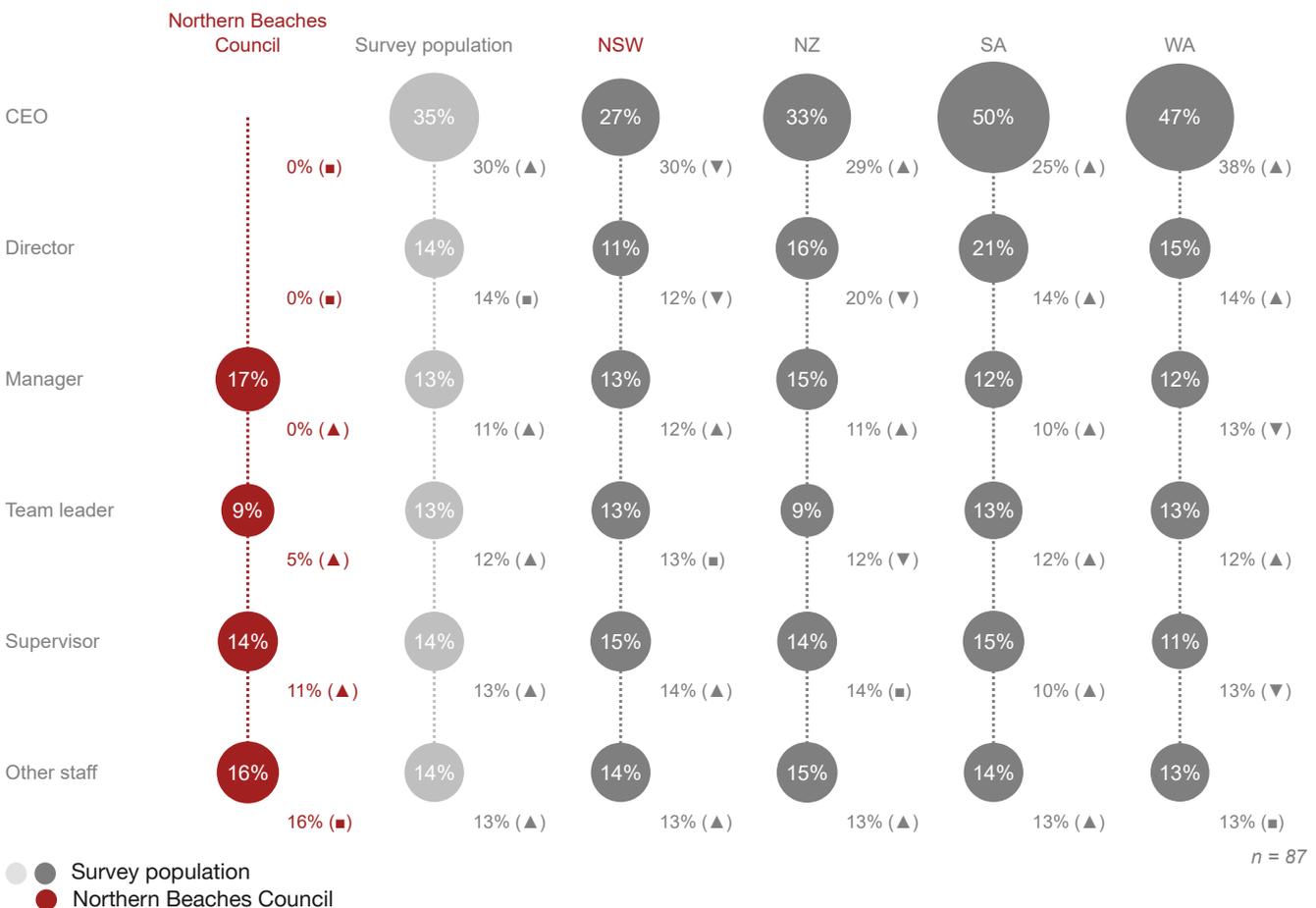
At a jurisdiction level, SA councils are more exposed than others in the next five years, with 50% of all current CEOs and 21% of directors having the option to retire. WA councils are also exposed at the CEO level (47%) and director level (15%).

From a council size perspective, small sized councils are the most exposed in the next five years, with 60% of all current CEOs having the option to retire compared to 44% of CEOs in large and 28% of CEOs in medium sized councils.

An opportunity exists for councils as a result of the current demographic changes, with a large proportion of senior leadership predicted to retire over the coming years, shifting the workforce to contain a generation of digitally-savvy and socially conscious employees.

Councils must ensure they have a clear and effective strategic workforce plan that takes into account the predicted retirements, the next generation of talent and smooth transfer of local council knowledge to foster efficient and effective high quality services to the community.

Figure 1.36: Potential retirements in five years (by June 2025)



## Are you actively promoting transition to retirement programs?

### Transition to retirement

Effective transition to retirement initiatives are designed to consider both the well-being of the retiring employee and the benefit of the employer, through effective transition of skills and knowledge. For key roles, the provision of more flexible working arrangements aims to prolong employment and delay retirement.

The Potential Retirements section of this report highlights that almost a third of the council workforce will reach retirement age in the next ten years. As such, the effective transition of employees into retirement is crucial to ensure expertise, knowledge and leadership skills are transferred to the next generation of council staff.

Our survey reports that the two most common retirement transition programs involve changes to working hours, either taking a stepped approach to retirement by reducing from full time to part-time hours (94%), or working flexibly during transition (89%). The least favoured option, with just 2% of councils, is a change in employment status to an independent contractor.

An increasingly popular transition to retirement policy is flexible working options, with 89% of councils offering this as an option (up from 78% in the prior year). We also see the more traditional use of long service leave as a way for an employee to slowly exit a

council proving to be less popular (reducing to 43%, down from 53% in the prior year).

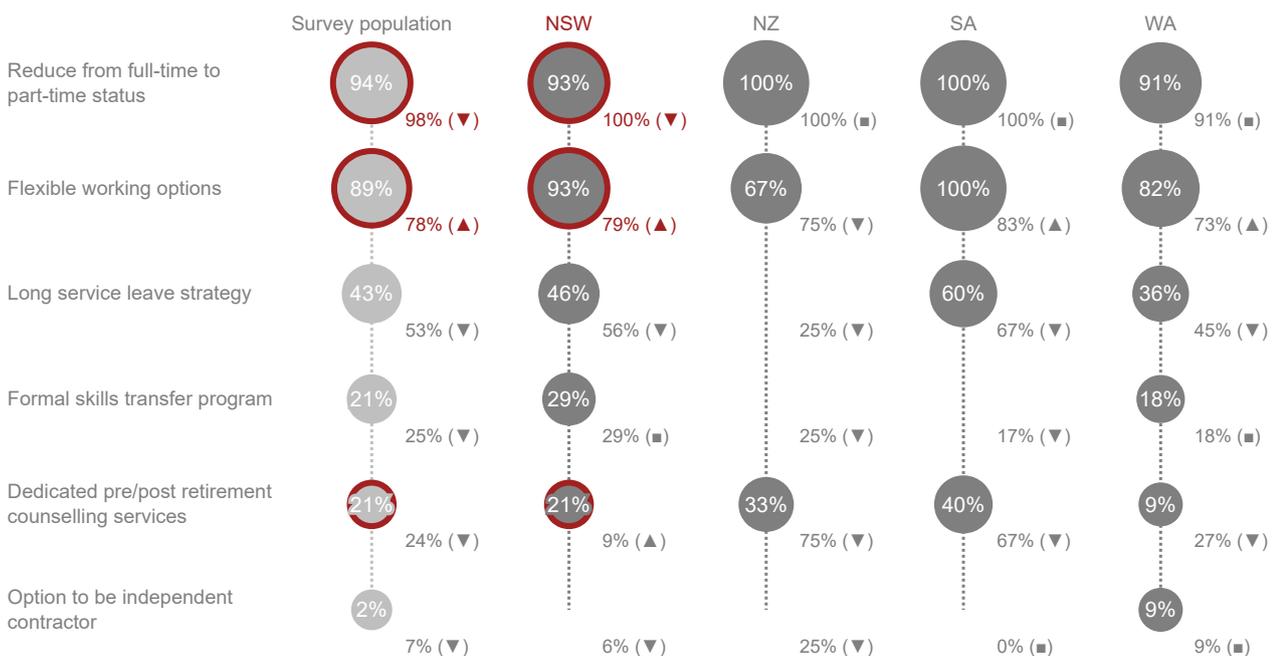
Retirement transition programs can be mutually beneficial for the council and the employee. By supporting the retiree through reduced working hours, encouraging mentoring or 'as required' contract work, councils can minimise the risk of loss of knowledge and skills by the retiree transferring their skills and knowledge to the ongoing workforce.

Your council offers transition to retirement programs 

#### Key considerations

- Are staff made aware of, and encouraged to use your council's transition to retirement policies?
- How do you ensure that an employee's skills and knowledge are transferred to the ongoing workforce and at the same time, the well-being of the employee is considered?
- Do you obtain feedback from employees on your transition to retirement policies, including what works well and areas for improvement?
- Are your transition to retirement policies reviewed and updated periodically to take into account feedback received from retirees, current staff and other key stakeholders?

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



● Survey population  
○ Northern Beaches Council

n = 47

## Do you have an active leave management strategy in place?

### Annual leave

An active leave management strategy encourages employee well-being. It also demonstrates an organisation's commitment to their staff in achieving a work-life balance, which may act as an attractor to the Gen Y and Z generations.

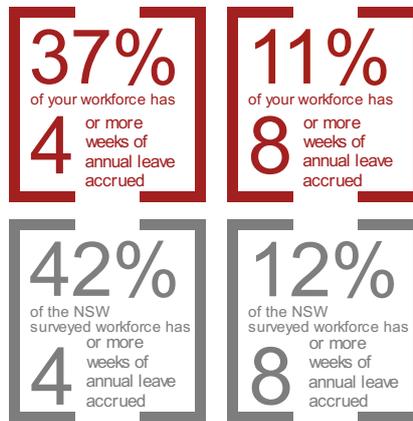
Failure to take a break may result in physical and mental health problems which would adversely affect workplace productivity, and increase the need for unplanned absences via sick leave. Further, consideration of the financial impact is also crucial as the value of leave balances can increase significantly as individual pay rates rise over time.

Our survey results show that as at 30 June 2020, 42% of employees carried more than four weeks of accrued annual leave and 12% have in excess of eight weeks. This is an increase from the prior year result of 36% and 9% respectively, and one that we are seeing many organisations grappling with due to employees canceling holiday plans during the 2020 pandemic.

Across the jurisdictions, SA councils have the lowest proportion of employees with 4 weeks or more annual leave accrued (40%) and 8% with 8 weeks or more, compared to NZ councils with 44% and 13% respectively.

The higher proportion of unused annual leave when analysed in conjunction with the overtime spend per FTE metric is even more concerning, particularly in NSW councils. The median NSW council spent \$2.9K of overtime per FTE, and 42% of employees have 4 weeks or more accrued leave which suggests that NSW staff are working excessive hours on top of accruing large leave balances. Councils facing this scenario are urged to address their resourcing strategies and instigate change by reviewing roles and a new approach to using annual leave.

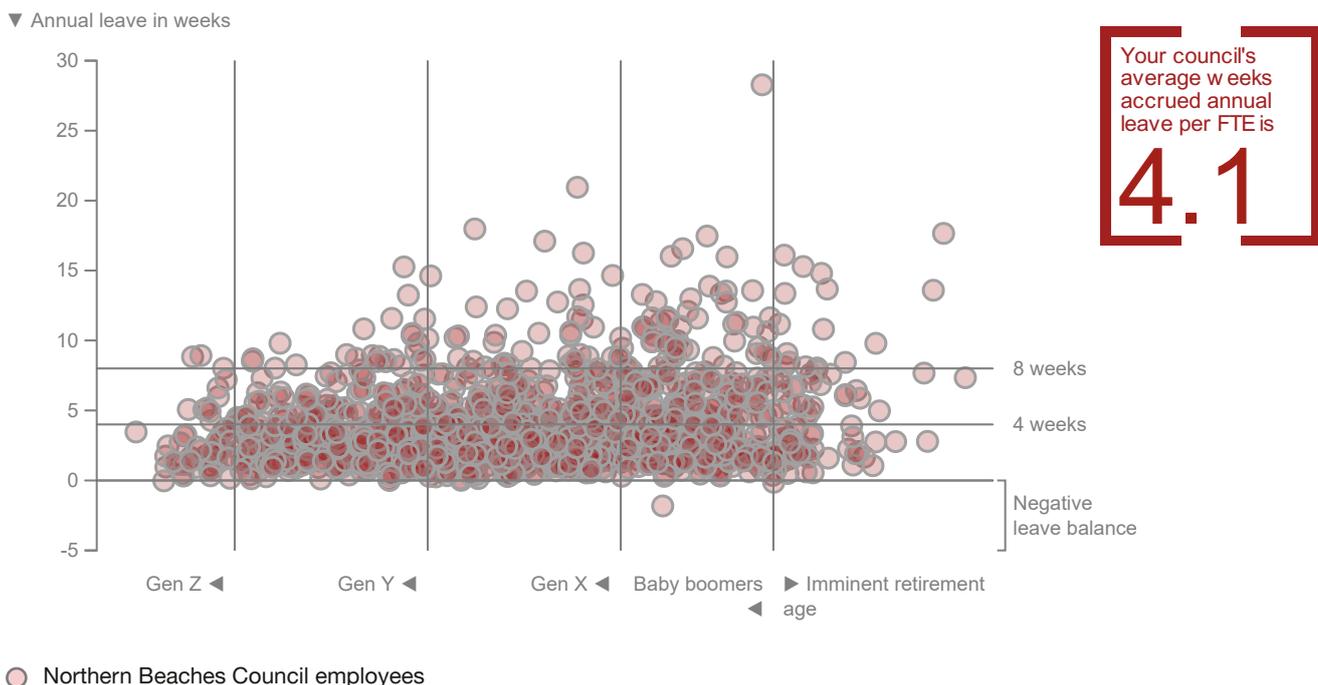
Given almost half of the surveyed employees are rolling over one month's salary annually and almost one in 8 rolling over two months' worth, councils must look at the risks this presents. The escalation in value of leave liabilities is a real cost that often catches budget-setters by surprise. One key strategy to manage this cost, while also achieving other wellbeing benefits for council staff, is to support your workforce to take regular leave, which will avoid the accumulation of large balances, and the associated challenges.



#### Key considerations

- Do you analyse those employees with high leave balances and work with the employee to understand why leave has not been used?
- Do you look for any trends as to why staff are not taking leave to determine whether particular action needs to be taken at an organisational level?
- Is taking annual leave encouraged? Is there a culture of promoting the need to take annual leave to maintain good health and well-being?

Figure 1.38: Employee annual leave balances



## The importance of managing long service leave and retirement

### Long service leave

In this section, we profile the spread of long service leave (LSL) balances across the various generations for each council, with each dot representing a council employee with a LSL balance. Councils can use this chart to assess the extent of financial liability that exists and when this may come to fruition, especially if the higher balances sit within the baby boomer generation.

The percentage of employees with LSL balances in excess of 12 weeks has increased for the first time since FY16 to 18%, up from 14%, once again likely to be impacted by movement restrictions during the pandemic this year.



Results across jurisdictions show a slight movement from the prior year, with NSW councils falling to 24% from 25%, SA councils falling to 11% from 13% and WA councils increasing to 8% from 7%.

Potential benefits that arise from implementing an active LSL management program include:

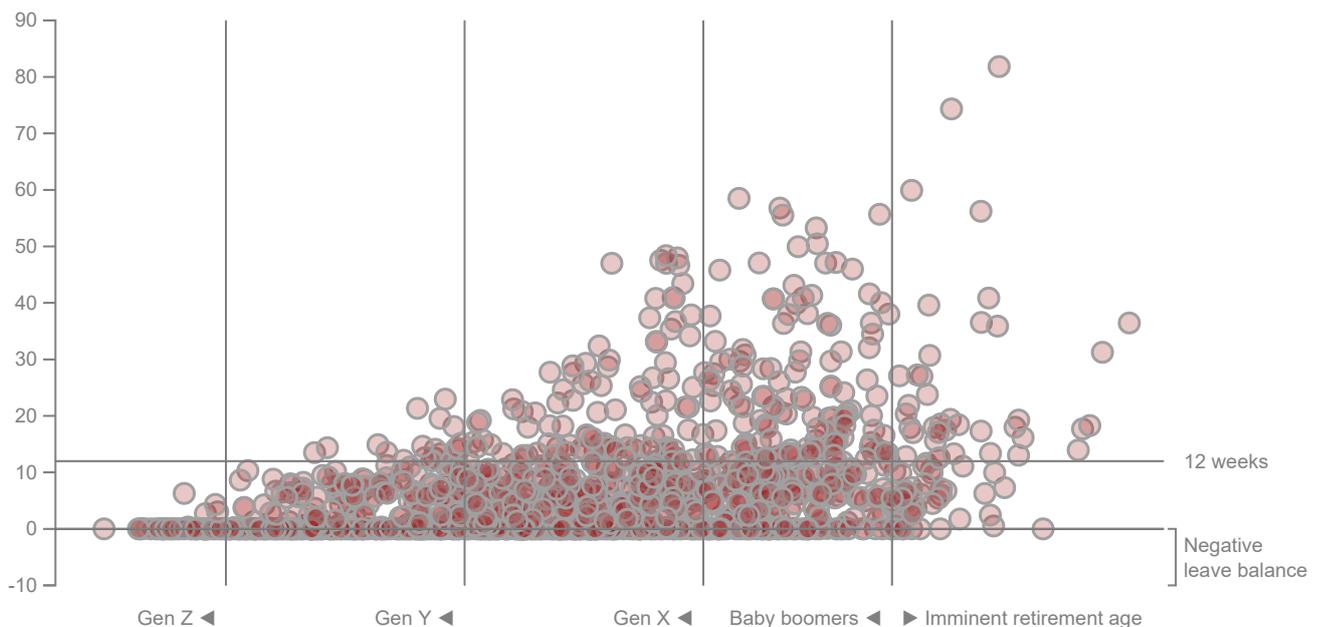
- A shift in workplace culture, where senior management set the tone from the top, and model the desired behaviour of using accrued leave;
- A refreshed workforce, possibly resulting in reduced sick leave and lost time from injuries;
- Opportunities for staff to “step-up” into more senior or different roles, therefore improving the skill-sets and flexibility of the workforce; and
- A more engaged, motivated and satisfied workforce, due to the variety of work available and opportunities to work with and be seen by more senior management.

**22%**  
of your workforce has more than **12** weeks of long service leave accrued

**24%**  
of the surveyed workforce has more than **12** weeks of long service leave accrued

Figure 1.39: Employee long service leave balances

▼ Long service leave in weeks



○ Northern Beaches Council employees

## Learning from sick leave and absenteeism

### Absence

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

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

Across the survey population, the 25% of employees who used the least amount of sick leave took 2.8 sick days or less, (up from 2.6 days in FY19). At the other end of the spectrum, 25% of employees took 10.8 days or more (also slightly higher than FY19 of 10.4 days). The remaining 50% of employees took between 2.8 and 10.8 sick days - this is the 'normal' range.

Councils should assess their sick leave profile in Figure 1.40, especially where

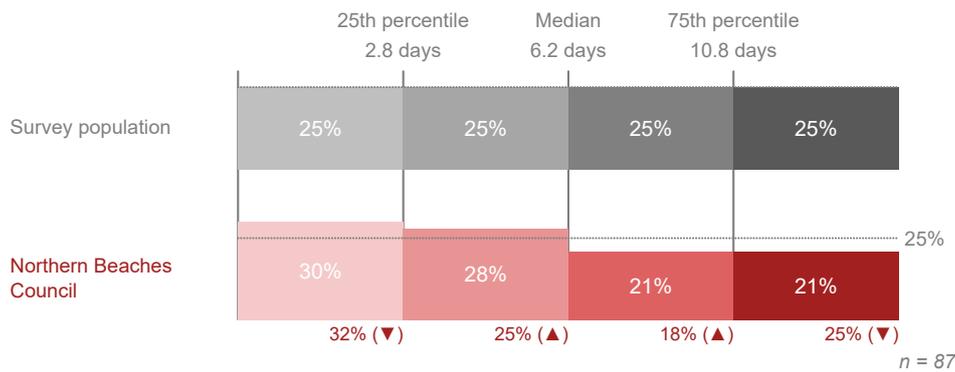
results are higher than the population median results to understand whether there is an underlying root cause or trends that can be remediated. Councils could consider permitting allowances for non-medical leave, flexible working arrangements, as well as promoting a positive workplace where staff are engaged, recognised for strong performance, and supported by their managers as strategies for reducing employee 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 1.41. Higher levels of absenteeism at the supervisor level can have a flow on effect on subordinates including demotivating staff and an increase in overall absenteeism.

#### Key considerations

- Are staff absenteeism monitored including identifying any patterns or trends?
- For staff taking higher than average sick leave, are managers trained and encouraged to check in on the employee to show care and to identify whether the leave is in relation to the workplace environment?
- Have you assessed whether there are particular staff levels or business units that are reporting higher staff absenteeism?

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



# 4.6

sick leave days taken in FY20 across your workforce

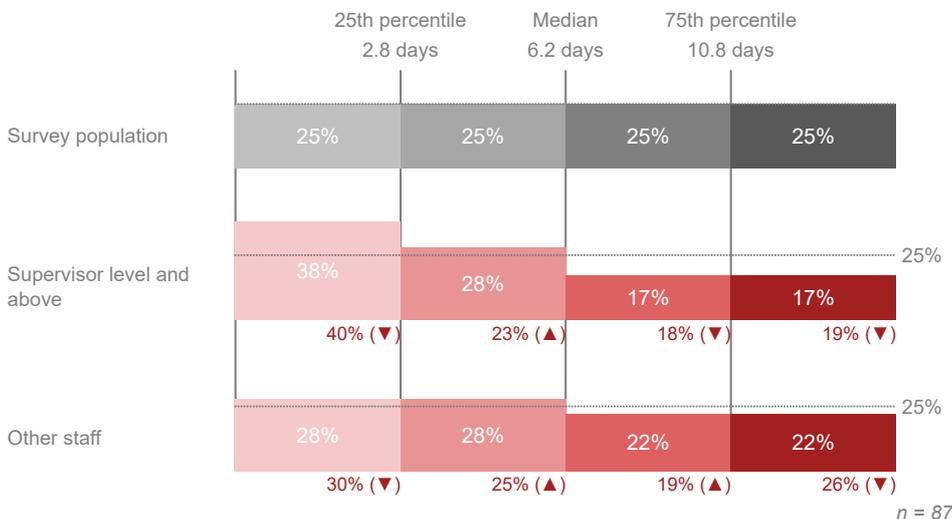
median

# 6.2

sick leave days taken in FY20 across the survey population

median

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



Q1 Q2 Q3 Q4 Survey population quartiles  
 Q1 Q2 Q3 Q4 Northern Beaches Council quartiles

## Are you equipping staff with new skills?

### Staff training

We continue to observe a persistent trend across the local government sector, whereby 99% of councils establish and agree on a formal training budget (up from 98% in FY19).

However, where we usually see around one quarter of councils actually spending their full training budget, during FY20 we saw a sharp decline to just 7% of councils using their training budget. This suggests that the pandemic impacted budget allocations and the ability for organisations to either run training sessions or send their staff to external training.

When analysing by jurisdiction, we observe NSW councils using the largest portion of their training budget, compared to other jurisdictions, with 13% spending their full budget, albeit much lower than 35% of NSW councils in FY19.

Conversely, there were no NZ, WA or SA councils that spent their full training budget.

The changing expectations of customers, community and employees, and the ongoing digitisation of councils has led to the importance of upskilling staff. We acknowledge that 2020 has been difficult with budget cuts and a limited ability to hold in person training sessions. However, as we enter 2021 and budgets are assessed it will be important to restore to pre-pandemic levels as councils aim to 'catch up' and schedule staff upskilling events in the new year.

PwC's 'New World. New Skills' survey showed that 69% of adults are ready to learn new skills or completely retrain to improve their future employability. Although there is this hunger to learn by the workforce, only 23% of people say that upskilling is happening within their

workplace.<sup>18</sup> Organisations that fail to upskill or train staff risk engaging and retaining talent and reduce productivity. In this time of increased economic uncertainty, business leaders owe it to their organisations, their workforce and the wider economy to act.<sup>19</sup>

Options councils can utilise to upskill staff without impacting their existing roles include:

- Offering short or long-term secondments to other business areas or councils;
- Providing mini training sessions such as a 'lunch and learn' or e-learns;
- Incorporating training into planned social or team bonding sessions; and
- Gamify the training through the use of apps or virtual simulations.

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

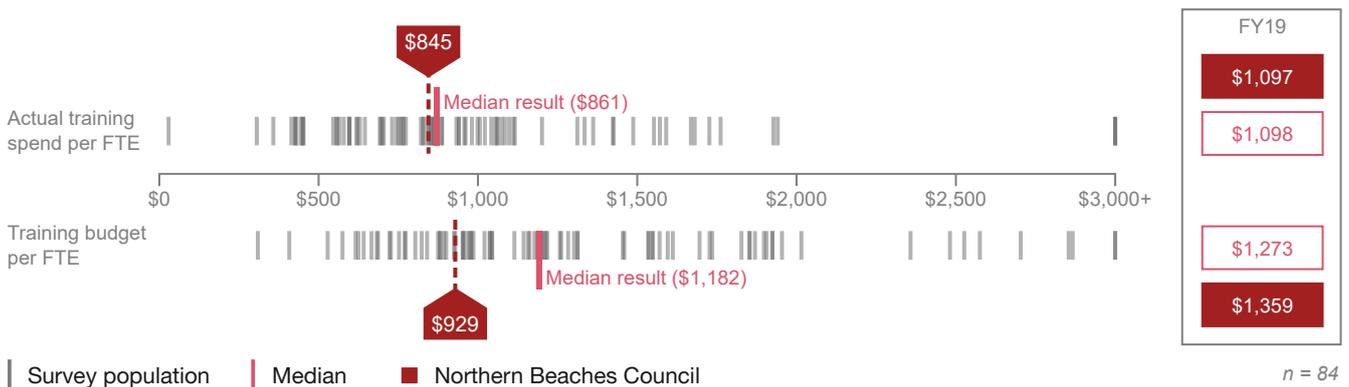


Figure 1.43: Actual training spend against training budget per FTE (A\$)



18 PwC, 2020, 23rd Annual Global CEO Survey: Navigating the rising tide of uncertainty  
 19 PwC, 2020, Australia's mismatched workforce

## Maintaining high levels of staff engagement

### Staff engagement

Staff engagement is vital to maintaining a positive work environment and a high performing and productive organisation. The pandemic has created both economic and emotional implications for organisations, so to engage employees effectively during this historic moment, it is essential to prioritise clarity, create community and foster working relationships that lead to collaboration, co-creation and creativity.<sup>20</sup>

It is important during this historic moment to:

- **Communicate with clarity**, be transparent and create a single source of truth where employees can ask questions and access important messages.
- **Connect as a community**, work towards developing new channels or social tools for employees to share stories or positive affirmations.
- **Co-create with your people**, pool your team's collective creativity to respond to new challenges and co-create products and outcomes that can help your business endure. Developing a

new normal shouldn't be the domain of an executive team. It's a collaborative process.<sup>21</sup>

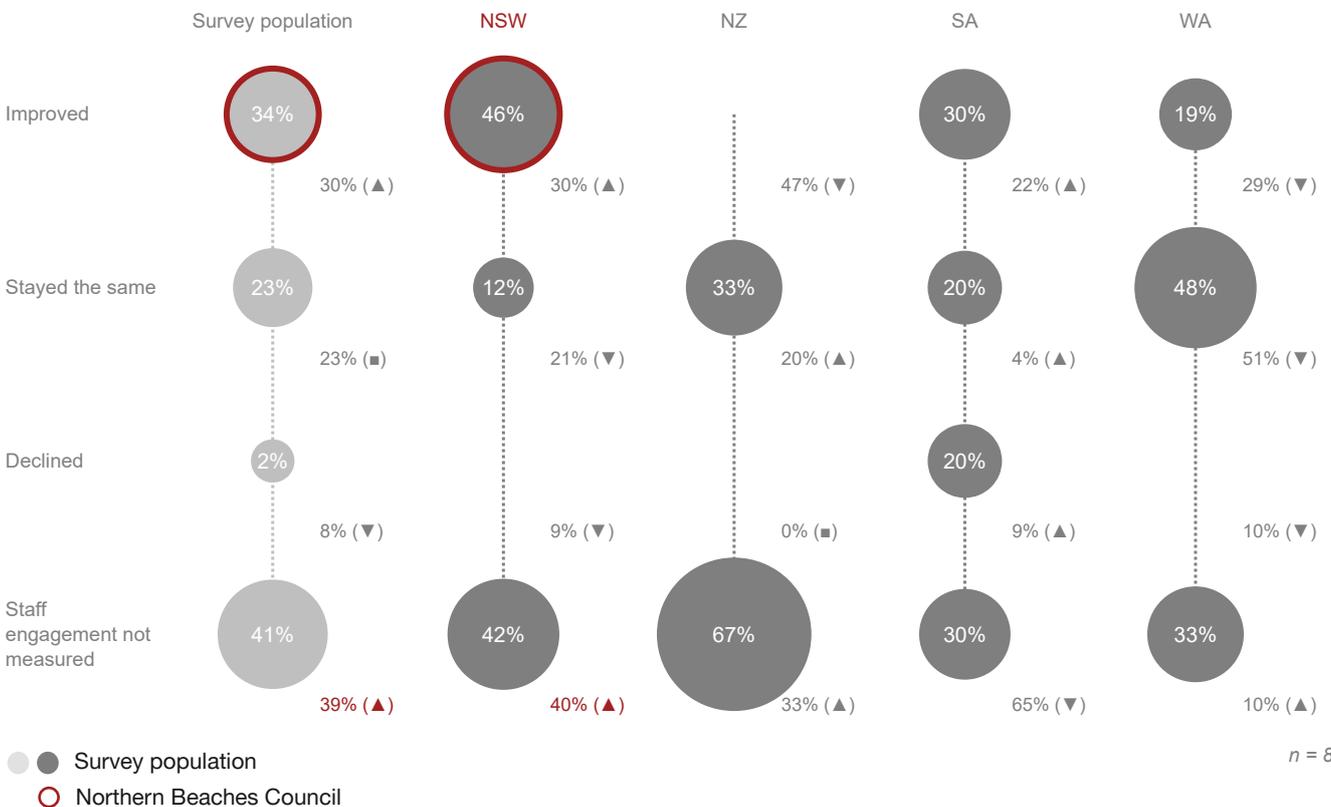
Our findings show that 34% of councils reported improved staff engagement, up from 30% in FY19. Across SA councils, we see an increase in the proportion of councils that measured staff engagement levels during FY20, with 70% doing so, compared to just 35% in the prior year, suggesting this is not an annual activity. Similarly in NZ, just 33% of councils measured staff engagement levels in FY20, a significant decrease from FY19 of 67%, which may show that staff engagement is not measured every year in some councils.

In terms of uncertainty there are also times of opportunity, COVID-19 has made the skill of employee engagement more complex and urgent. Responding to a crisis with a process that is transparent, consistent and respectful will empower your staff, with the resources to ensure the success of the council and minimise the risk of confusion and stress.<sup>22</sup>

#### Key considerations

- Does your council have a culture that is employee-centric?
- Do business leaders show genuine care by listening to staff feedback and taking action to address any staff concerns or needs where necessary?
- Are you encouraged to recognise staff at all levels?
- Do you review your staff engagement results to identify action needed in areas of improvement?
- Where positive staff engagement is apparent in certain areas of the council, do you understand the root cause and apply these to other areas of the council that require improvement?

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



20 PwC, "The art of engaging employees during turbulent times", <https://www.pwc.com.au/the-difference/art-of-engaging-employees-in-turbulent-times>, accessed November 2020

21 Ibid

22 Ibid

## How do you manage lost time injury incidents?

### Lost-time injuries

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

NZ councils continue to operate with a lower number of days lost per 100 employees (49 days), compared to other jurisdictions, however this has increased from 20 days in FY19. At the other end of the spectrum, NSW councils experienced 86 lost days per 100 employees (up from 83 in FY19), followed by WA and SA councils with around 74 days.

Our results show that there has been an increase in the average rate of incidents

across all age groups of workers compared to the prior year, particularly in the 18-30 (1.4 to 2.1 incidents per 100 employees) and 60+ (2.5 to 3.2 incidents per 100 employees) age brackets. The two highest age brackets (46-60 and 60+) continue to have the highest relative number of incidents per 100 employees, with 2.7 and 3.2 incidents per 100 employees respectively. Councils should investigate the nature of these incidents so that action can occur through awareness and well-being programs that target the 46-60 and 60+ age groups.

The extent of workplace injuries is determined by the nature, shape and mix of council services. Further, where services are outsourced, councils should

ensure that they are contracting with a provider that manages this risk appropriately and that the contract itself promotes safe work practices.

#### Key considerations

- Are all staff trained on workplace safety including periodic refresher training?
- Do you investigate all workplace injuries to ensure mitigating controls are put in place where necessary to minimise the risk of recurrence?
- Are audits performed to ensure that any recommendations raised as part of workplace injury investigations, have been actioned and closed timely?

Figure 1.45: Lost time injury incidents

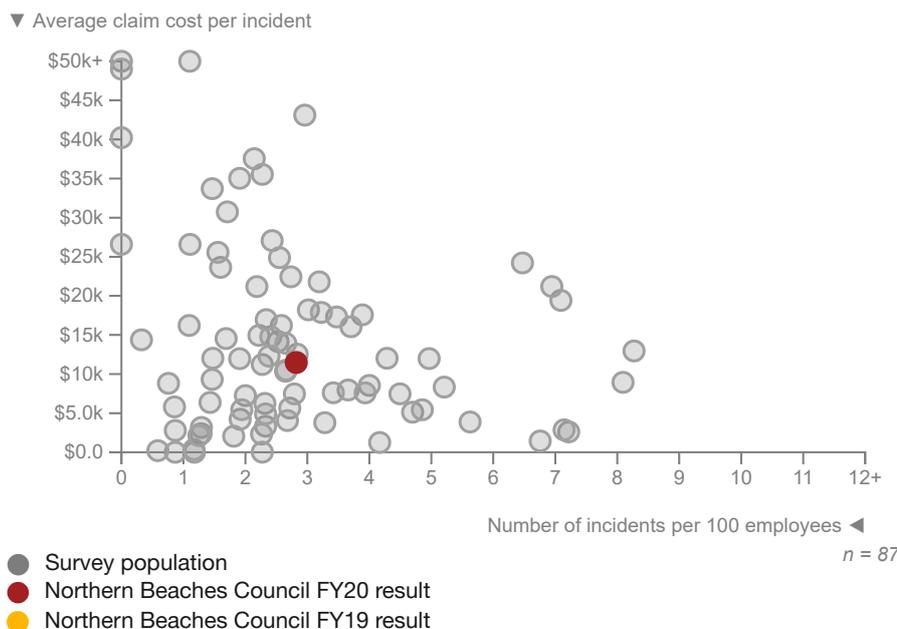
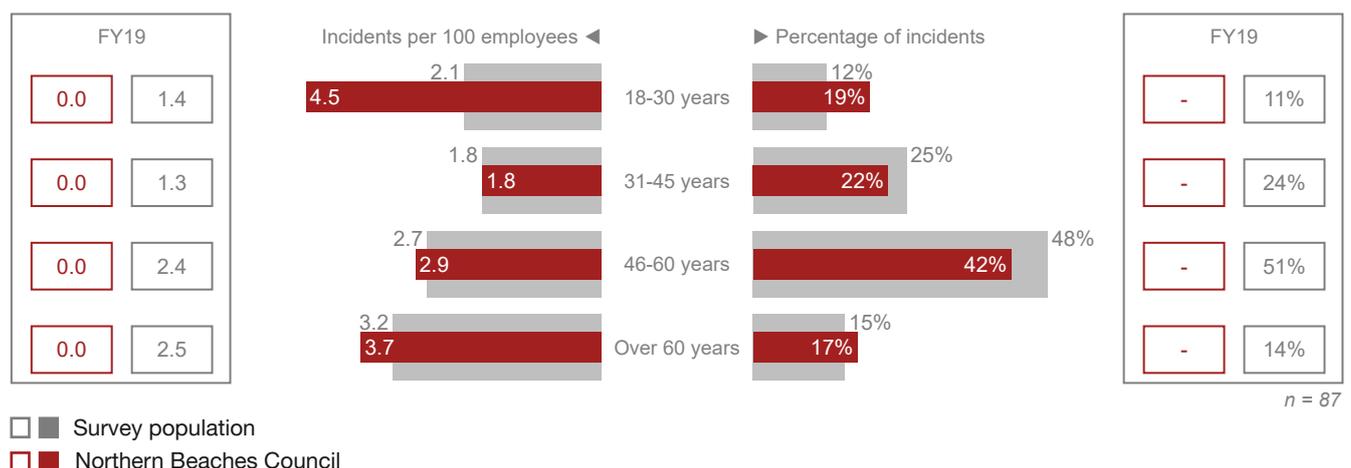


Figure 1.46: Incidents per 100 employees by age bracket



## Case study: Workforce Development Plan

### Town of Victoria Park, WA

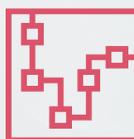
#### Background



Since 2012 the Town's executive team has maintained a strategic workforce plan as part of its planning procedures under the local governments Integrated Planning and Reporting Framework. It is an organic document that aligns workforce issues to the changing service needs of the Town's Community Plan.

The workforce data the Town collects provides assistance to analyse its workforce environment and compare it to other local governments. By improving our knowledge of workforce issues in local government we are better positioned to respond and improve staffing matters and service delivery.

#### Usage



The Town maintains a range of workforce data in its plan including:

- Annual turnover figures;
- Gender and diversity details,
- FTE and employee costs,
- Details on attraction and retention,
- Structural reporting and organisational design.

The metrics supplied as part of the ALGPEP have allowed the Town to better understand where it sits in relation to other councils knowing that the metrics are consistent in their collection and comparison. The most useful metrics have been with "Gender & Diversity" and "FTE & Employee Costs". Access to these tools is with the Town's Executive Team; its People and Culture section, and its Financial Services section.

#### Areas for improvement



The Town is committed to maintaining a diverse and inclusive workforce and has developed a range of strategies and initiatives to improve in that area. In addition, the Town is currently reviewing its structural framework in regard to the span of control matters with the aim of improving workplace responsibility and autonomy.

The challenge for the Town is to attract and retain the right staff, and to reduce its turnover levels. This includes the development of a positive and supportive culture that staff are committed to being a part of.

#### Looking ahead



To establish monitoring progress in the future, the Town maintains regular surveys and reviews to monitor cultural issues and the impact of training and development in these areas. Comparative measures in this area from other councils will assist the Town in its development of these programs and initiatives.

# Finance



Workforce



Finance



Operations



Service Delivery



Corporate Leadership



Asset Management



**43%**

of finance employees have at least a bachelor's degree



**25%**

of councils report frequent use of data transformation and blending tools



**43%**

of councils plan to use data visualisation tools on a frequent basis in the next two years

## Finance Trend Summary

### Northern Beaches Council



## Finance partnering with the business

### CFOs continue to help shape the business strategy

The CFO's<sup>23</sup> skill set has never been more critical to successfully navigating the challenges of local government management and leadership, with 68% of councils reporting that their CFO works closely with their CEO and senior executives to define the business strategy.

CFOs in NZ and WA councils are more likely to operate in a more strategic finance role compared to their peers, at 83% and 76% respectively. Across council types, 94% of large councils reported greater CFO involvement in strategy definition and direction, compared to medium and small councils (65% and 45% respectively).

In addition to ensuring local governments' finances are managed effectively, CFOs are now expected to be leaders in financial transformation, business partnering, data analytics, problem solving and more.

According to PwC's Public Sector CFOs report, CFOs are expected to drive further change and innovation in their entities,

including learning how to best utilise technologies to automate and optimise processes, and creating different and rewarding careers for staff impacted by this change. These new career paths will require value-adding skills, including the ability to manage outsourcing and technology arrangements, expertise in funds stewardship, data analytics and business partnering.<sup>24</sup>

The report<sup>25</sup> goes on to highlight the following key competencies for CFOs to succeed in the Australian Public Service (APS):

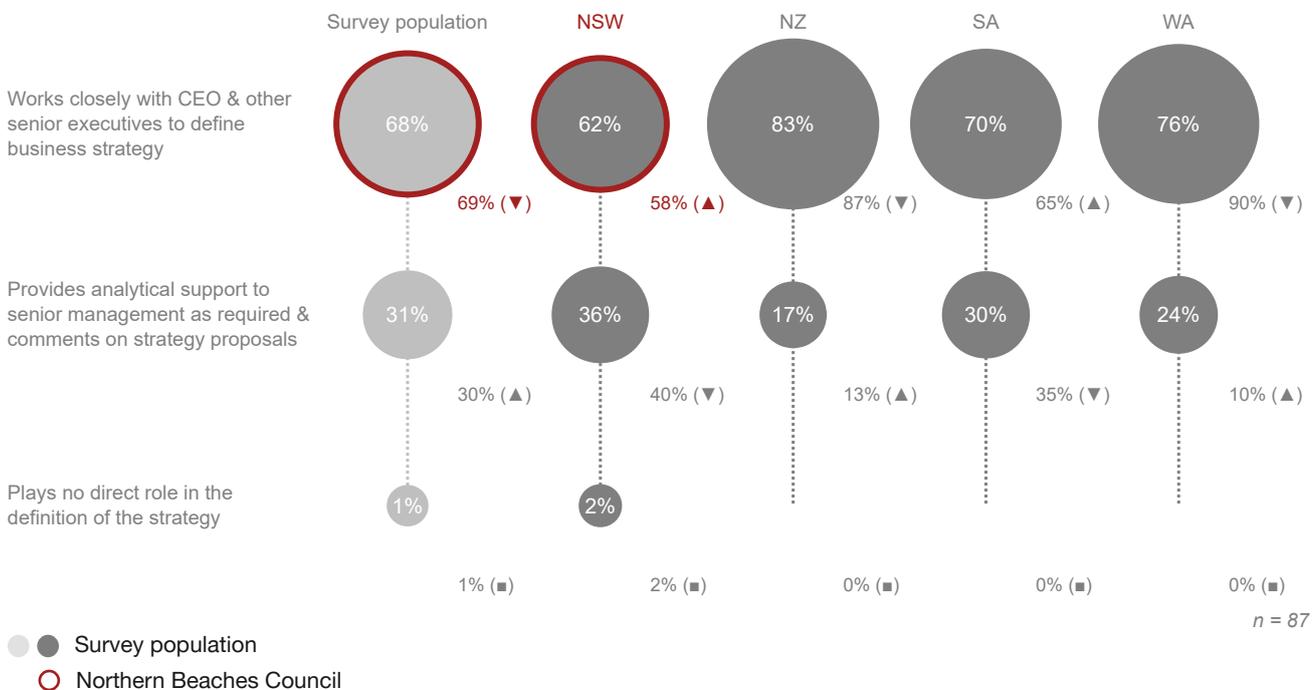
- **Strategic stakeholder management and engagement skills:** deliver insights on performance and the factors affecting it and the ability to say 'no' and still maintain influence and relationships.
- **Leadership and workforce management capabilities:** ability to lead and manage a team, build capability of a team, provide effective

coaching and support staff to forge new career pathways that focus more on the softer skills to complement the developments in technology in the finance function.

- **Decision Support and Control:** high-level problem solving skills to work within their entity and across entities to help find solutions to complex issues.

*"As important agents of change, finance leaders must complement their technical competence in core financial operations with a flair for analysis and insight, and skills in communication, complex problem solving and relationship building. In turn, public sector agencies must recognise that their needs are changing, and take this opportunity to invest in building the capability of their finance staff and leaders".<sup>26</sup>*

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



23 CFO: Chief Financial Officer. Also refers to the role of Director or Manager of Finance.

24 PwC Public Sector CFOs, February 2020, New skills for a challenging new era.

25 Ibid

26 Ibid

## Finance partnering with the business

### Finance skills and qualifications

Finance leaders who are committed to agility and innovation are well positioned to attract higher calibre candidates with a higher level of education.

Our overall survey findings highlight that 43% of finance employees have at least a bachelor's degree, and 25% have a postgraduate qualification. NZ councils continue to employ the largest proportion of highly-educated finance staff, with 53% of staff holding at least a bachelor's degree, closely followed by 52% in WA councils.

The PwC Finance Effectiveness Benchmark Report, which is supported by analysis from interviews and benchmarking data from over 700 finance functions, highlights that 75% of time in top finance functions is spent on the analysis of data and generating meaningful insights. High performing organisations are continuing to change the workforce profile of their finance function to include staff with the capability to analyse data and provide insights to drive strategic transformation.<sup>27</sup>

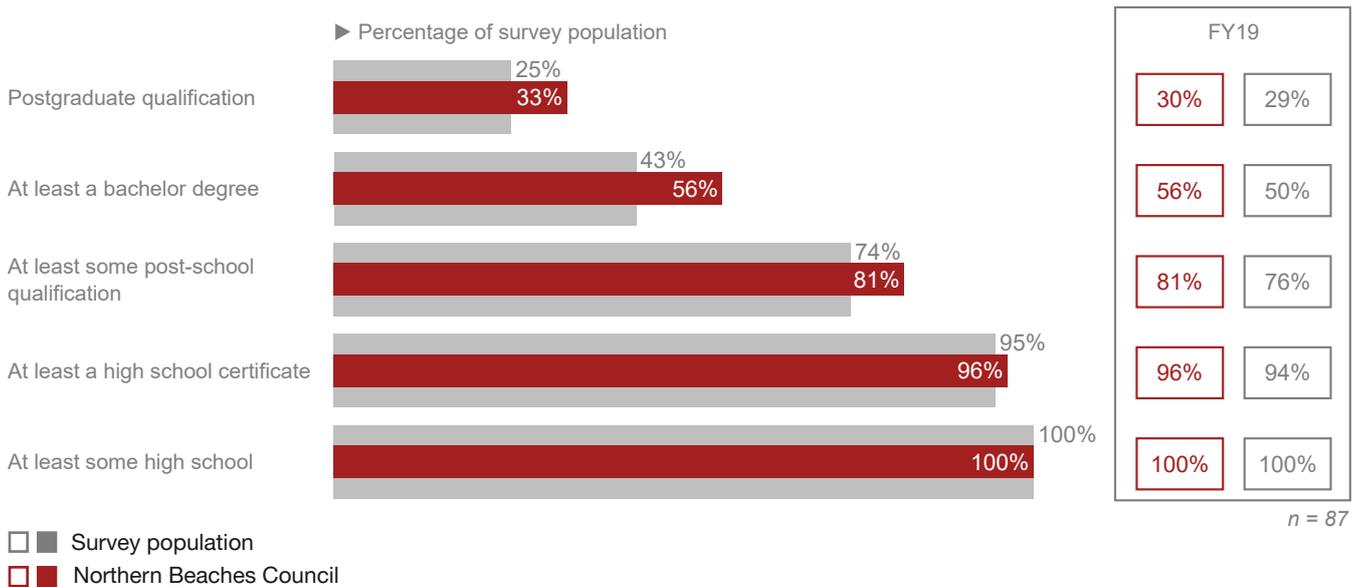
Councils need to be in a position to attract and retain high calibre finance professionals to drive strategic transformation including use of emerging technology, collaboration across business teams and agile ways of working. This goes hand in hand with the investment in the right technology to enable automation and increase efficiency in transactional and compliance-related processes.

*The modern finance organisation runs on finance athletes, professionals who can easily toggle between roles and functions. These are not roles with narrow expertise—for example only supply chain, procurement or reporting expertise. Rather, they have core finance skills, but they can also embody personas like techno players who can bridge IT and finance, or value drivers who can anticipate risk issues like corruption before they even bubble up.<sup>28</sup>*

#### Key considerations

- Is your finance team equipped with the right skills to deliver digital transformation projects such as automation and analytics?
- Is your finance function supporting business units to understand the overall performance of their areas, providing more visual and analytical insights to assist business decisions and longer term plans?
- Is your finance function embracing change, and starting to explore how automation technologies could reduce time and occurrence of errors, allowing a refocus on driving data driven insights?

Figure 2.2: Finance employee qualifications (cumulative)



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

28 Ibid

## How are you leveraging technology to create real time insights?

### Opportunities for finance teams to generate business insights

**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.

Over the past two years, we have observed a static 23% of finance function effort devoted to business insight activities. However, this year we observe a decline to 21% (the lowest result in four years), with the remaining time dedicated to transactional activities (now at 61%, up from 57% in the prior year) and 18% to compliance activities. This suggests a return to a more traditional finance function.

Our local government result of 21% business insight focus is in stark contrast to top performing finance functions. The PwC Finance Effectiveness Benchmark Report highlights that 75% of time in top performing finance functions is dedicated to data analysis and business insights, with the median result also much higher at 63%.<sup>29</sup>

We acknowledge that the governance and compliance obligations of councils are vastly different to some of the organisations in the aforementioned report which operate in the private sector. Nevertheless, the

disparity highlights there is an opportunity for the local government sector to make better use of the qualified finance staff that are already employed to digitise and/or automate repeatable finance processes.

Our results show that NZ finance functions continue to devote more time to business insight activities, representing 32% of their time. This is in contrast to WA councils, whereby just 18% of time is dedicated to these value-add activities, even though they have a highly educated finance workforce.

The opportunity now exists for finance teams to invest in digital advances and transition to more timely and insightful management reporting. Using the latest business intelligence and data visualisation programs allows for more self service information gathering that in turn creates more capable users.

With some councils shifting to remote working, the availability of mobile computing and online collaboration tools provide finance teams with more flexibility

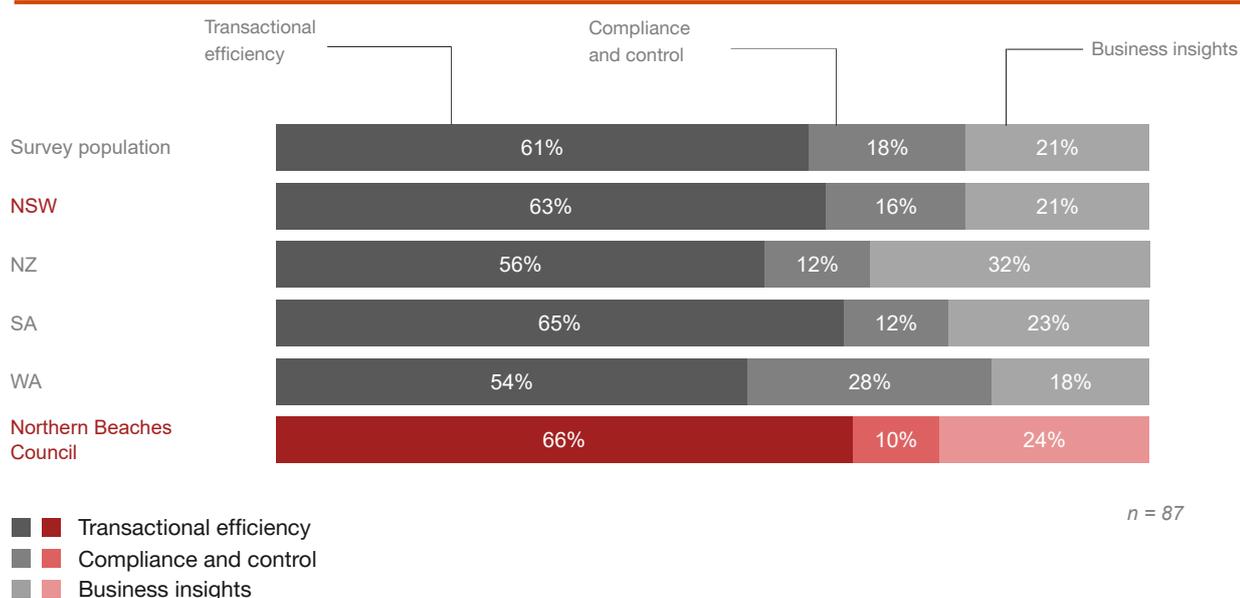
and freedom. Leading finance teams are now interacting with the data, their customers, and each other in ways that were not previously possible.

#### Key considerations

- Do your finance leaders have a clear digital vision with defined processes or tasks ready for automation or elimination?
- Does your digital vision include the upskilling of finance employees in technology leverage and deployment?
- Are there any strategic partnerships with other councils that can be leveraged to provide additional value or deliver business insights?
- Is your finance team able to work remotely using online collaboration tools?
- Are you prioritising analysis and business insights over production of multiple monthly reports, some of which may no longer be required?

*Self-service dashboards drive nimble decision-making, but business teams still need support from finance to draw conclusions or validate decisions. Keep collaboration strong with regular touchpoints so that both finance and business teams have the same interpretation of the data and the same basis for measuring performance.<sup>30</sup>*

**Figure 2.3: Finance function effort by process**



<sup>29</sup> PwC Finance Effectiveness Benchmark Report 2019, 'Your finance function is ready for change, are you?'

<sup>30</sup> Ibid

## What is your finance function really costing you?

### Finance function cost

Efficiency and cost reduction in the finance function has become an increasing priority, and finance leaders are reinvesting those gains to improve the insights they provide and deliver value to the entity and leaders they support.

The 2019 PwC Finance Effectiveness Benchmarking Report found global finance functions are costing a median of 0.85% (finance cost as a percentage of revenue), with the lowest cost quartile finance functions costing 0.55%.<sup>31</sup>

Our median survey result is higher and rising at 2.7%, up from 2.4% in FY19. Given the onset of the pandemic in the final quarter of FY20, this may go some way to explain both the increase since FY19 and the comparison to the global survey that was performed in 2019.

SA councils continue to report the highest cost of finance as a percentage of revenue, at 4.1%, followed by NZ councils, at 3.0%. These results coincide with the councils boasting the highest proportion of finance employees with postgraduate qualifications (upwards of 32%) and the greater effort spent on business insight activities (23% and 32% respectively).

Interestingly, WA councils run the leanest finance function, with the median council at 2.2% of revenue, broadly consistent with the prior year (2.1% in FY19), yet the mix of the finance workforce continues to show a higher proportion of staff holding a bachelor and postgraduate qualification.

The higher finance function costs highlight potential opportunities to increase process efficiency through automation and/or outsourcing. The PwC Finance

Benchmarking Report 2019-20 identified that 40% of management reporting, 27% of tax accounting and 23% of credit management, general accounting and billing have the potential of automation. In the case of either automation or outsourcing, finance staff behavioural changes are enabled, as low value activities are eliminated and the capacity to focus on higher value activities is enhanced. This “gives finance teams new ways to use underutilised skills”.<sup>32</sup>

*There are six steps to improve finance effectiveness, five of which are about people: 61% improve technology, 55% improve communication protocols, 46% improve collaboration, 42% improve interactions and relationships, 41% upgrade skills, 40% clarify roles and decision rights.<sup>33</sup>*

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

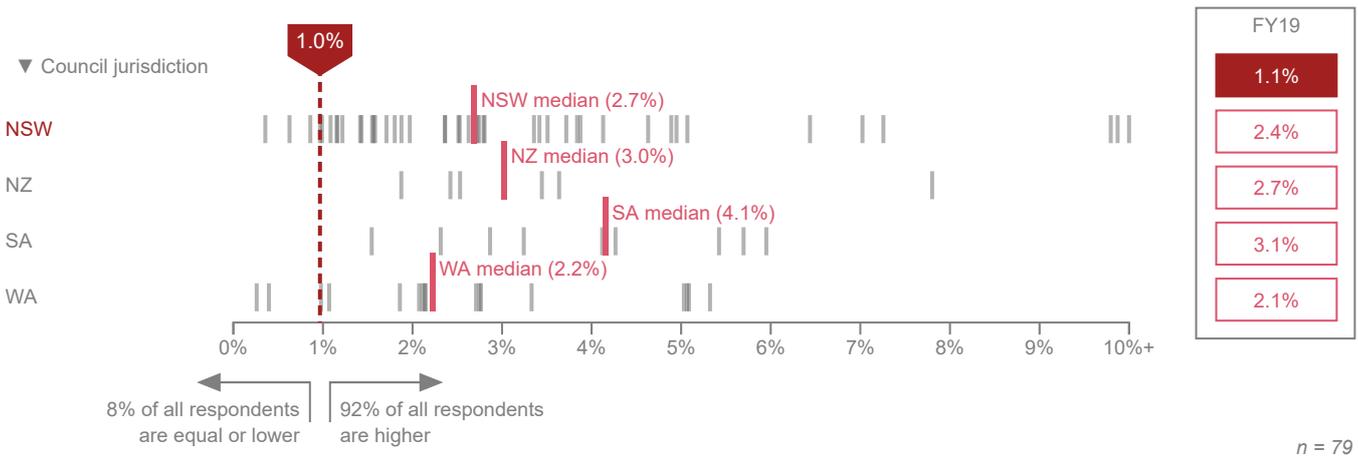
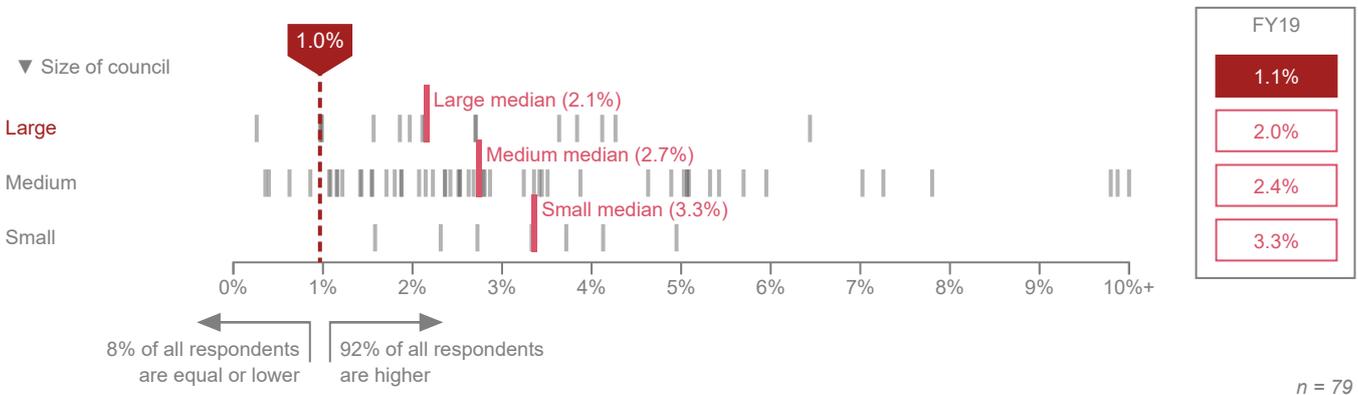


Figure 2.5: Cost of finance as a percentage of revenue (size of council)



Survey population | Median | Northern Beaches Council

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

32 Ibid

33 Ibid

## How efficient is your finance function?

### Days to report and manual journals

Access to timely, insightful and accurate information is crucial for efficient decision making. A prolonged reporting cycle can be a key indicator of inefficiencies in the reporting process. Delayed reporting can also generate a self-reinforcing cycle, where out of date reports are not utilised, leading to a lowering of the priority of completing reporting tasks. The excess time spent gathering and collating data restricts the finance team's capacity to deliver value-driven analysis and interpretation of results.

Our survey findings highlight the median council completes its close-to-report cycle within 10 days, consistent with FY19. However, top quartile councils are able to provide financial results to senior management within 7 days, an improvement of one day compared to FY19.

A prolonged reporting cycle can also be attributed to the volume of manual journals processed during a period. Our survey results

note that 26% of councils processed more than 1,500 manual journals during FY20, the highest rate in the past 4 years, and a step up from 21% in the prior year.

Interestingly, 67% of NZ councils processed more than 1,500 manual journals in FY20, in contrast to just 10% of SA councils and 24% of NSW and 25% of WA councils.

Councils operating in this higher bracket of manual journals should look to take advantage of efficiency gains in the form of automation and shared service utilisation.

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?
- Are you using low-cost data analytics tools to improve data visualisation allowing for more rapid interpretation of results?
- Do you encourage teams to work in a lean environment, eliminating those activities that do not add value and changing the way your teams work and collaborate?

Figure 2.6: Days to close and report

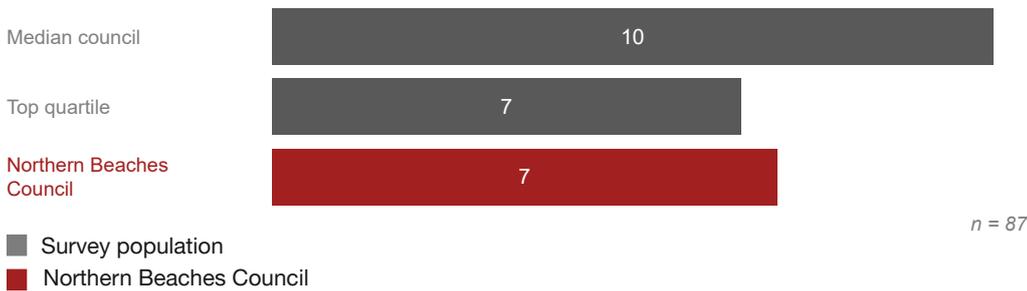
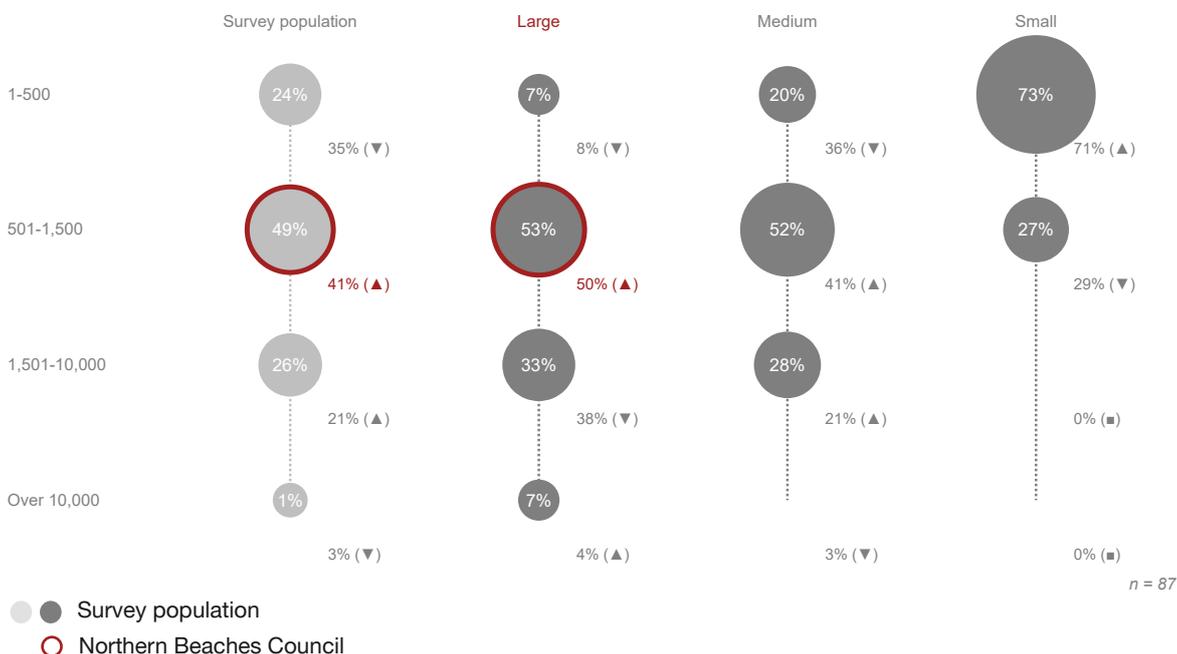


Figure 2.7: What was the total number of manual journals processed in the year ending 30 June 2020?



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

### Current state finance function maturity

To gauge maturity within the finance function, we asked about the frequency with which councils utilise certain technologies/tools. To understand intent and/or desire, we asked about the desired frequency of use within the next two years.

Overall, councils continue to report a low level of technological maturity, with manual data wrangling being the primary processing method within the finance function. Over three-quarters of councils (77%) reported frequent use of manual data wrangling tools, such as MS Excel. However, the uptake of cloud based data wrangling has accelerated, with 41% of councils now venturing into this space using at a frequent or somewhat frequent level.

There has been an increase in the proportion of councils using Robotic Processing Automation (RPA) compared to the prior year, with 27% of councils reporting frequent or somewhat frequent use, compared to 13% in FY19. However, we continue to see a high proportion of councils (25%) reporting that they were not aware of RPA, so we have provided some additional information about RPA below.

Similar to last year, 45% of councils frequently or somewhat frequently use data transformation and blending tools, compared to 31% using data visualisation tools. This suggests that councils are yet to embrace the power of data visualisation as a way to engage with the business perhaps due to cost constraints, limitation in skills or time pressures.

At a jurisdictional level, SA councils have reported the highest frequent or somewhat frequent use of data transformation and blending tools (70%), along with the use of RPA (30%). Regarding data visualisation, NZ councils reported the highest frequent or somewhat frequent use of 50%, closely followed by WA (39%).

These results suggest that councils are becoming increasingly aware of the technology available to them to achieve process efficiency gains and deliver enhanced analytical insights. This enables CFOs and senior finance professionals to play a more influential role in promoting strategic transformation while continuing to discharge their core reporting and control responsibilities effectively.

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

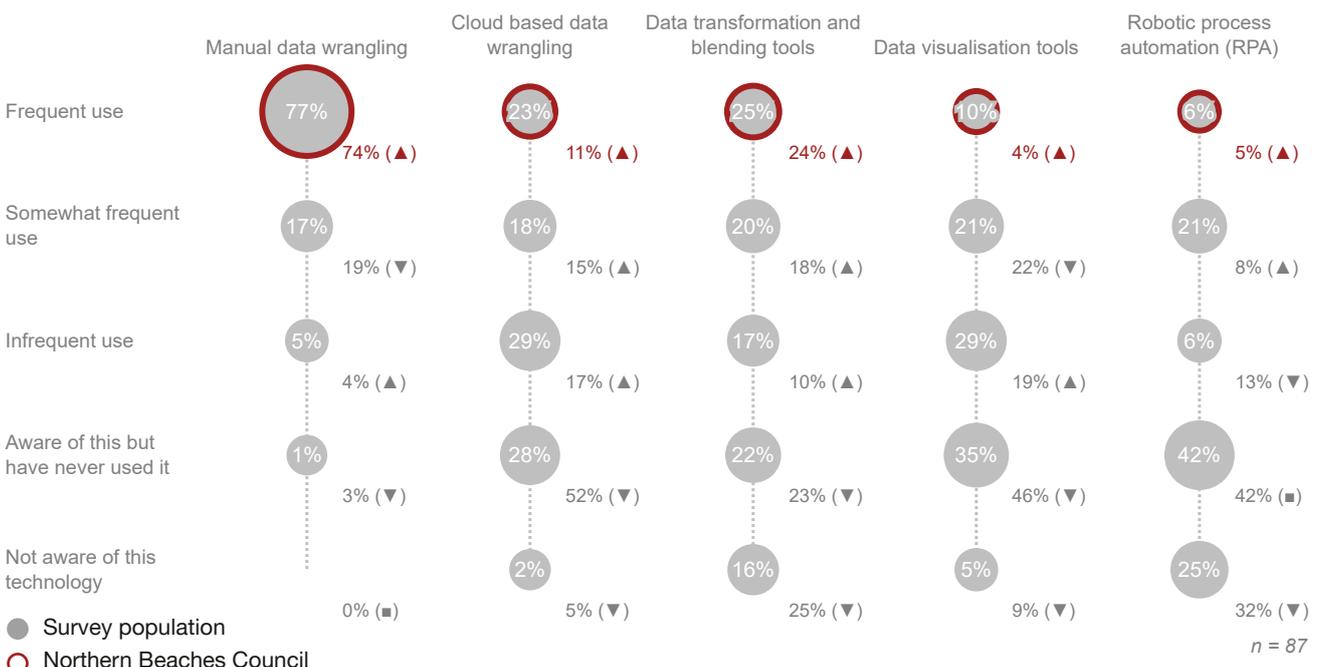
Robotic process automation (RPA) speeds up processing and reduces error rates by automating manual tasks. It replicates the exact actions a human user would take and in effect, creates digital operations.

Implementing RPA begins with the development of a simple proof of concept, whereby the suitability of selected financial processes for automation is assessed.

Moreover, when combined with behavioural change, RPA can reduce total processing time by 30-40%,<sup>34</sup> allowing highly skilled finance teams to devote more time to higher value-add activities such as the development of enhanced analytical insights. This enables CFOs and senior finance professionals to play a more influential role in promoting strategic transformation while continuing to discharge their core reporting and control responsibilities effectively.

RPA sits alongside existing IT infrastructure, as opposed to replacing it, and does not require a heavy IT investment or additional infrastructure. The successful deployment of RPA can result in cost savings, increased productivity, improved accuracy and enhanced security, potentially delivering a return on investment of 300-800%.<sup>35</sup>

Figure 2.8: Finance function current maturity - use of technology and tools during FY20



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

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

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

### Future state finance function maturity

The decision to invest in new technology, and to undertake the associated training required to upskill the team, is an important one that should be carefully assessed and planned. It is important that the strategy for the finance function aligns to the overall council business and IT strategy.

There are a range of technologies that can assist finance functions to eliminate low-value activities to save costs, manage risks and increase insight and each council will need to assess the areas they will benefit the most. Your team could save hours each month by using data transformation and/or blending technology to eliminate the repetitive nature of manually manipulating and preparing data for monthly management reports.

Other finance teams may prefer to engage the other business units in a different way by creating dashboards to encourage self-service analytics - investing in data visualisation tools will enable this type of dashboard functionality. Both of these options will lead to a data-driven analysis of a council's performance and should provide management with new insights and a fresh approach to identifying areas for improvement.

Our survey results highlight that over the next two years, councils aspire to reduce

their reliance on manual data wrangling (51% of councils plan to manually prepare and process data on a frequent basis, compared to 77% currently doing so) and increase the use of the more advanced technologies available to them.

We note that 43% of councils plan to use data visualisation tools on a frequent basis in the next two years (an increase from 10% currently doing so). This is especially the case in NSW (46%) and NZ (67%) councils.

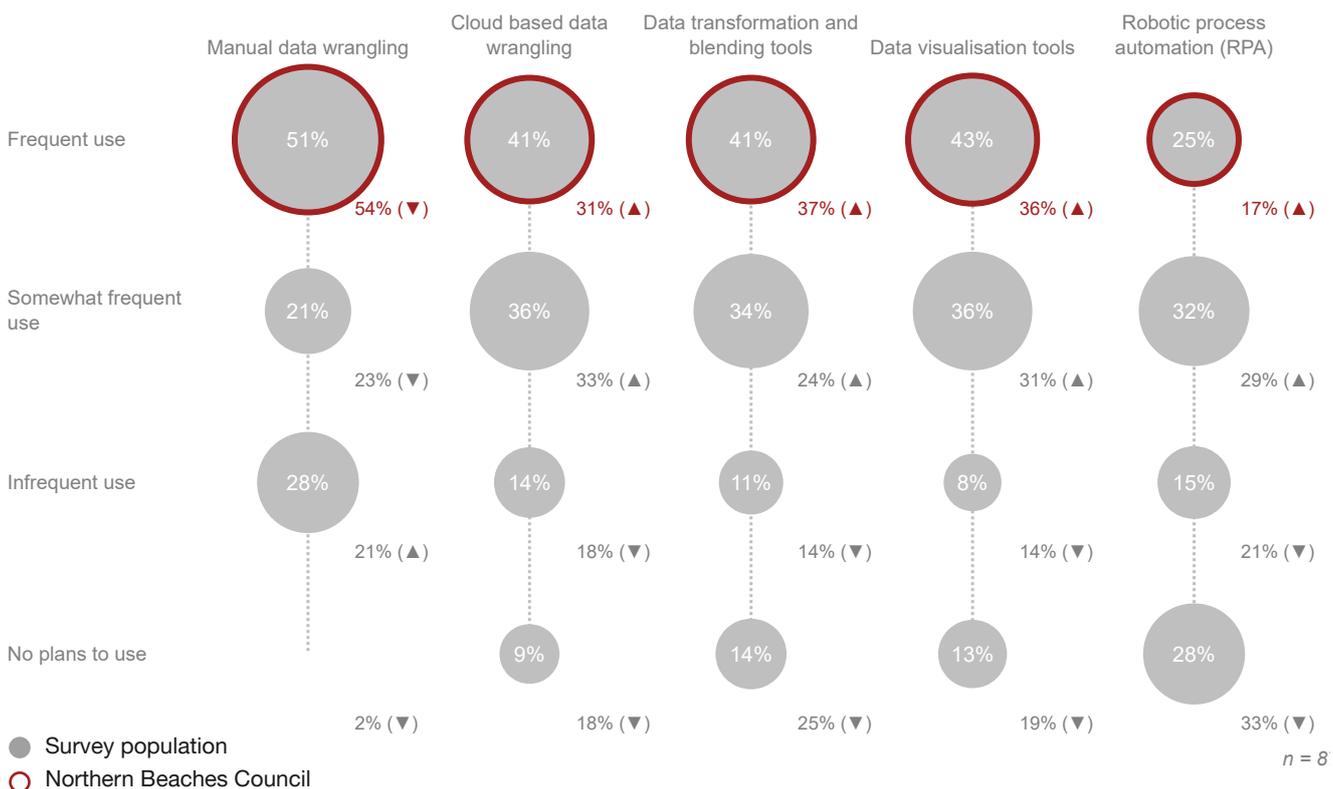
Additionally, there has been a large increase in councils planning to utilise RPA into their processes. In two years,

25% of councils plan to use RPA frequently, an increase from 6% currently doing so. At a jurisdictional level, frequent use of RPA is planned by 20% of SA, 30% of NSW, 19% of WA and 17% of NZ councils.

We suggest that councils review the Council Comparative Analysis Tool (CCAT) to further analyse these results by jurisdiction. In particular, councils that subscribe to the Council Comparative Window (CCW) may be able to identify peer councils that have similar aspirations, and can therefore share the burden of implementing this change.



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



## Balancing insight and efficiency

### Budgeting

An effective annual budgeting process provides an opportunity for the finance team to collaborate with the broader council business units as a way to build and foster relationships and generate key insights. By connecting analysis of past performance, with an understanding of future strategic priorities, the budgeting process can contribute to forward-looking and effective decision making.

When calculating the time consumed on the preparation of the FY21 budget, we measure from the date the process officially begins to the date the budget is finalised and loaded into the accounting system. Our survey highlights an improved duration in the FY21 budget cycle, with the overall median result at 134 days, compared to 145 days for the preparation of the FY20 budget.

At a jurisdictional level, WA councils continue to complete the cycle in the shortest period (median of 118 days). This is in contrast with NZ councils who have a median of 198 days. However, this may be attributed to the absence of state governments, and therefore their budget process is more likely to resemble those of Australian state governments and as a result, likely to be more complex and time consuming in comparison to Australian local councils.

Within Australia, SA councils have the longest budget cycle with a median of 149 days, compared to 134 days for NSW councils, and an even lower 118 days for WA councils.

Figure 2.11 highlights that most of the finance teams' effort during the annual

budget process is spent preparing and refining the budget to obtain senior management approval (75%). This is an increase from prior years which suggests the COVID-19 lockdown period during the critical budget months of April and May impacted this first stage of preparation and approval.

The 2019 PwC Finance Effectiveness Benchmarking Report<sup>36</sup> found that 22% of the budget and forecasting process has automation potential and 9% of the process is wasted time. Consideration of emerging technology to assist in the preparation, transformation and consolidation of data is encouraged. As too is the identification of known bottlenecks in the budget process - perhaps the impact of COVID-19 has highlighted current low-value processes that may no longer be required?

Figure 2.10: Total elapsed business days for the budgeting process

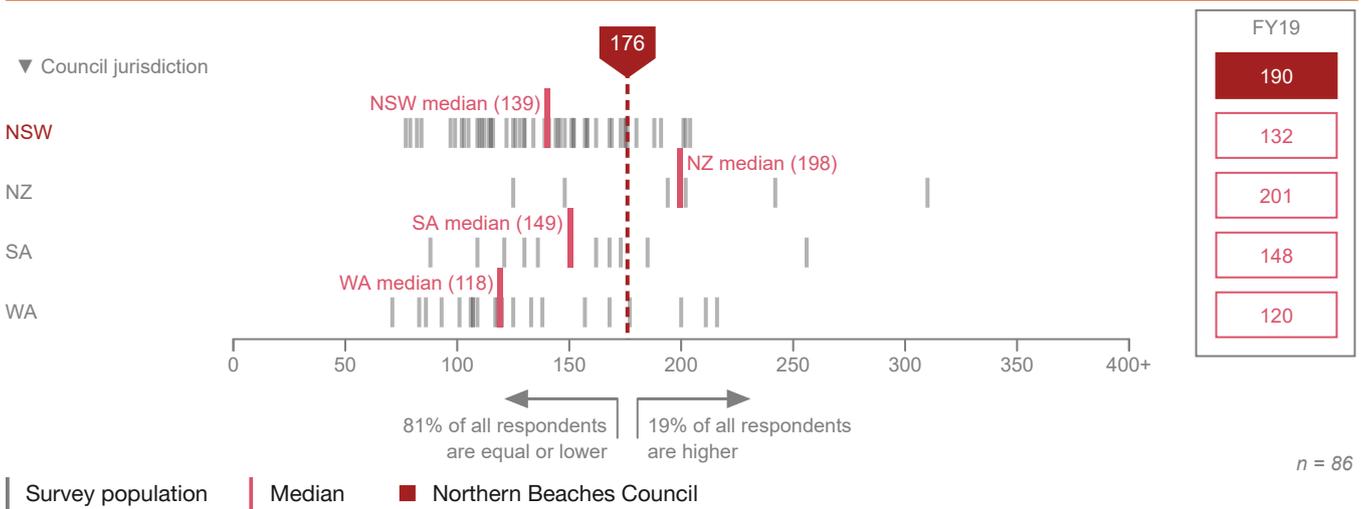
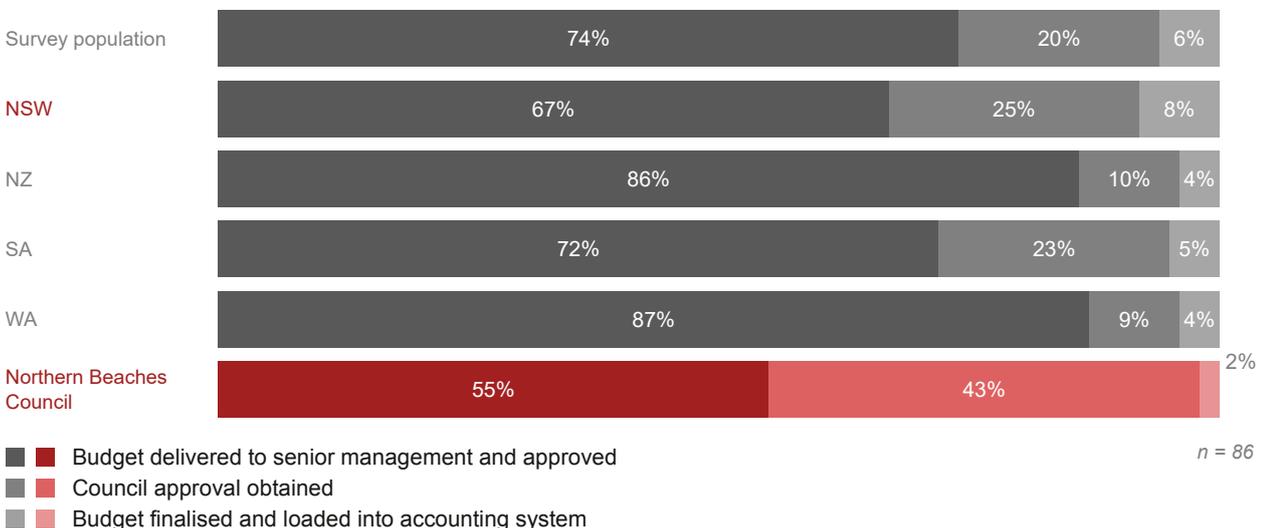


Figure 2.11: Proportion of total elapsed budget days by stage



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

## Source of income

### Revenue profile

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

As expected, rates and annual charges remain the main source of revenue, both at an aggregate level (54%), and for all jurisdictions. Our survey highlights that SA councils obtain 77% of their revenue from rates and annual charges, compared to 63% in WA and 47% in NSW.

NSW councils within the survey population continue to source a larger amount of revenue from grants (27%), compared to SA and WA councils (15% and 14% respectively). This is attributed to the higher proportion of the NSW survey population comprising rural or regional councils (86%) that rely on government grants to manage their extensive road network. By comparison, there are 50% rural or regional councils in SA and 24% in WA.

Our findings also show that 31% of rural council revenue was derived from grants, compared to 24% for regional councils, and 17% for metro councils.

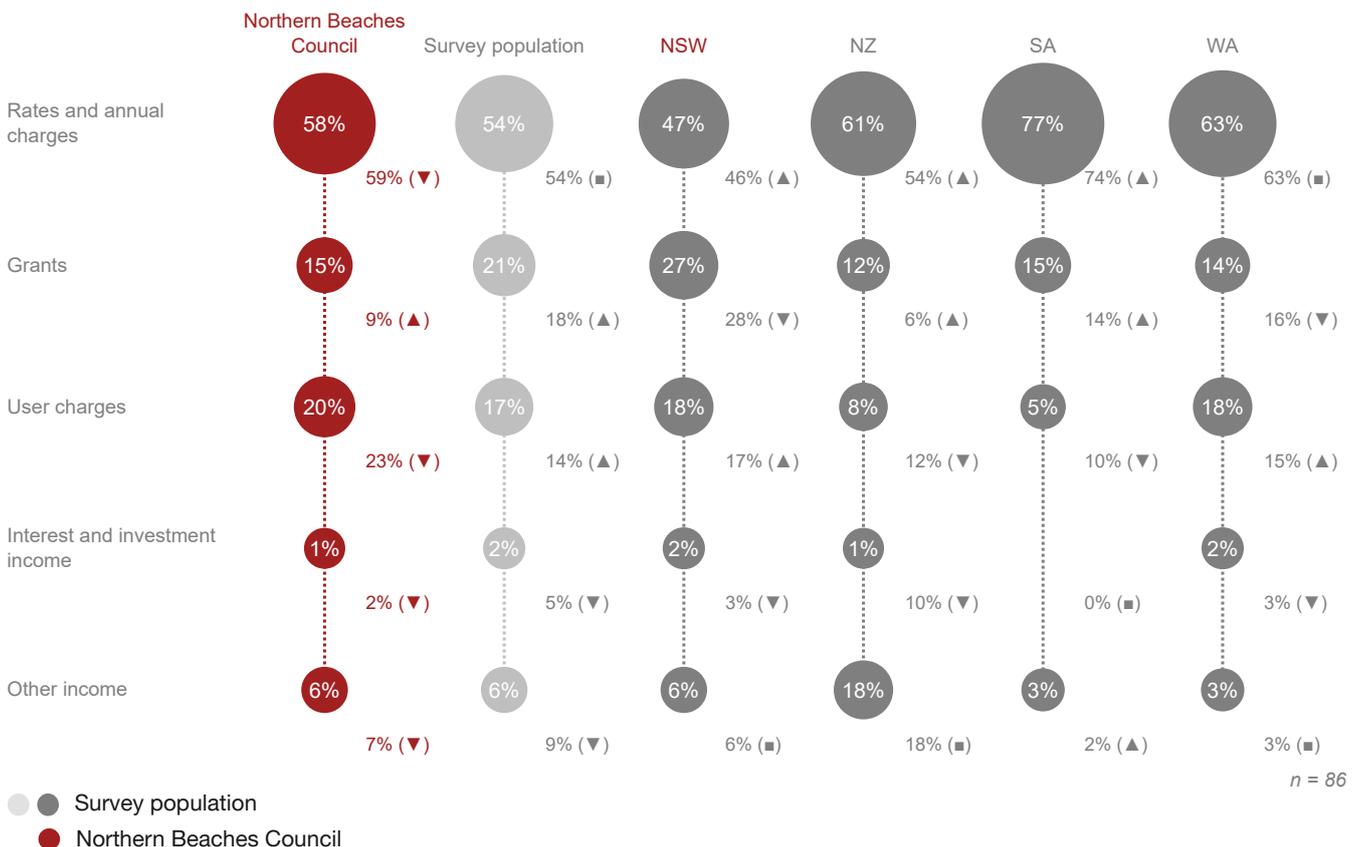
It is important that councils periodically review their revenue profile and introduce innovative and sustainable revenue sources to minimise reliance on traditional income sources. This will assist with stabilising revenue flow and protect councils from adverse shocks.

*Revenue generation and the sustainability of revenue sources requires ongoing attention and management. Income diversity is also key to a healthy revenue flow. During 2020, it has become even clearer that organisations with diverse income streams or the ability to shift part or all of their business model are able to better manage in a downturn.*

#### Key considerations

- Is the overall revenue profile of the council given continuous attention and management?
- Does the council ensure that income is diversified to protect for any adverse shocks?
- Does management actively look for new revenue opportunities? Is management supported with the right skills and resources to assist with identifying new opportunities?
- Are contingency plans in place to protect the council from any short-term funding shortages?

Figure 2.12: FY20 revenue profile



## Optimising working capital

### Collection of rates and annual charges

Figure 2.13 shows the cumulative collection of rates and annual charges compared to the survey population, and figure 2.14 displays the quarterly cash collections during FY20. Performance on this metric has improved slightly, with an overall 62% of rates being collected by the end of the second quarter compared to 60% in the prior year

While most jurisdictions collect their annual rates and charges across the year, WA councils continue to front load their cash collections, with 77% of rates collected by the end of quarter two. In comparison, NZ councils had collected 52% of rates and annual charges by the end of quarter two.

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

#### The importance of working capital

The effective management of working capital is important to a council's financial health and success and is a measure of the operational efficiency and short-term financial stability of the council.

Efficient collection of rates and annual charges will assist councils in improving working capital and can be achieved by:

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

Ensuring the payment options and process for residents are clear and simple with minimal barriers and automating financial processes will improve the efficiency of finance processes and improve the relationship between councils, ratepayers and suppliers.

Figure 2.13: Cumulative collection of rates and annual charges

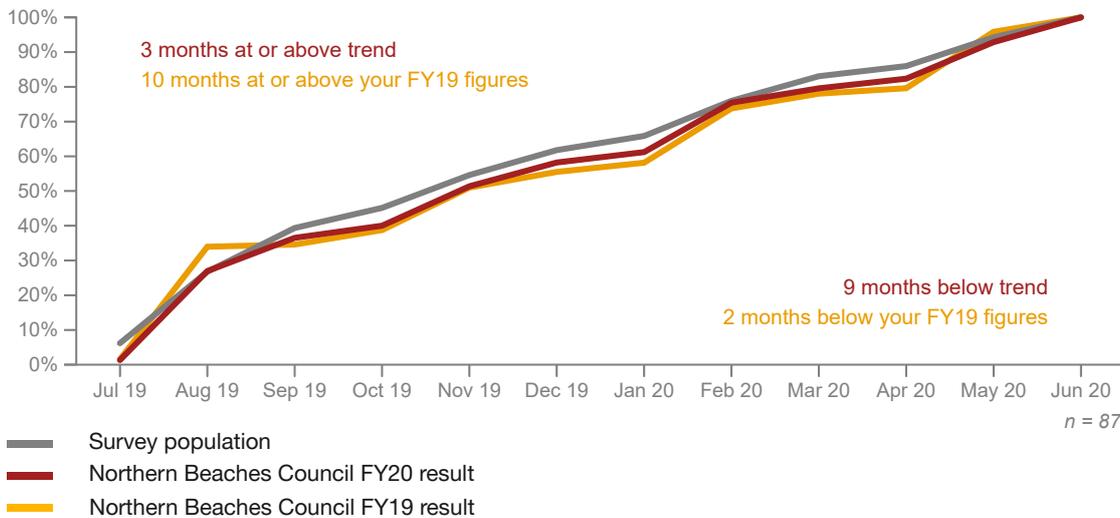
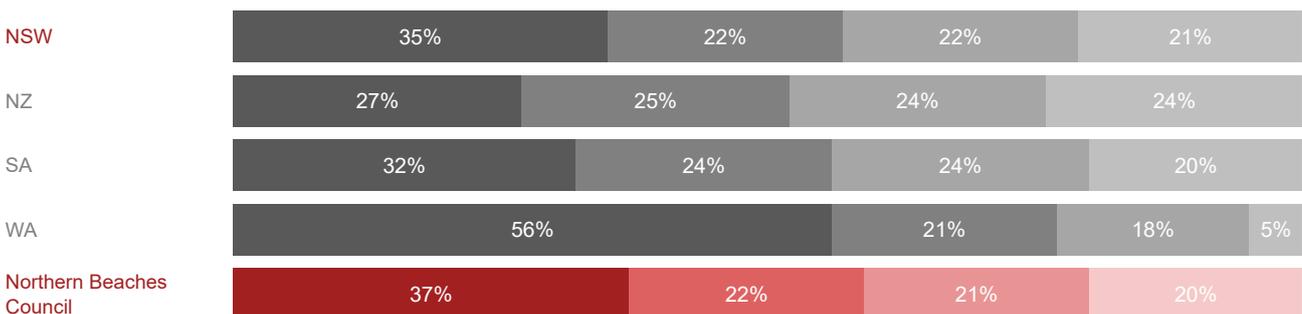


Figure 2.14: FY20 quarterly collection of rates and annual charges



Q1 Q2 Q3 Q4 Northern Beaches Council quarters  
 Q1 Q2 Q3 Q4 Survey population quarters

n = 87

## Tracking and managing capital projects

### Capital project expenditure

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

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

While we may have expected an interruption in the delivery of projects, due to the pandemic lockdown measures in quarter 4 of FY20, such as road, bridge

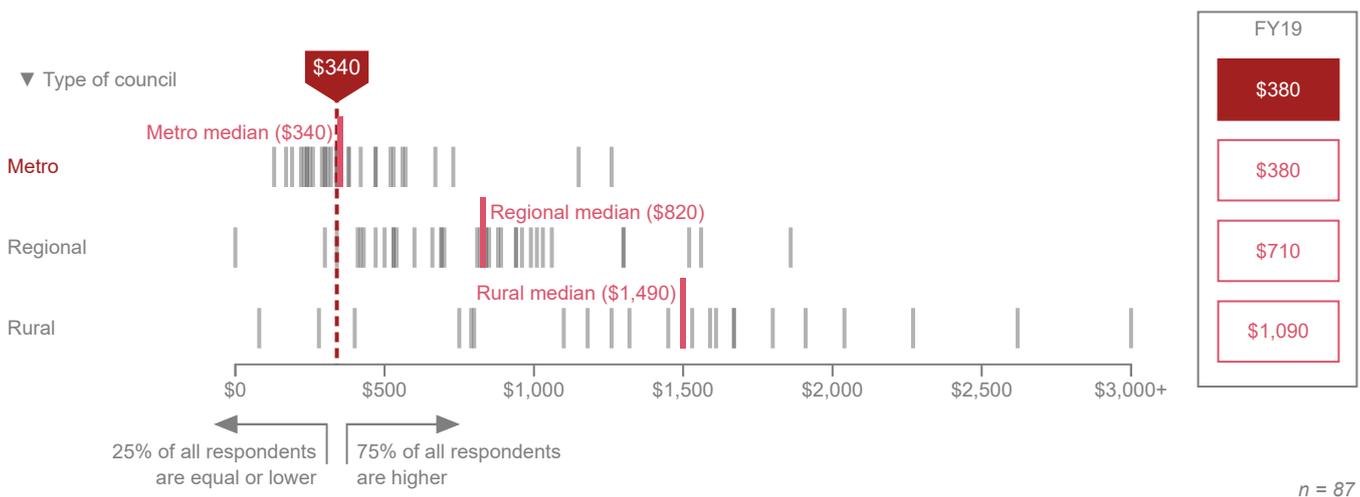
and drainage works, we actually observe an uptick in both the regional council median capex spend per resident, with A\$820 (up from A\$700 in the prior year) and a median of A\$1,490 per resident in rural councils (up from A\$1,090 in the prior year).

We continue to observe a higher capex per capita in rural council areas, compared to their counterparts, with the key determinant being the substantial cost associated with building and maintaining both large-scale and minor infrastructure. This may also have positive flow-on effects, such as primary roads running through a local government area connecting key cities or towns. It should

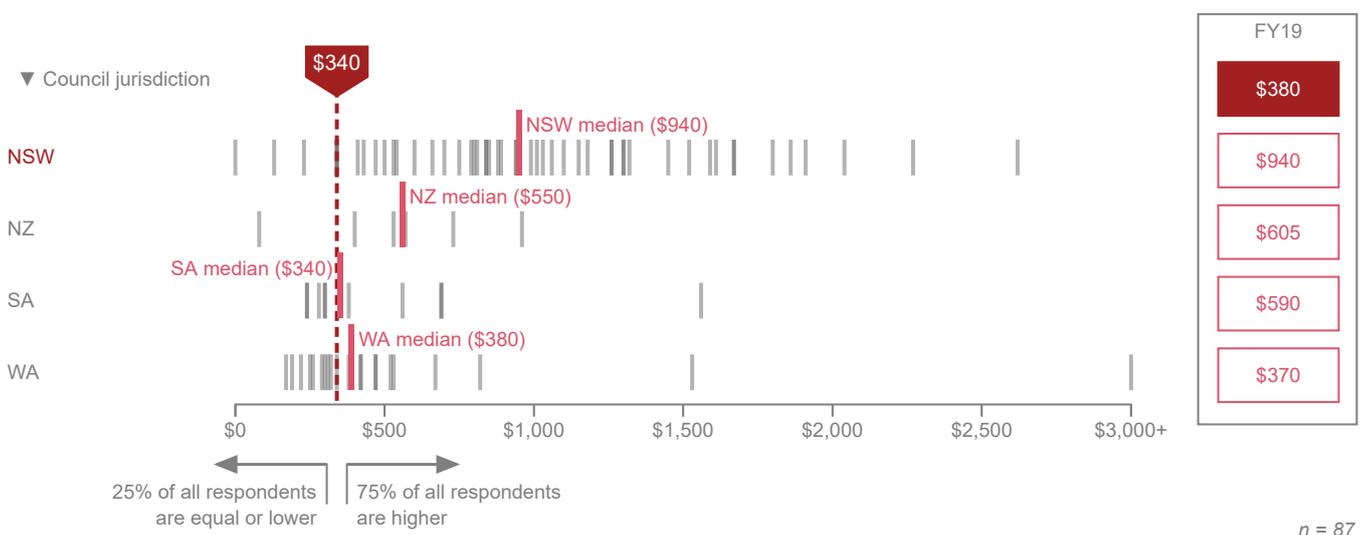
also be noted that grants are often provided to facilitate these capital works, as reflected in the rural councils’ funding mix where grants make up a relatively larger portion of overall revenue.

Geographically, NSW councils continue to have the highest capital spend per resident, compared to other jurisdictions. This is expected given the higher proportion of the NSW survey population being comprised of rural/regional councils (86%). The median capex spend per resident for WA councils has increased slightly from the prior year, while SA and NZ councils have reduced their spend and NSW has remained stable.

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



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



Survey population | Median | Northern Beaches Council

# Case study: Robotic Process Automation

Northern Beaches Council, NSW

## Background



We have a Finance Systems and Business Improvement Team who are responsible for improving efficiencies across our financial processes. This team is engaged in a broad range of activities to identify improvement opportunities, including: reviewing existing processes for automation opportunities; identifying gaps or inefficiencies; improving or simplifying complex data sets; engagement with new challenges or issues; and implementing or integrating a new system.

The team explores various solutions to improve system functionality and user efficiency, including the application of advanced system improvements or the development of an out of the box solution. Members of our team not only have a deep understanding of our financial core systems, but also the core systems that are utilised for other council functions, including third party systems and applications. We ensure our approach aligns with our corporate strategy, which comprises five principles including 'Innovation' and 'Leaders in Industry'.

## Implementation



The process has evolved over many years, with ongoing incremental improvements across a wide range of finance functions. Nearly every process or function across our council's financial areas incorporates a specific automated system. While the journey has been ongoing over many years, the incorporation of automation has accelerated following the amalgamation, with a focus on merging or improving existing systems and processes as part of the amalgamation process.

## Usage and Benefits



The finance function areas/processes that we have automated are the:

- automation of the third party payroll system to ERP Financials posting and detailed costing along the way, maintaining and merging three existing payroll systems into one.
- development of complex system reconciliation mechanisms and reporting tools for our own financial core systems, as well as the development of automated system integration processes and tools for a variety of other third-party systems that integrate with our own Financial Core systems.
- automation of budget system development processes and reporting, and upload and rollover of ledger data.
- automation of Core system database integration between our Financials and Property Core systems.
- distribution of automated scheduled monthly reporting and purchase order exception reporting to executive management.
- automation of investment cash balance data.
- automation of accounts payable data capture and consolidation of utility bill management.
- automation of applying complex rates charge calculations and subsequent automation of complex reconciliations.



# Case study (continued): Robotic Process Automation

Northern Beaches Council, NSW

## Usage and Benefits (continued)



Additionally, we have made improvements to monthly debtor reporting for debt recovery and enhancements to existing Core system functionality and configuration to enable processes that were previously not possible.

It is difficult to quantify the hours and dollars saved for each improvement, as we continue to reinvest our efficiency savings into the development of further efficiencies, enhancements and automation. We are conscious that part of the savings from automation come from a reduction in manual processing errors. An identifiable saving is the rare need for our team to engage external consultants or advisors, as we have the skills and experience to develop improvements through automation internally.

We use a variety of tools to streamline efficiencies, such as 'Extract, Transform, Load's' (ETL's) and Business Intelligence tools such as Power Bi and existing CPM tools. Further, we use advanced macro automation to link reporting data. The tools we use need to be compatible with our current 2016 MS SQL server Datawarehouse. Key functionality utilised includes:

### Analysis Services (SSAS)

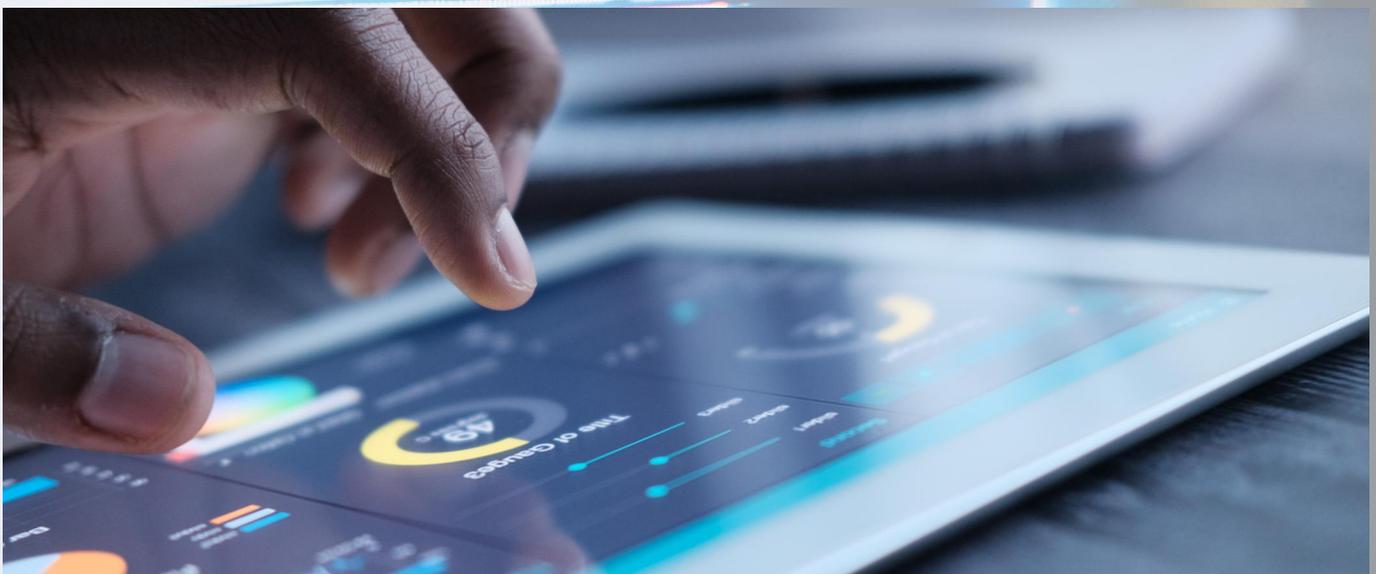
- Improved modelling performance and superior Excel optimisations for automated queries and Data refreshes
- Automated Table query relationship capabilities
- Enhancements on automated scripting, query and database commands – DAX (data analysis expressions)
- Ability to import and automate PowerPivot models

### Reporting Services (SSRS)

- Power View - data visualization technology that enables the creation of interactive charts, graphs, maps, and other visuals
- New report services portal – allows greater customisation of reports and report dashboard portals for automated reports
- Paginated reports – New modern styles for report charts and other data visualisations
- Improved Report embedding – ability to automatically distribute reports to more websites, applications and devices
- Report builder 3.0 version

### Integration Services (SSIS)

- Improved data migration between databases and enhanced ETL functionality. Further, there is the ability to navigate and automate the extract of complex data sets and tables from various databases more powerfully
- Improved functionality and capability for exporting and importing data in various formats and subsequently automating queries and processes



# Operations



Workforce



Finance



Operations



Service Delivery



Corporate  
Leadership



Asset  
Management



69%

of participating councils have a formal IT strategy that aligns to the business strategy



32%

of councils ranked *cyber security implementation* as their top IT priority in the next three years



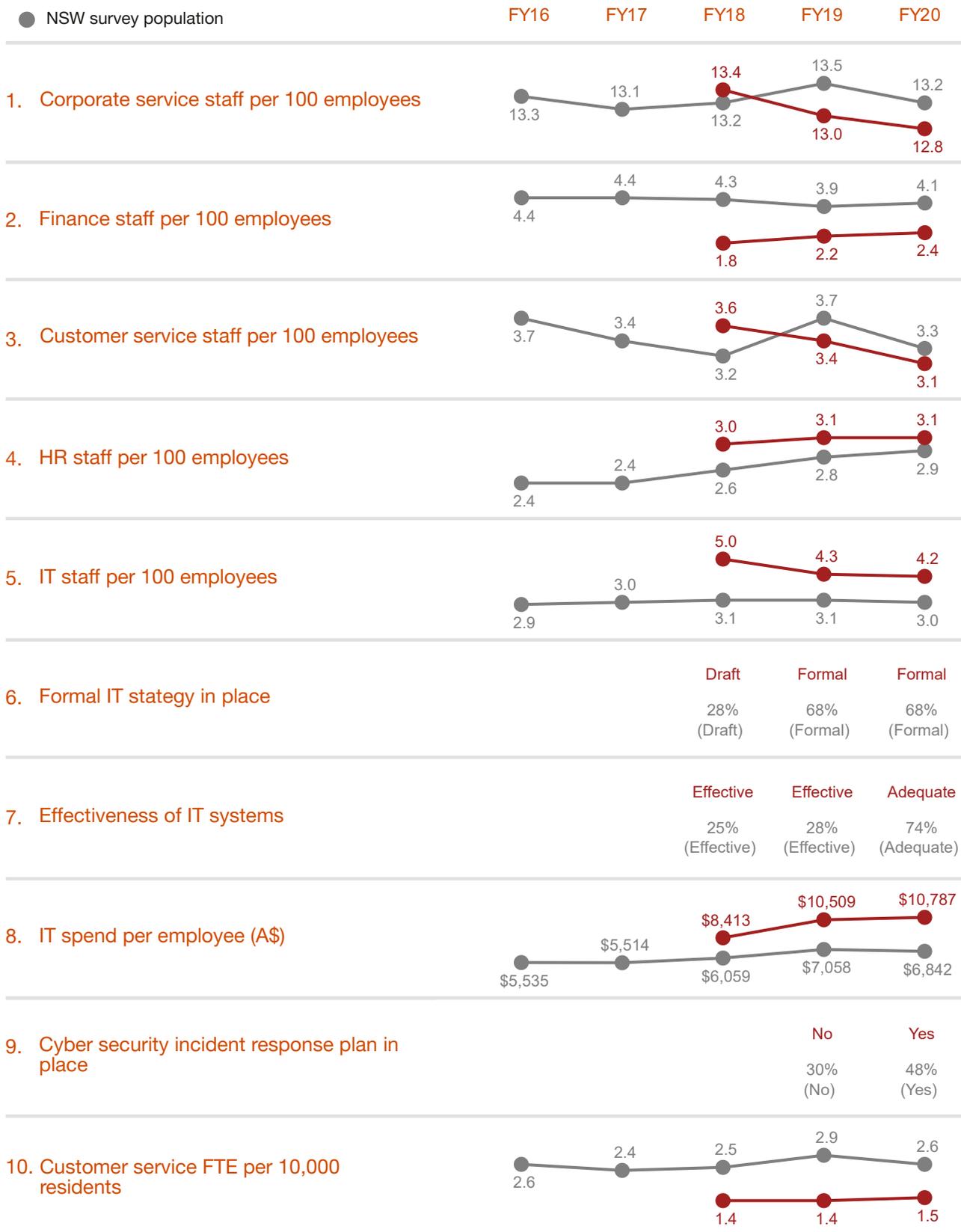
29%

of councils have a formal cyber security strategy

## Operations Trend Summary

### Northern Beaches Council

- Northern Beaches Council
- NSW survey population



## Fostering productive corporate service functions

### Corporate services

A council's corporate services function provides support and enabling services across the council. The function is responsible for creating a reliable and sustainable practice so that core activities can be delivered seamlessly. In recent times, there has been an increasing trend for corporate services functions to deliver business-critical information and insights required to foster effective and efficient business processes and to empower management to make more informative decisions.

Our survey focuses on insourced corporate services only, specifically: customer service, finance, human resources (HR) and information technology (IT). If your council outsources either some or all of these four corporate service areas then your results may not be comparable to other councils that predominantly insource these functions.

The four corporate services combined represent 10% of total council operating expenses, remaining stable compared to the prior year. At a jurisdiction level, the

four corporate services combined represent 16% of total council operating expenses in NZ, 13% in SA, 10% in NSW and 9% in WA.

When reviewing corporate service full-time equivalents (FTEs) per \$10m of total operating expenses, we observed a variation between small-sized councils, with 6.6 corporate FTE per \$10m of operating expenses, and approximately 5 FTE in large and medium-sized councils).

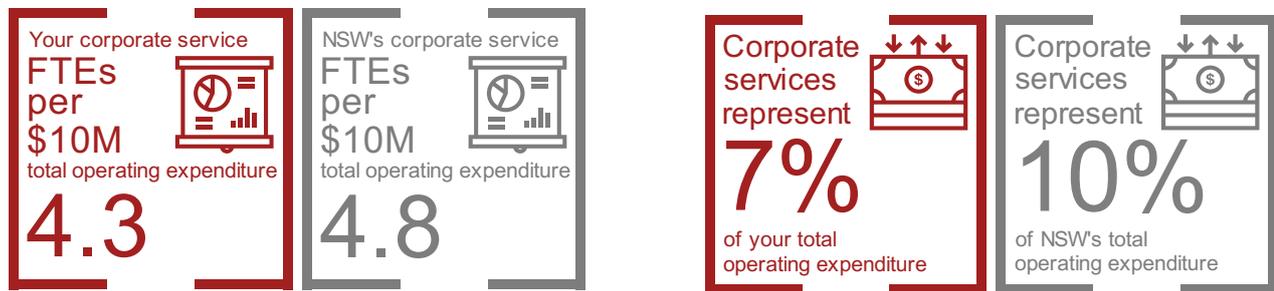
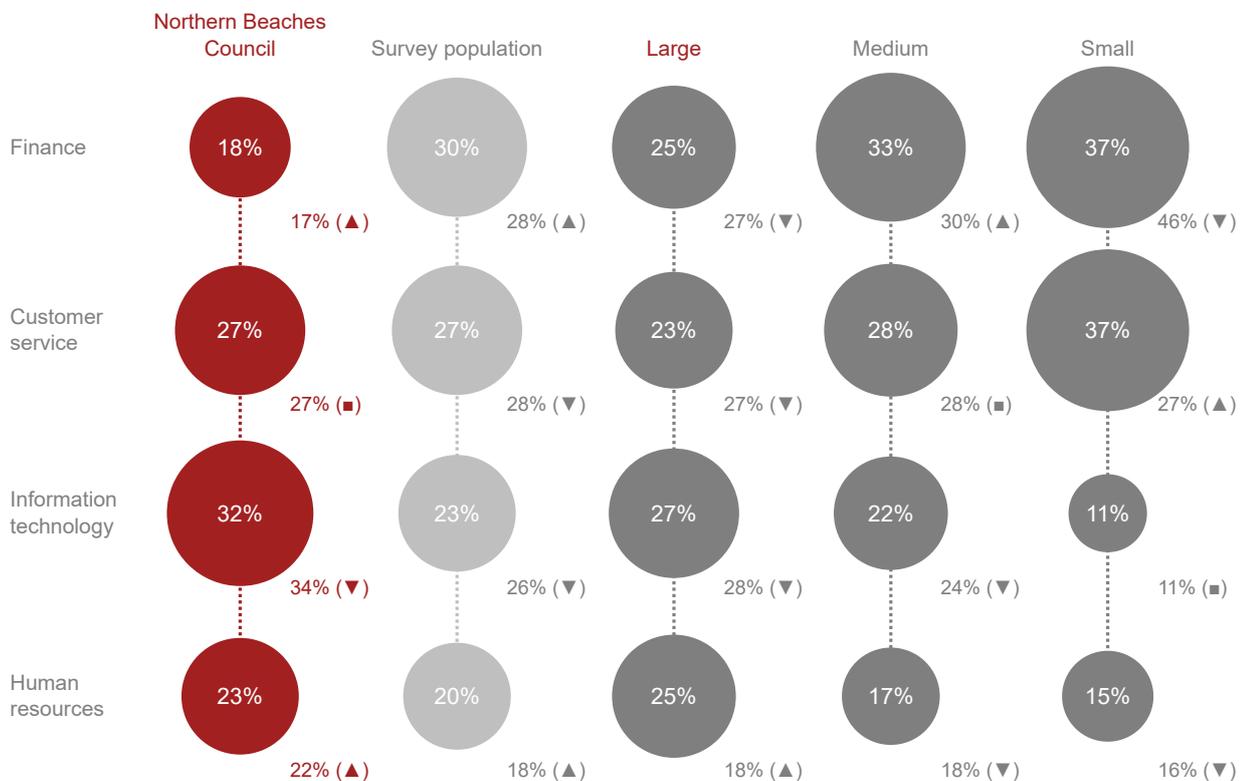


Figure 3.1: Breakdown of corporate service full-time equivalents



● Survey population  
● Northern Beaches Council

n = 87

## Fostering productive corporate service functions

### Corporate services (continued)

There continues to be minimal change to the number of insourced corporate services staff per 100 employees across the four corporate service areas. Customer service and finance staff remain the larger corporate services functions (3.7 and 4.1 FTE per 100 employees respectively), compared to IT and HR staff at 3.1 and 2.7 respectively.

Our findings show there is a much lower rate of IT resourcing in small-sized councils (1.8) per 100 employees, compared to large and medium-sized councils (around 3.0). However, this may be attributable to small-sized councils outsourcing 73% of their 'IT helpdesk support', compared to 19% of large and 12% of medium-sized councils.

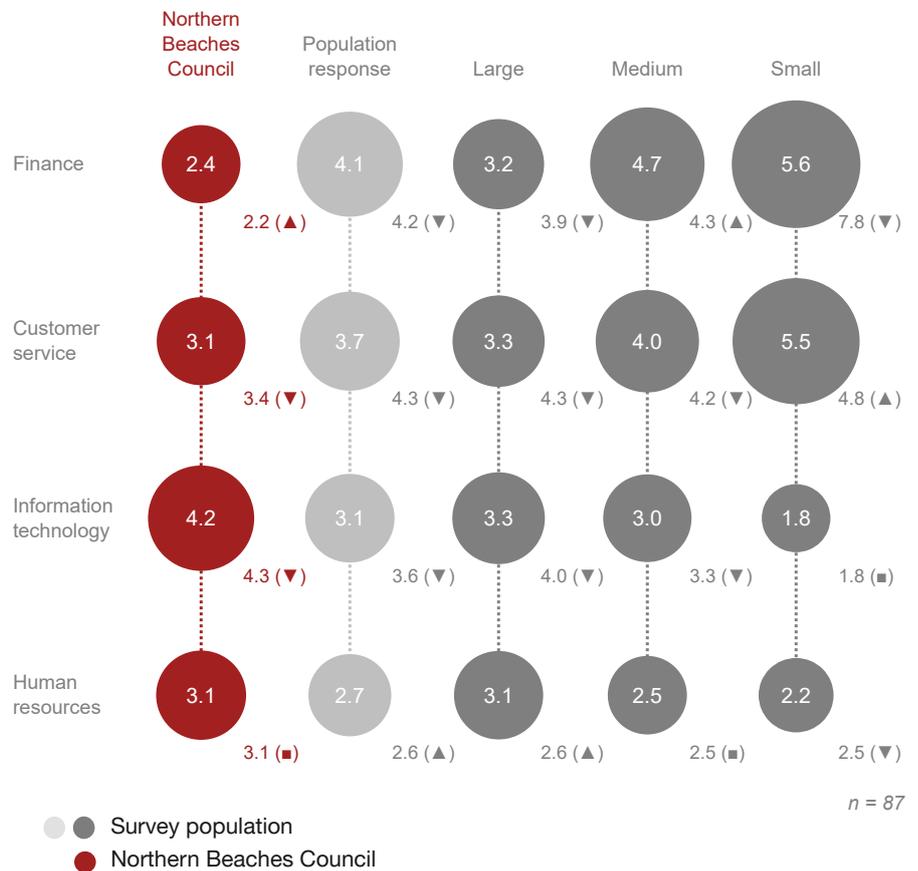
Customer service staff for small-sized councils has increased this year, at 5.5 staff per 100 employees, up from 4.8 in FY19. In large-sized councils, the result has declined to 3.3 per 100 employees, down from 4.3 in FY19. Medium-sized councils remained relatively stable with 4.0 staff per 100 employees, down from 4.2 in FY19.

Consistent with FY19, small councils continue to have more finance staff at 5.6 per 100 employees, compared to their large and medium-sized counterparts, however this has reduced dramatically from 7.8 in the prior year. This may indicate actual headcount changes, driven by technology or other factors. In the Finance section, we see 37% of small councils (up from 6% in the prior year) frequently using data transformation and blending technology. This shifts the focus from data collation and transformation to interpretation of results and generation of business insights.

We have observed an increase in HR resourcing in large councils, with 3.1 staff per 100 employees, compared to 2.6 in FY19 and FY18. On the flip side, we see a steep decline in customer service staff in large councils, with 3.3 staff per 100 employees (down from 4.3 in FY19).

However, the opposite is true in small councils, with reduced HR staff of 2.2 per 100 employees, down from 2.5 in FY19, and a sharp increase to 5.5 customer service staff per 100 employees (up from 4.8 in the prior year).

Figure 3.2: Breakdown of corporate service staff per 100 employees



## Leading councils have an IT strategy

### Importance of an IT strategy

Best practice suggests aligning IT and business strategy to achieve results, particularly with the increased importance of technology and digitisation. However, we continue to see only 69% of participating councils with a formal IT strategy that aligns to the business strategy. Encouragingly, the proportion of councils without an IT strategy continues to fall (now 6%, down from 8% in FY19).

Similar to last year, all participating councils across NZ and WA have either a final or draft IT strategy. Across WA councils, 81% are operating with a formal IT strategy, an increase from 76% in FY19. SA councils continue to have the largest proportion of councils without an IT strategy (20%), albeit a decline from the prior year.

The 2020 PwC Global Digital IQ Survey evaluated 2,380 senior executives across the globe to understand how they approach digital and where they have found success.<sup>37</sup> The survey highlights that 45% of Transcenders (those

executives that consistently invest in new ways of working and get significant value on their digital investments), compared to 18% of Everyone Else, believe that digital goes beyond technology and is a mindset of continuous innovation and technology integration in all phases of business. Further, Transcenders have a clear direction for digital 96% of the time, therefore demonstrating the importance of an IT strategy and aligning it to business strategy to achieve success.

Establishing a cohesive plan shared between the IT function and the rest of the council, that incorporates existing and future council needs, can play an important role in preparing the council for inevitable technological disruption. It is essential, even more so since the onset of the pandemic, that the senior leadership team drive and support the development of an IT roadmap and digital strategy that aligns to strategic priorities and benefits all key stakeholders.

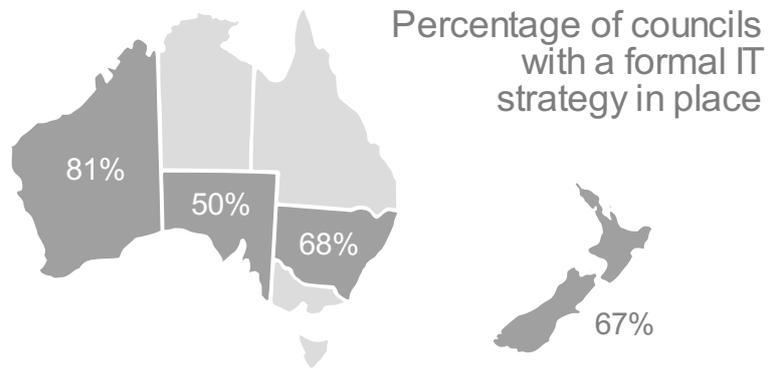


Figure 3.3: Does your council have a formal or draft IT strategy that aligns with the business strategy?



37 PwC 2020, Global Digital IA Survey, 'Buckle up. Uncertainty is back'.

## Leading councils have an IT strategy

### Importance of an IT strategy (continued)

A digital strategy is key to prioritising IT investments and planning for staff to improve process efficiency, effectiveness and innovation. An IT strategy outlines how technology will support the business strategy, and factor in the needs of key stakeholders including staff, community and business partners.

Given 31% of councils are operating without a formal IT strategy, it is not surprising that 74% of councils have reported having only 'adequate' IT systems with some functionality missing. It is encouraging to see an overall decrease in council dissatisfaction with their IT systems (3%, down from 10% in FY19).

However, in NSW we see a decline in satisfaction, with only 14% of councils (compared to 21% in FY19) reporting above average system effectiveness. This may have been accentuated during the pandemic with the shift to remote working practices and the greater reliance on technology.

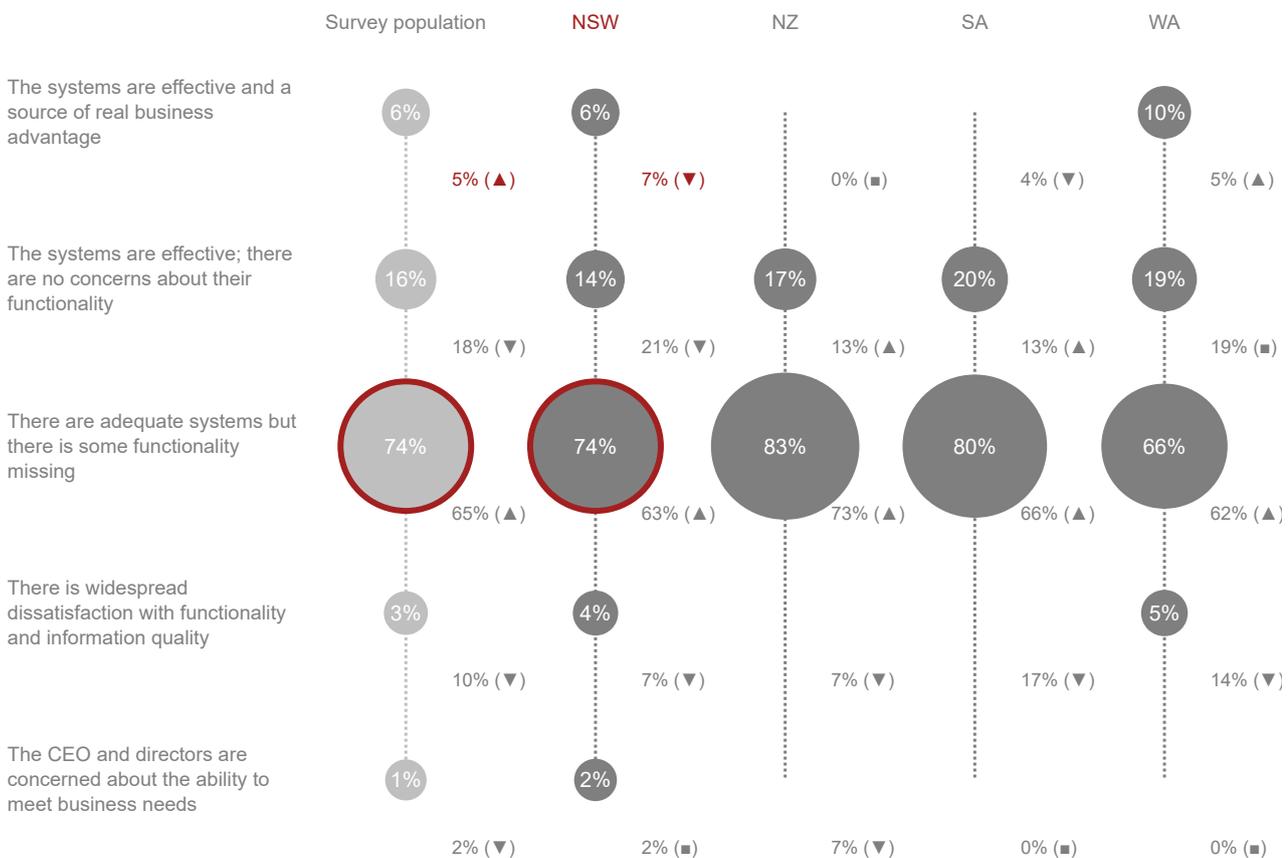
"PwC's recent CFO Pulse survey revealed that while 52% of companies plan to cut or defer investments because of COVID-19, just 9% of those surveyed will make those cuts in digital transformation.<sup>38</sup>" This highlights the importance of digital transformation and the need for a digital and IT strategy providing leaders and staff with a clear vision, plan and adoption strategy. Councils should challenge the status quo and strive to create a digitally advanced workplace where employees are enabled by technology and the community receives an improved customer experience.

*"To become a Transcender, you have to get good at resilience. The new normal is constant change. More than two-thirds of Transcenders experienced disruption in the last two years, yet most came out stronger."<sup>39</sup>*

#### Key considerations

- Does your senior leadership team explicitly incorporate digital into the overall council strategy?
- Are you investing in new ways of working, new technology, and upskilling your staff?
- How will you build a resilient culture that works with a mindset of continuous learning and is not afraid of new technology?
- Does senior leadership encourage collaboration and idea-generation across all areas of the council to understand what processes and technology need to change?

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



n = 8

38 PwC 2020, Global Digital IA Survey, 'Buckle up. Uncertainty is back'.

39 Ibid

## Investing in IT

### IT spend

Given the cyclical nature of IT priorities, projects and investments, councils may expect to observe fluctuations in their annual IT spend per employee.

While our findings show a lower median IT spend by small councils (compared to large and medium-sized councils), a shift is taking place with small-sized councils. We now observe 45% of small councils operating with a formal IT strategy in place (up from 30% in the prior year). This coincides with an 8% increase in the median IT spend per employee, compared to the prior year.

Importantly, we see a dramatic shift away from ranking traditional maintenance of 'business as usual' technology as a top IT

priority (just 18% of small councils, compared to 47% in the prior year) to 36% of small councils ranking cyber security implementation as their top IT priority (up from 24% in the prior year).

We continue to see a consistent pattern of higher median spend by NZ councils (compared to participating Australian councils). Within Australia, WA councils have the largest increase in median IT spend per employee (25%), compared to the prior year. A higher proportion of WA councils do operate with a formal IT strategy in place (81%), which suggests the increased median IT spend per employee may be due to a stronger investment in digital transformation.

SA councils have also invested in IT spend in the past year, with the median increasing by 10%, and this aligns to half of SA councils now having a formal IT policy (up from 34% in the prior year). Meanwhile NSW councils have a slightly lower median IT spend per employee compared to the prior year, and have remained static with 68% operating with a formal IT strategy.

We continue to encourage council leadership teams to effectively plan their IT spend. As councils work to define their FY22 IT budget, it is important to identify areas that can benefit from integrated IT systems, cyber security implementation, cloud computing, software development and increased investment in employing experienced IT professionals.

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

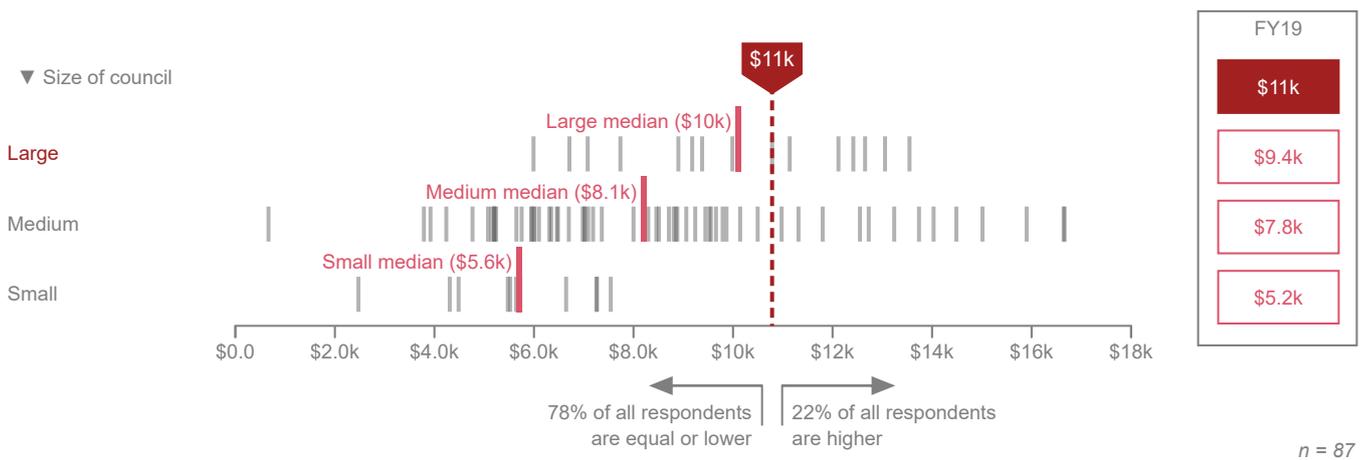
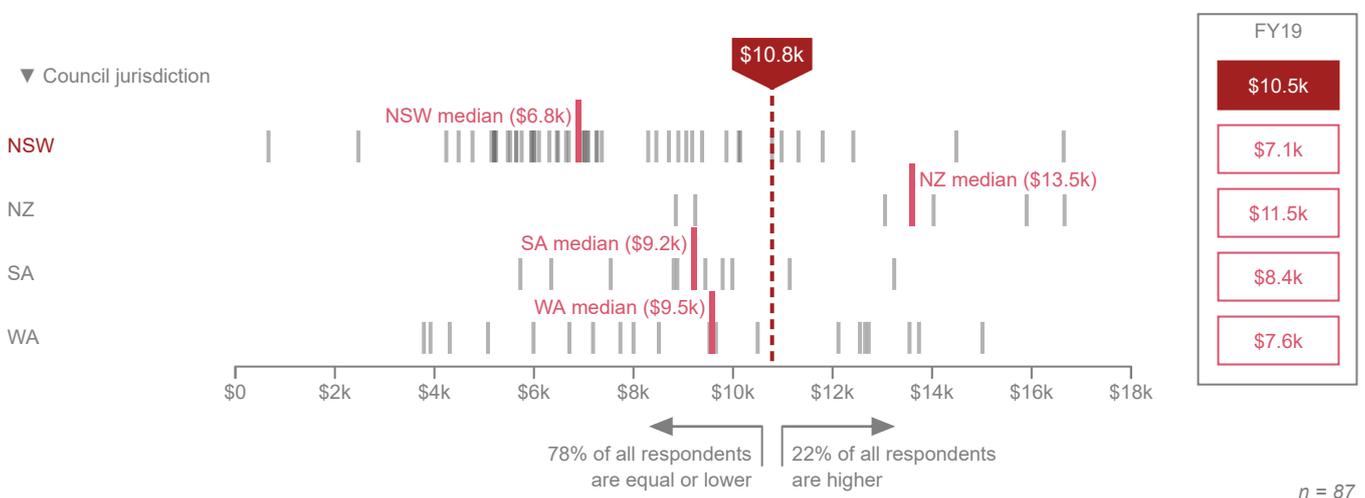


Figure 3.6: IT spend (A\$) per employee (council jurisdiction)



Survey population | Median ■ Northern Beaches Council

## Managing your IT projects

### IT priorities

During 2020, all organisations were faced with the challenge of transforming to a digital world virtually overnight. It is widely recognised that organisations with technological innovation at the heart of their business strategy have successfully transformed the way their employees, customers and suppliers interact with them on a day to day basis.

Councils too, felt the pressure to quickly shift the way they engaged with their employees and community. Budget constraints exist, so now more than ever it is a balancing act in terms of prioritising the competing demands of IT ongoing maintenance versus new IT initiatives and technology enhancements.

Our program asks councils to rank a selection of IT priorities. Unsurprisingly in 2020, the importance of 'improving technology for staff working and collaborating remotely' shifted into

second place, with almost half of all councils (48%) ranking it in their top three IT priorities, compared to 41% in the prior year.

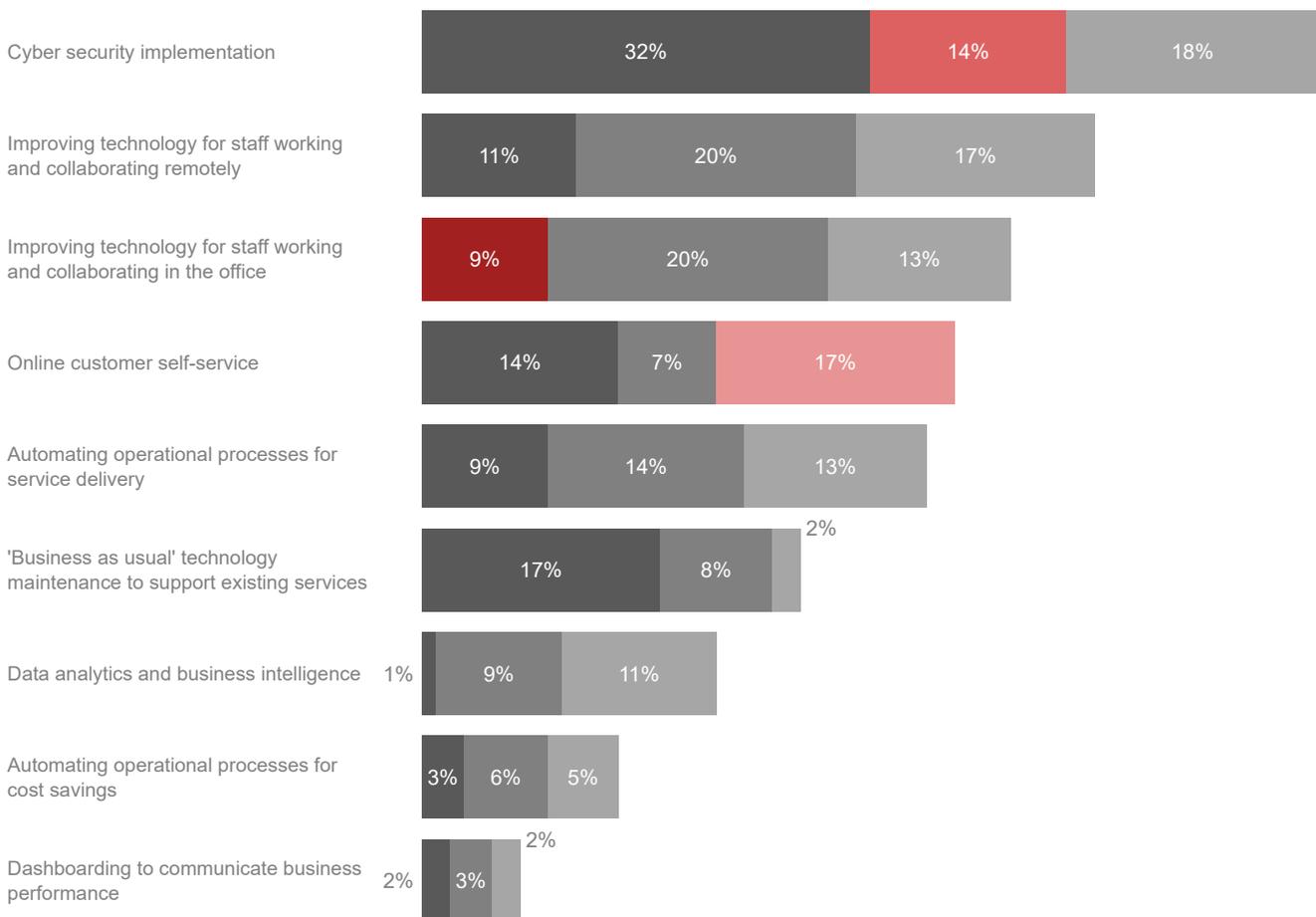
Last year, we introduced a new section on cyber security and it is very encouraging to observe a remarkable increase in the proportion of councils (64%) ranking 'cyber security implementation' within their top three IT priorities. Almost one third of councils consider this to be their top priority (up from 16% in the prior year) suggesting that councils are now viewing the importance of being proactive in developing their cyber resilience.

This is most prevalent in SA councils, with 40% ranking cyber security as their top IT priority, compared to 34% in NSW, 29% in WA and 17% of NZ councils. We explore cyber security, further in this chapter.

#### Key considerations<sup>40</sup>

- Do you have a clear business case for your top IT priorities, showing the expected value and innovation?
- How is the council developing its own capabilities to design and deploy future-ready IT systems that can flex as needed for innovation and growth?
- Do your IT priorities align to the council's culture? Do all levels of staff accept and embrace new technology?
- Have you performed an analysis of the breadth and diversity of resources needed to successfully achieve your top IT priorities?

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



n = 87

1 2 3 Survey population priorities  
 1 2 3 Northern Beaches Council

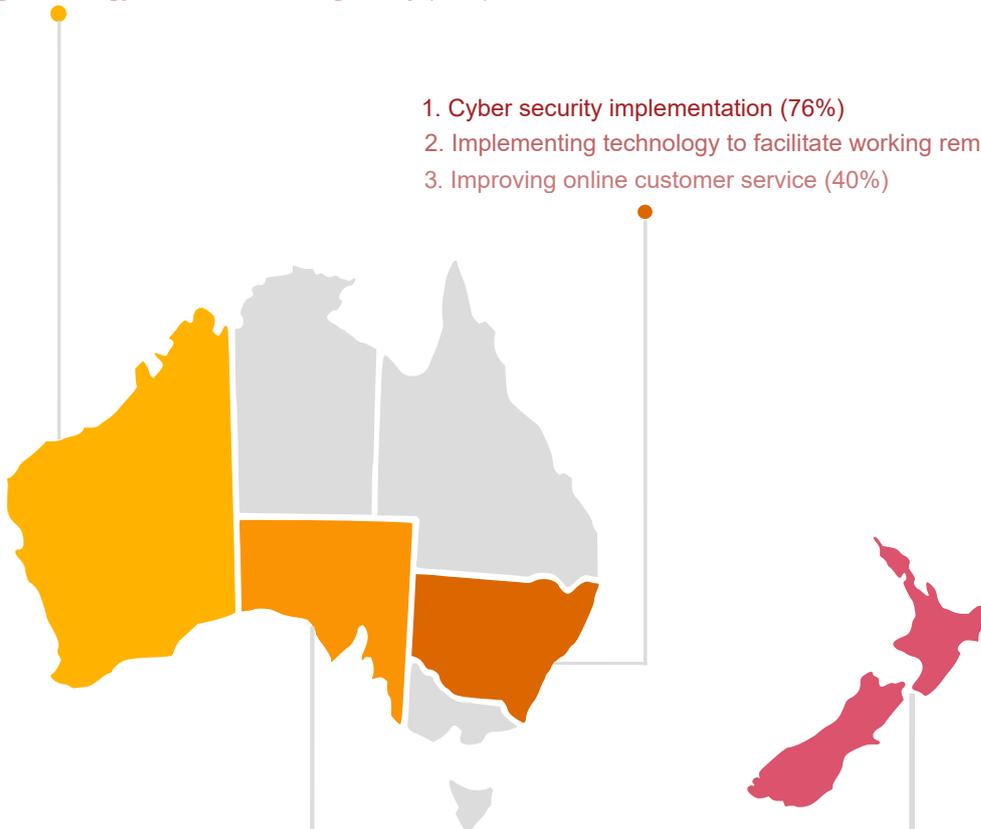
40 Cooper and Vyas, "Ten ways to tune your tech strategy", <https://www.digitalpulse.pwc.com.au/ten-ways-technology-modernisation-strategy/>, accessed November 2020

## Managing your IT projects

### Top IT priorities by council jurisdiction

- 1. Cyber security implementation (48%)
- 2. Implementing technology to facilitate working remotely (47%)
- 3. Improving technology to facilitate working locally (44%)

- 1. Cyber security implementation (76%)
- 2. Implementing technology to facilitate working remotely (52%)
- 3. Improving online customer service (40%)



- 1. Improving technology to facilitate working locally (60%)
- 2. Cyber security implementation (50%)
- 3. Data analytics and business intelligence (40%)

- 1. Automating Service Delivery (67%)
- 2. Implementing technology to facilitate working remotely (51%)
- 3. Improving technology to facilitate working locally & Improving online customer service & Cyber security implementation (50%)

## Protecting your council from cyber security threats

### Planning for cyber security

Cyber security has unprecedented prominence as a business risk, given the acceleration of remote working, and the heightened implications of a cyber incident. While once a reactive, IT add-on focused solely on technology, a cyber security framework now requires the cultural, technological and business understanding to combat a growing threat landscape.<sup>41</sup>

The advent of new risks come from the introduction of new technologies and business models often inline with a fast pace of adoption. Implementation of cybersecurity principles and practices alongside these reforms makes rapid digital change much safer.

It is encouraging to observe an uplift in the proportion of councils operating with a formal cyber security strategy, 29% of councils now do, compared to 17% in the

prior year. A further 32% of councils are in the stages of drafting a formal cyber security strategy, suggesting that cyber security is becoming an increasingly important risk area for councils.

NZ has the highest proportion of councils who do not currently operate with a cyber security strategy (66%), and this may be reflected in the 83% of NZ councils that reported a phishing attack in the past year (fraudulent communications that appear to be from a reputable source).

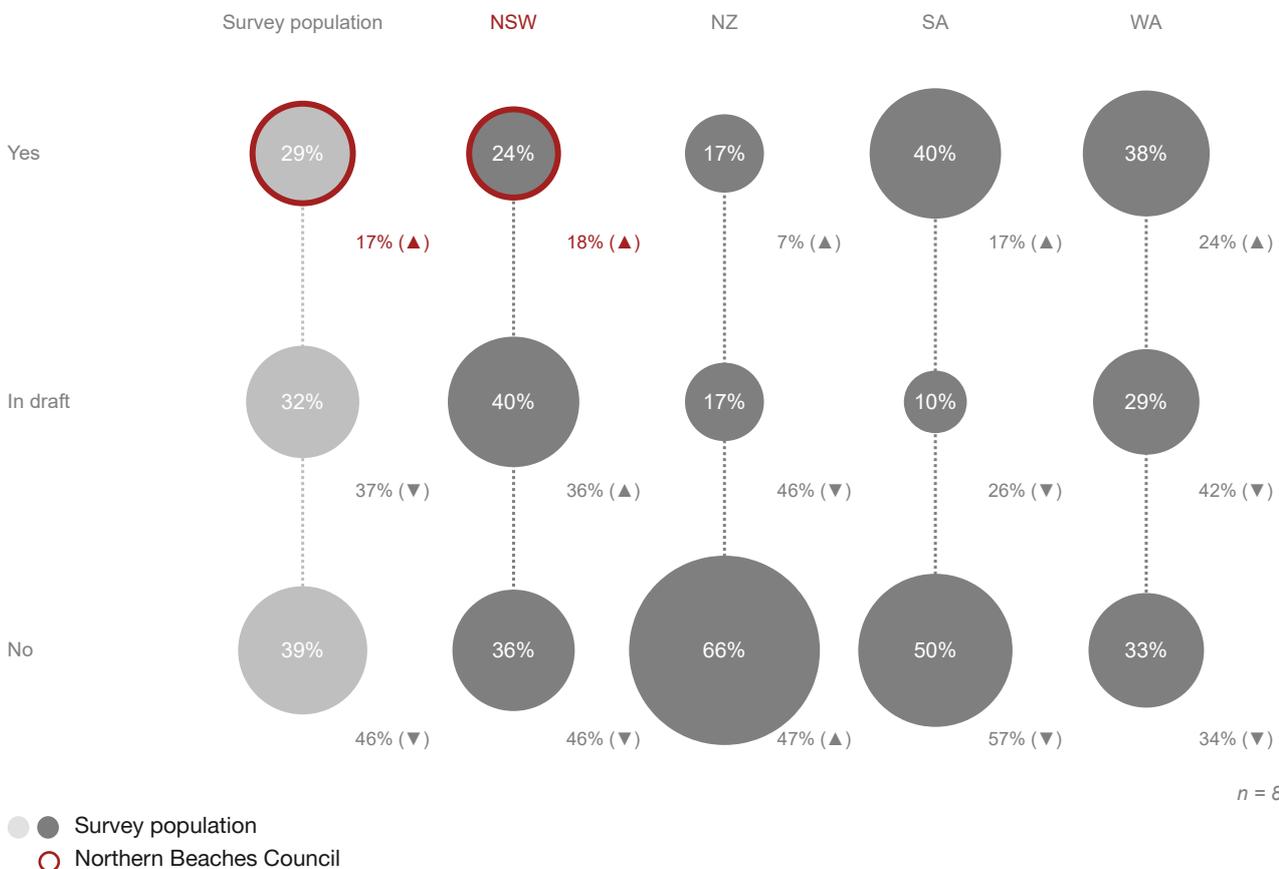
The findings from the Global Digital Trust Insights 2021 survey of 3,249 business and technology executives around the world, found that 96% will adjust their cyber security strategy due to COVID-19. Half are more likely now to consider cyber security in every business decision which is up from 25% in the survey last year.<sup>42</sup>

As organisations adapt to a 'COVID-normal' world, digital transformation efforts have accelerated. The uncertainty of today's environment has highlighted vulnerabilities and the importance of cyber and organisational resilience, and the need to upskill staff due to the increasing demand for cyber expertise.<sup>43</sup>

#### What is cyber security?

'Cyber security' refers to the protection of computers, servers, mobile devices, electronic systems and networks from malicious attacks<sup>44</sup>, theft or damage to their hardware, software or electronic data, as well as from disruption or misdirection of the services they provide.

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



41 PwC Digital Trust Insights 2021: The need for cyber resilience

42 Ibid

43 Ibid

44 Kaspersky, "What is cyber security?", <https://www.kaspersky.com.au/resource-center/definitions/what-is-cyber-security>, accessed November 2020.

## Protecting your council from cyber security threats

### Cyber security responsibility

Our results highlight that 100% of large and 95% of medium-sized councils have a Head of IT or Chief Information Officer (CIO) who assumes primary responsibility for managing cyber security, compared to smaller councils where this is likely to be managed by a staff member with other responsibilities (73%).

A Head of IT or CIO often acts as a generalist, with their main objective being the availability of the IT systems, and supporting the business functionality and usability requirements, compared to a Chief Information Security Officer (CISO) which is a specialist role.

The CISO is responsible for ensuring the confidentiality, integrity, availability and safety of 'connected' systems from cyber risks. There can be conflicting challenges of delivering IT quickly and affordably, as well as managing cyber risk. Therefore, separating the role of IT and cyber security can lead to improved governance.

Organisations are recognising the importance of a dedicated and knowledgeable executive CISO to maintain oversight over the enterprise-wide strategies to identify, manage,

monitor and report on cyber risks. Interestingly, in our survey there are no councils operating with a CISO.

It is important for councils to consider ways to access CISO-level expertise, as cyber attacks continue to become more frequent, malicious, and less discriminant in nature. A CISO can assist with preventing or detecting digital disruptions, including (but not limited to) operational disruptions, reputational damage, financial losses, response or repair costs, fines and judgements. To reduce the cost burden of hiring a top-level executive on a full-time basis, councils can consider implementing a virtual CISO, or leveraging a CISO who can advise across council clusters.

Where a CISO role or equivalent is deemed impractical or inefficient, alternative options exist for councils to manage their cyber risk. This is evident in small councils, with 73% outsourcing this role, compared to 50% of large and 38% of medium-sized councils.

*"The evolving role of a CISO and their importance to the organisation has never been more critical to both its survival and growth. It is important for CISOs to balance the nuances of technology and business requirements, while supporting the organization in their cyber strategy"<sup>45</sup>*

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

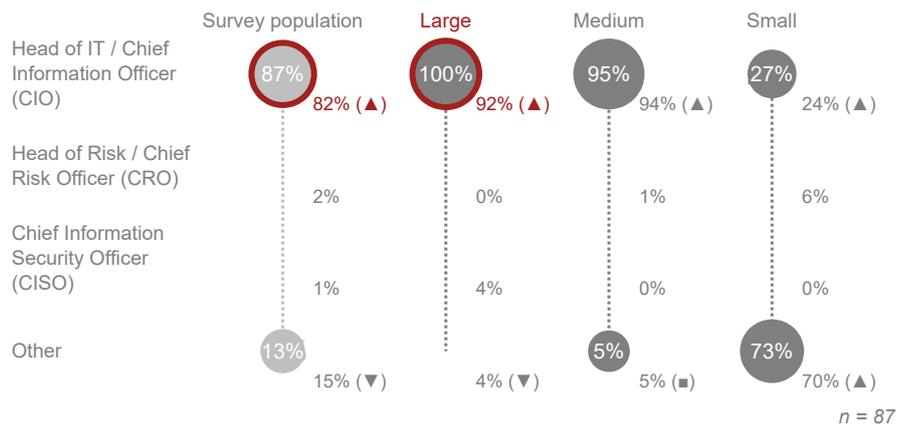
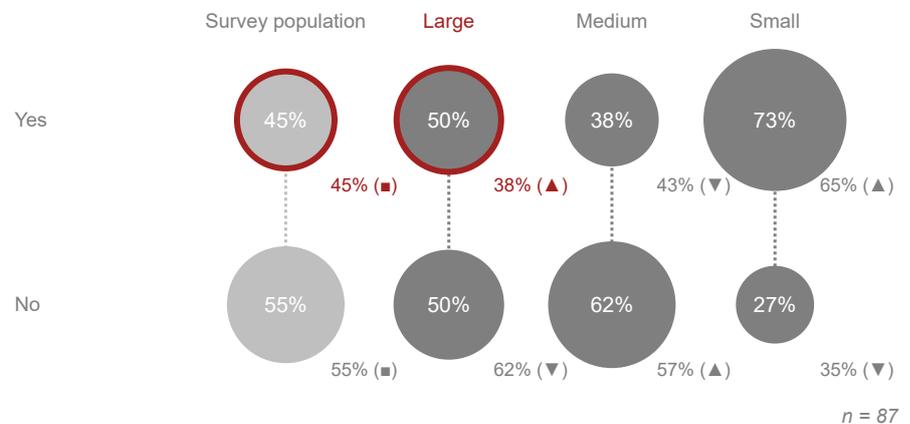


Figure 3.10: Does your council use an outsourced provider to manage cyber security?



● Survey population  
○ Northern Beaches Council

#### Key considerations when outsourcing cyber security management<sup>46</sup>

- Ensure that you are using a trusted and approved third party provider and they are the right fit for your council and data environment
- Ensure that the service provider can meet all your compliance requirements
- Understand the audit and compliance processes used by the service provider to determine whether they use spreadsheets or advanced software
- Maintain a Service Level Agreement with the service provider including roles and responsibilities and perform periodic evaluations to ensure the service provider is meeting your needs

45 PwC, "Cybersecurity coming of age", <https://www.pwc.com/gx/en/news-room/press-releases/2020/global-digital-trust-insights-survey-2021.html>, accessed November 2020.

46 Peters, "Cybersecurity Outsourcing Report", <https://cybersecurityventures.com/cybersecurity-help-solve-cybersecurity-talent-shortage/>, accessed November 2020.

## Identifying cyber security breaches and risks

### A phishy problem

Findings from PwC's 2020 Global Economic Crime & Fraud Survey: Australian Report findings, highlights that a higher proportion of Australian respondents (49%) have experienced cybercrime over the past 24 months than the average for respondents globally (34%).<sup>47</sup>

In our program, we observe a similar trend in cybercrime. In the past year, 61% of all councils experienced successful phishing attacks (up from 58% in the prior year). This was more noticeable among the participating NZ councils (83%), compared to 64% of NSW and around

half of both SA and WA councils.

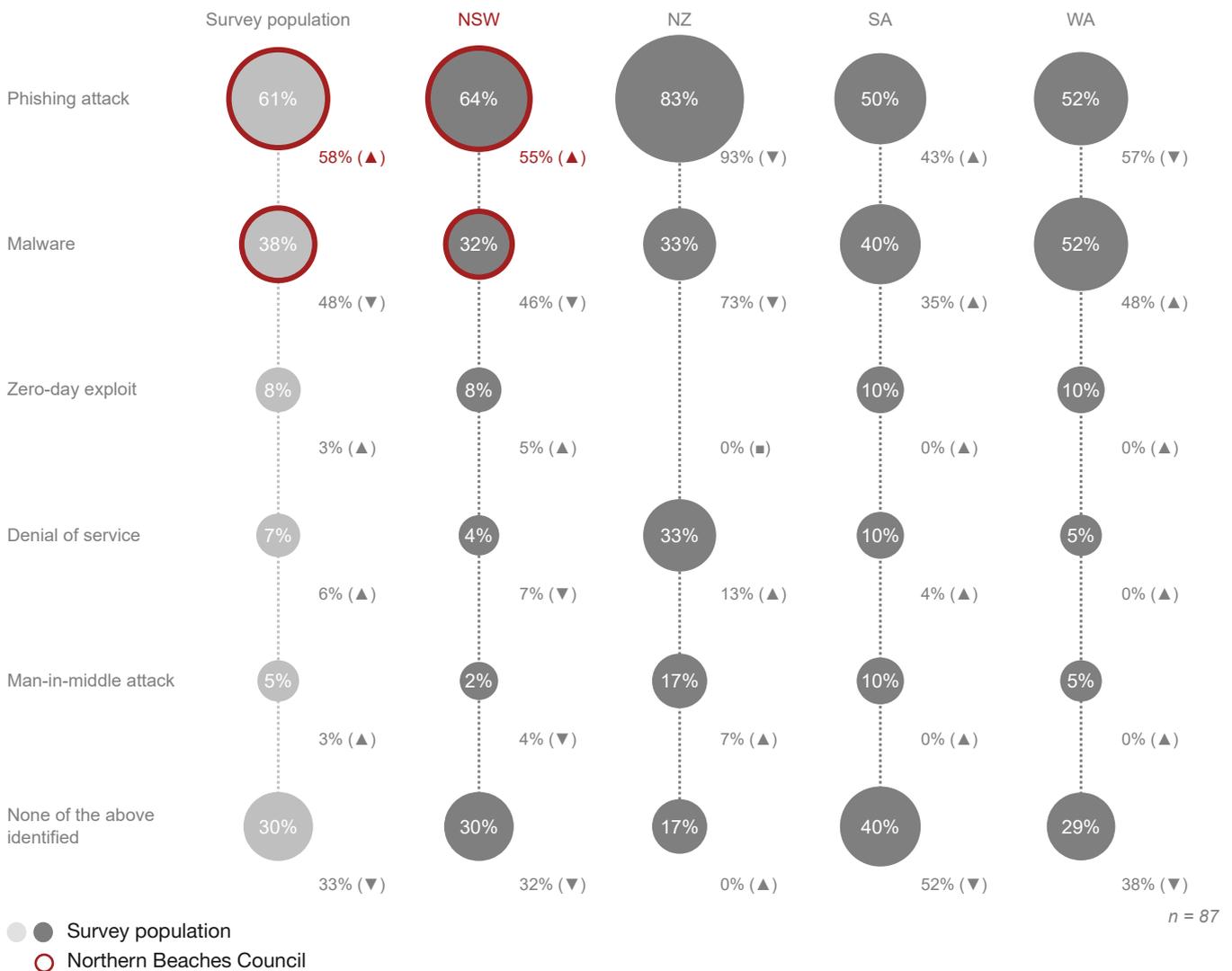
Other successful cyber security breaches such as malware attacks, including spyware, ransomware and viruses, impacted 38% of all councils. More than half of the WA councils (52%) experienced a malware attack, far higher than 32% of NSW councils.

At the other end of the spectrum, 30% of councils reported no successful cyber security breaches in FY20, especially prevalent in 33% of medium-sized councils and 25% of large-sized councils.

At first glance, this may suggest that these councils have robust security measures in place, but it may indicate the opposite - that the measures in place are not sophisticated enough to detect certain cyber attacks on a timely basis.

The latter explanation aligns with the results presented in the 2019 Telstra Security Report, which note that only 52% of Australian organisations are able to detect data breaches within minutes or hours<sup>48</sup>, suggesting that a large percentage of breaches may not get detected for weeks, months or longer.

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



47 PwC's 2020 Global Economic Crime & Fraud Survey: Australian Report

48 Telstra Security Report 2019, <https://www.telstra.com.au/content/dam/shared-component-assets/tecom/campaigns/security-report/Telstra-Security-Report-2019-LR.pdf>, accessed November 2020

## Identifying cyber security breaches and risks

### A phishy problem (continued)

Just over half of all councils (51%) surveyed perform phishing simulations to help raise awareness of this increasingly significant cyber threat to businesses, an increase from 35% in FY19.

Phishing simulations help staff familiarise, avoid, and report potential threats that can compromise critical data and systems, including phishing, malware, and spyware and should be repeated periodically to create ongoing awareness.

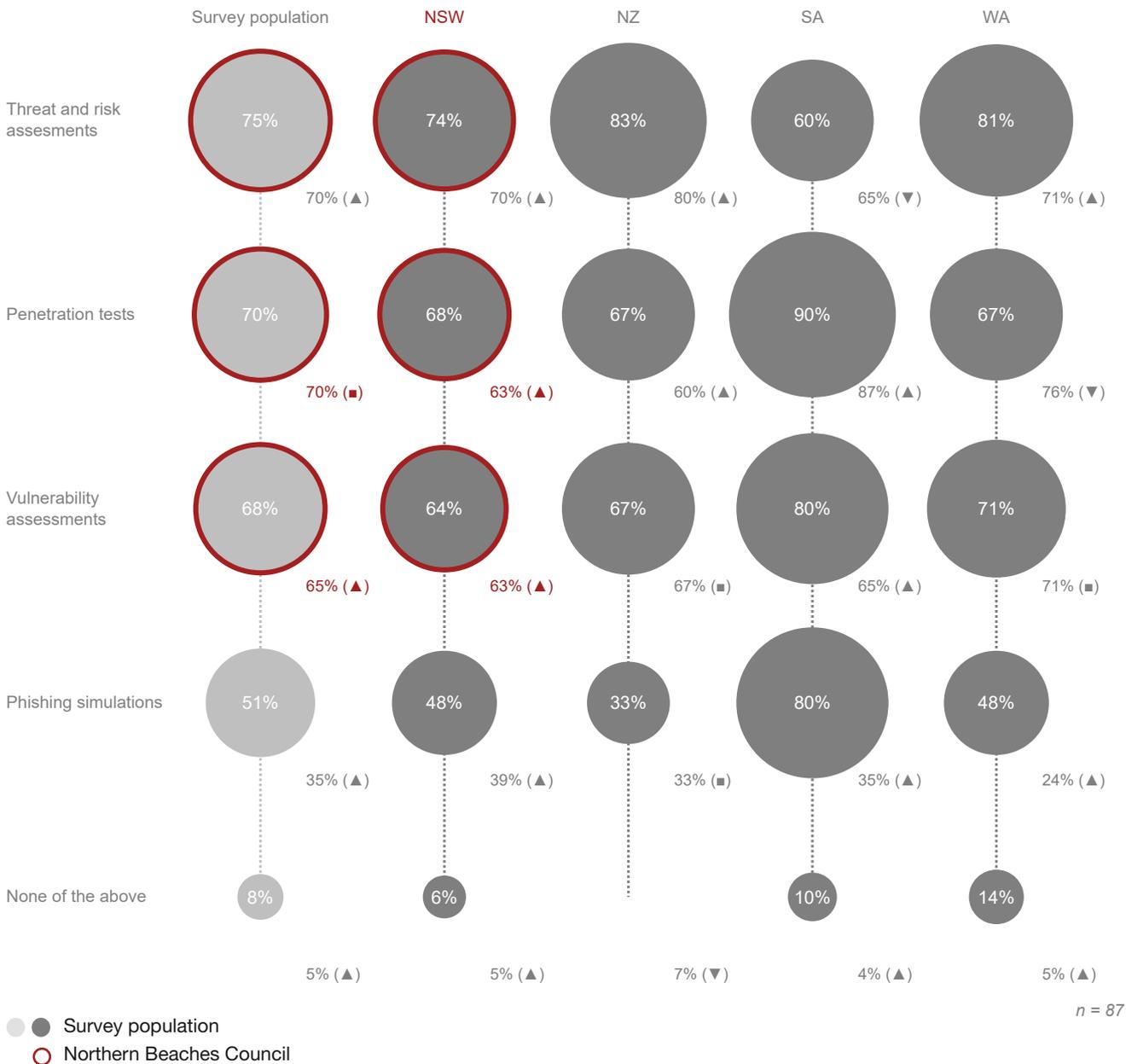
These simulations acknowledge that staff are crucial in detecting and reporting potential attacks, often acting as the first and last line of defence.

Threat and risk assessments was the most popular process performed by the councils surveyed (75%), suggesting that despite the absence of a formalised cyber security strategy, most councils are still taking steps to try and address the risk of cyber attacks. However, we continue to

recommend that a formal strategy be designed and implemented to ensure well-defined tests are performed on key systems.

Moving forward, councils should conduct cyber testing and formally review and report the findings, along with providing recommendations to the senior leadership team. The recommendations should be prioritised, actioned and remediated appropriately and in a timely manner.

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



## The importance of a cyber security incident response plan

### Incident management

Unfortunately in today's environment, organisations and governments are experiencing cyber attacks that are increasing in sophistication and scale. As councils become more digitised and increase their offering of online services to their communities, the threat of a cyber attack also increases. Therefore, it is important for councils to prioritise and develop an actionable cyber incident response plan so that in the event of an attack, they are equipped to execute on that plan and communicate their actions clearly and calmly.

Our findings highlight an upward shift in the proportion of councils operating with an incident response plan - 44% of councils are now better placed to react to a cyber security incident (up from 26% in the prior year). A further 26% of councils are in the process of drafting such a plan. However, there remains 30% of councils that are yet to take this important step.

This group of councils are more exposed suggesting an absence of tools and resources to react appropriately and effectively in the event of a cyber attack.

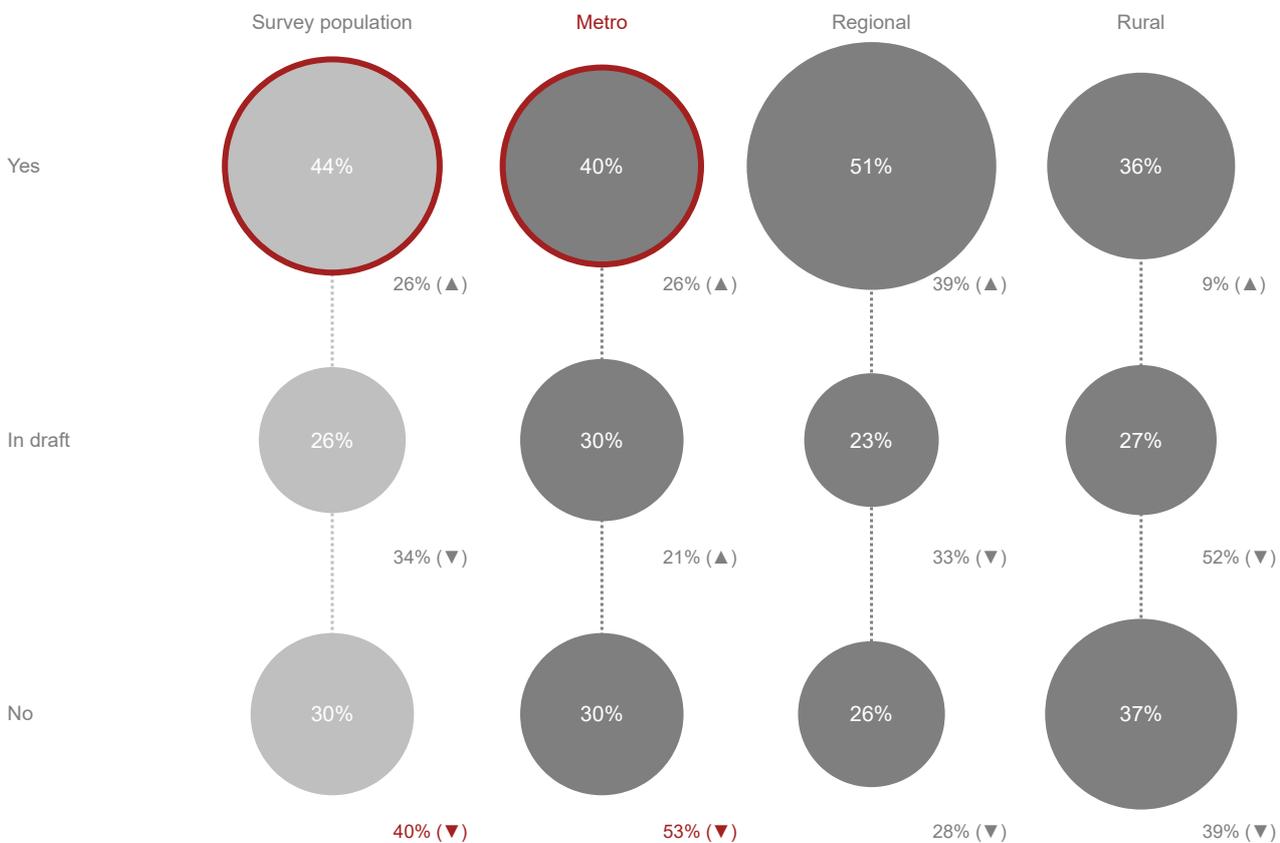
Regional councils are more likely to have an active cyber security incident response plan (51%), compared to their counterparts (40% of metro and 36% of rural councils). At a jurisdiction level, we observe around half of the NSW and NZ councils with a cyber security incident response plan, compared to 40% of SA and a third of WA councils.

It should be noted that a cyber threat only becomes an incident once it is made public, causes significant damage or negatively impacts an organisation's reputation. The more strategically an organisation invests time and resources in an incident response plan, and embeds

a culture of proactively testing security incidents before they happen, the greater the chance of dealing with an attack efficiently and effectively.<sup>49</sup>

*"Cyber attacks are part of our modern-day landscape. They're also a form of threat with parameters that are increasingly nebulous. But that doesn't mean that organisations should leave their game plans to chance. In fact, preparing and investing in incident response and reframing cybercrime as an issue that affects every aspect of an organisation is the first step towards cultivating a deep resilience while managing uncertainty both now and into the future. It can also strengthen customers' confidence in your ability to put their best interests at heart—and build relationships that are stronger and ultimately more valuable for it."<sup>50</sup>*

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



n = 87

● Survey population  
○ Northern Beaches Council

49 Martin, "Under attack: How business should respond to Australia's cyber threat", <https://www.digitalpulse.pwc.com.au/australia-cyber-threat-business/>, accessed November 2020

50 PwC, "Why your cyber incident response plan matters now", <https://www.pwc.com.au/consulting/risk-response/why-your-cyber-incident-response-matters-now.html>, accessed November 2020

## The importance of a cyber security incident response plan

### Incident management (continued)

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

Findings released by the Office of the Australian Information Commissioner (OAIC), as part of the Notifiable Data Breaches (NDB) Scheme 12-month insights report, found that 60% of reported data breaches were the result of criminal or malicious actions, and 35% were the result of human error.<sup>51</sup>

As residents continue to increase their online footprint with councils, so too, does their vulnerability to cyber attacks, and therefore a risk to the entire community. The overall proportion of digital transactions between residents and councils continues to increase across the board, primarily for online payments

(86%), library services (80%), and service requests (76%), as discussed in this section of the report.

All of our surveyed NZ councils have now digitised submission of applications and

service requests as well as enabled online payments. Almost all WA councils (95%) offer online payments yet just 50% of NZ and 33% of WA councils have an incident response plan in place.

#### What is the NIST cybersecurity framework (CSF)?

The NIST CSF is a voluntary guidance, based on existing standards, guidelines, and practices for organisations to better manage and reduce cybersecurity risk.<sup>52</sup> There are five Framework Core Functions below, which can be used to as a starting point for councils to consider as part of developing their cyber security strategy:

- **Identify:** Develop an organisational understanding to manage cybersecurity risk to systems, people, assets, data, and capabilities.
- **Protect:** Develop and implement appropriate safeguards to ensure delivery of critical services.
- **Detect:** Develop and implement appropriate activities to identify the occurrence of a cybersecurity event.
- **Respond:** Develop and implement appropriate activities to take action regarding a detected cybersecurity incident.
- **Recover:** Develop and implement appropriate activities to maintain plans for resilience and to restore any capabilities or services that were impaired due to a cybersecurity incident.<sup>53</sup>



<sup>51</sup> Notifiable Data Breaches scheme 12-month insights report, <https://www.oaic.gov.au/privacy/notifiable-data-breaches/notifiable-data-breaches-statistics/notifiable-data-breaches-scheme-12month-insights-report/>, accessed November 2020

<sup>52</sup> Framework for Improving Critical Infrastructure Cybersecurity (Version 1.1) 2018, National Institute of Standards and Technology, <https://nvlpubs.nist.gov/nistpubs/CSWP/NIST.CSWP.04162018.pdf>, accessed November 2020.

<sup>53</sup> Ibid

## Consequences associated with cyber security attacks

### Potential consequences of an attack

Our survey highlights that 45% of councils reported 'loss or compromise of sensitive data' as their top potential consequence following a cyber security attack, closely followed by 43% of councils reporting 'disruption of operations/services' as their top potential consequence.

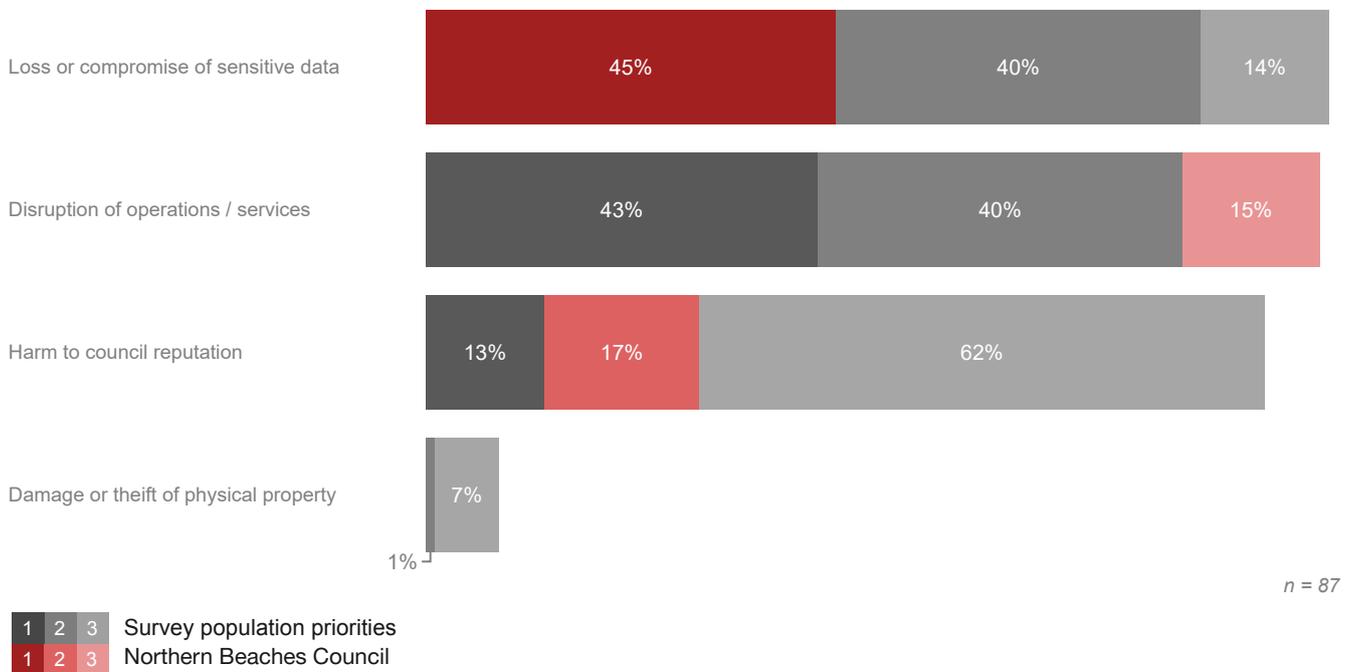
At a jurisdictional level, approximately 50% of NSW, SA and WA councils

continue to report 'loss or compromise of sensitive data' as their top potential consequence, compared to 83% of NZ councils reporting 'disruption of operations/services' as their top potential consequence.

As reported earlier in this section, 30% of surveyed councils are yet to formulate a cyber security incident response plan and therefore should be aware of the potential

catastrophic consequences that could impact the council from a cyber attack. A formal strategy and plan at the business level, supported by investing in training and developing staff on cyber security awareness, allows councils to be empowered to better identify, analyse and evaluate cyber risks on a timely basis.

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



# Case study: Cyber Security

City of Bayswater, WA

## Background



There has been an uplift in general cyber security awareness and a focus on reducing breaches within our council over the last two years. It was initiated as part of the development and implementation of the cyber security strategy, including:

- “Lunch & Learn” sessions for employees
- Different levels and formats of Security Awareness Training for employees, from executive to officer level, including in-person and eLearning

The COVID-19 pandemic accelerated some components through business continuity needs and to counter the exposure and risk associated with the City’s response, including mandatory work-from-home eLearnings for a range of topics, for example, Occupational, Health & Safety, mental health and cyber security.

There has been an increased focus on reducing breaches and increasing incident responses. This includes:

- developing a Cyber Incident Response Plan
- working with the City’s Incident Response Team
- quarterly cyber incident drills intended to develop staff and identify areas for improvement (i.e. senior staff do not participate in all drills, different staff are responsible each time)
- purchasing a Security Information and Event Management Solution (SIEM) that helps to identify potential gaps and support analysis and solution identification
- regular vulnerability reviews, assessment and tests, including engaging independent contractors to test and assess different aspects of security (areas detailed in strategy).

## Implementation



Clear executive support and buy-in, led to a good journey to having robust cyber security practices within the City. Some employee resistance was experienced, as some felt it was making their lives harder (e.g. longer passwords, tighter controls) and creating extra contractor requirements (e.g. detailed work reports). Therefore, managing these relationships proved critical, including face-to-face meetings and focusing on, and demonstrating the positives of the improvements. Particular focus was given to security as an enabler, and by mitigating certain risks, we were able to branch into more things with greater confidence and less risk.

The need for improvement was driven by a number of factors, including:

- PCI compliance requirements
- audit recommendations and increasing audit expectations
- an independent maturity assessment arranged by the Manager Information Services, motivated by his own research and insights
- working from home due to COVID-19.

Both a Cyber Security Strategy and Cyber Incident Response Plan were developed and an IT Security Specialist was employed in October 2019 to provide expertise, however, cyber security is a whole-of-team function. Every member of the IT team acknowledges that they have a part to play. The strategy was gradually being implemented but was accelerated by the COVID-19 pandemic. The urgent, but uncertain state of the pandemic, made things very fluid. The need for most staff to work remotely, and the executives determination to achieve this, provided an opportunity to quickly advance in a number of areas. For example, providing security awareness training relating to working from home and rolling-out two-factor authentication to more of the workforce. Also, monitoring exposed credentials on the dark web and monitoring file transfers to removable devices was implemented.

# Case study: Cyber Security (continued)

City of Bayswater, WA

## Usage and Benefits



Robust cyber security practices within the City has resulted in the following:

- Greater visibility and understanding of what is actually occurring. We are more aware of our situation, we track the number of incidents and attacks occurring (i.e. tens of thousands in the last year). This provides valuable insights, helps identify opportunities for improvement and provides greater confidence in remedial actions.
- Greater confidence in our systems, enabling us to focus more on value adding activities.
- Improved controls and employee awareness which gives us greater confidence in some services/functions/systems, for example continuing to permit remote working.
- Greater mobility and agility, including for working from home and field workers.
- Increased proactivity, as external vulnerabilities and attacks are monitored regularly and we are detecting vulnerabilities before they become a problem.

## Lessons learnt



Implementing robust cyber security practices within the City has highlighted the following lessons learnt:

- The Cyber Security Strategy provided a good foundation for mobility before COVID hit, for example replacing or updating infrastructure, but there was room for improvement.
- Relationship management during transition is critical to overcome resistance. Awareness of impacts to workload is important, because making things more secure is likely to add time to even simple tasks.
- One goal is changing mindsets. While some tasks might be done in a less-than-secure manner, to the user it's easy, not wrong. A lot of time was spent trying to reshape those behaviours to avoid employees viewing the technology as a disabler, rather than an enabler. It was important to show people what value it could provide for them. For example, greater mobility and confidence, and an invitation to suggest improvements.
- When it comes to testing, truly understand what impartiality should be to ensure you get it from your contractors. Advice from a product specialist is not always the best advice.
- Avoid saturation – don't cram it down people's throats. People objected to repetitive, non-progressive training.
- Acknowledge that it is a process, not a project. The objective is to improve our maturity level over time, not just produce a document.
- The level of audit scrutiny in local governments will continue to increase. With recent changes in WA we were underprepared and under-resourced for the intensity of our first audit. Going forward though we can approach audits with greater confidence thanks to improved visibility.
- Never waste a crisis! The pandemic provided countless learnings and opportunities for us to make several advancements very quickly. We had to get creative by necessity.

Cybersecurity is a journey, not a destination, and there will always be new challenges on the horizon. We acknowledge that we are just at the beginning of that journey and have a long way to go.

## Customer service scorecard

### Automating the customer experience

As organisations become increasingly digitised and offer more online and self-service options, customer expectations (especially during 2020) towards an automated, online approach that suits their needs and schedule. These expectations transcend to the community, who expect their council interactions to be convenient, flexible and simple.

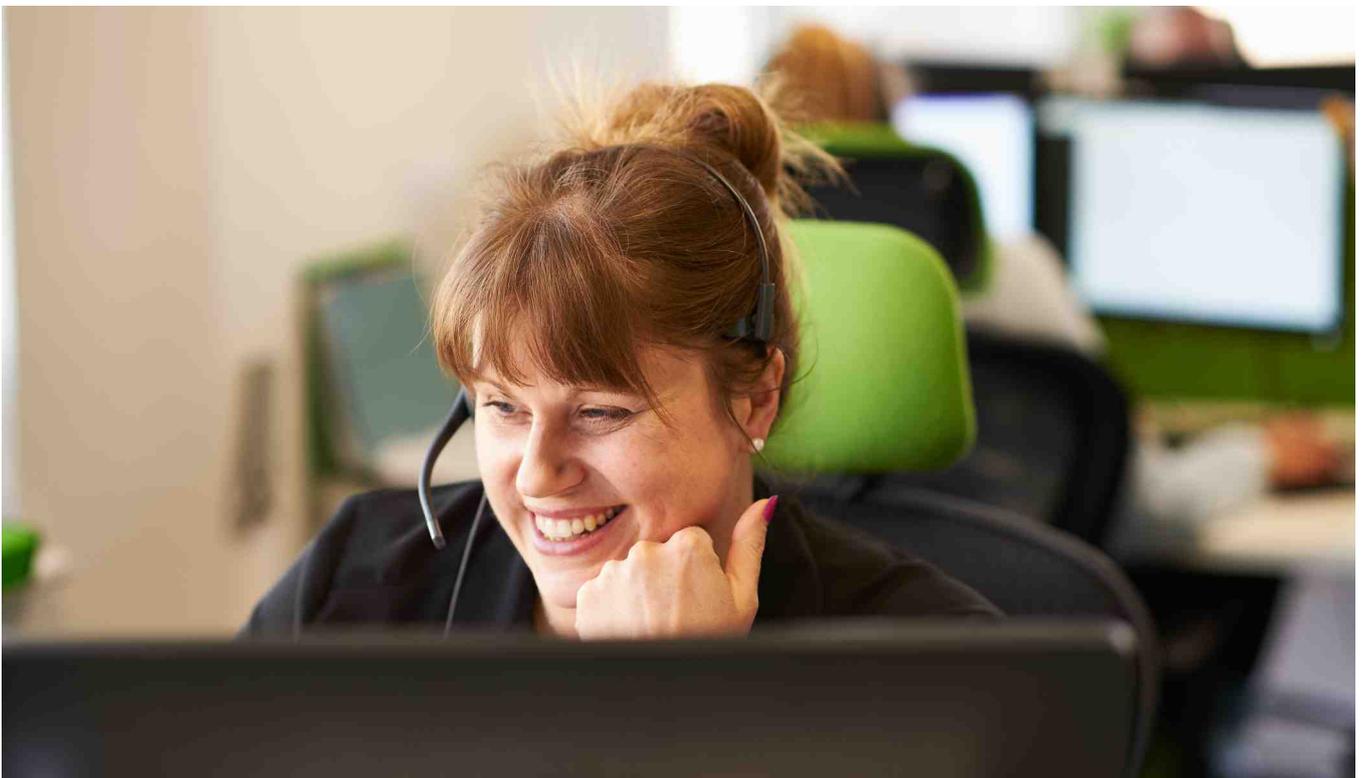
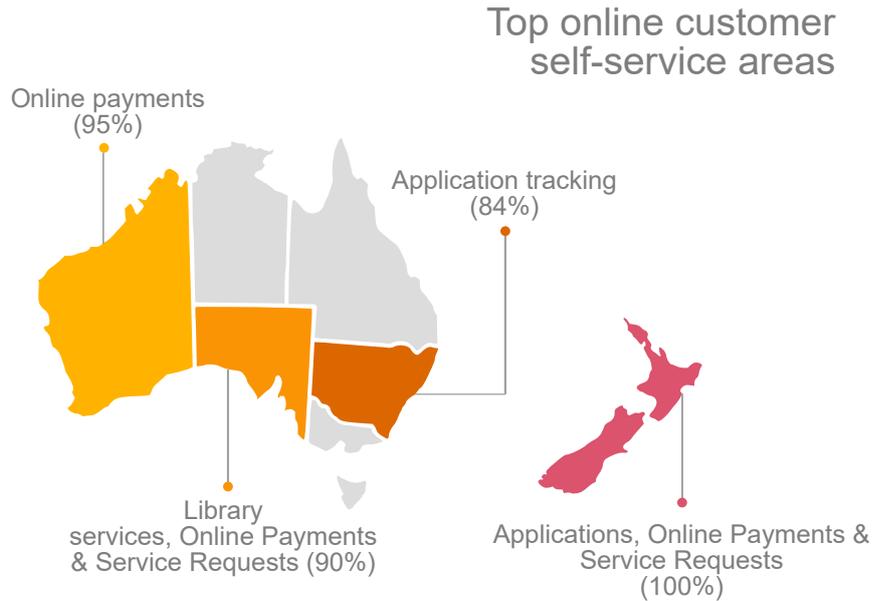
As the customer service function is often the first point of interaction with residents and businesses, whether it be via online, phone or face-to-face, there is a direct correlation between the positive interaction of residents and businesses with the customer service function and overall positive community satisfaction.

Empowering the customer service function with modern technology such as a self-service portal, provides the user with helpful content and access to the council at a time that suits them, creating a better customer experience. Further, by automating the customer experience, enquiries can be processed more efficiently, alleviating the associated resourcing and cost pressures often faced by customer service departments.

It should be noted that although digital methods allow for greater efficiency and access, it is when digital and traditional methods work together that organisations

experience the greatest value. “Mixing physical or human elements into digital interactions can sometimes make for better customer experiences, especially in sectors where customer acquisition requires education, explanation or personalisation.”<sup>54</sup> Therefore, given a

number of the services offered by councils are typically personalised and require education and explanation, a blended approach is optimal to ensure councils are maximising their customer experience potential.



54 PwC Global Consumer Insights Survey 2019, “It’s time for a consumer-centred metric: introducing ‘return on experience’”

## Customer service scorecard

### Automating the customer experience (continued)

There continues to be focused effort on digitising the customer service experience in core service areas where the community will benefit the most.

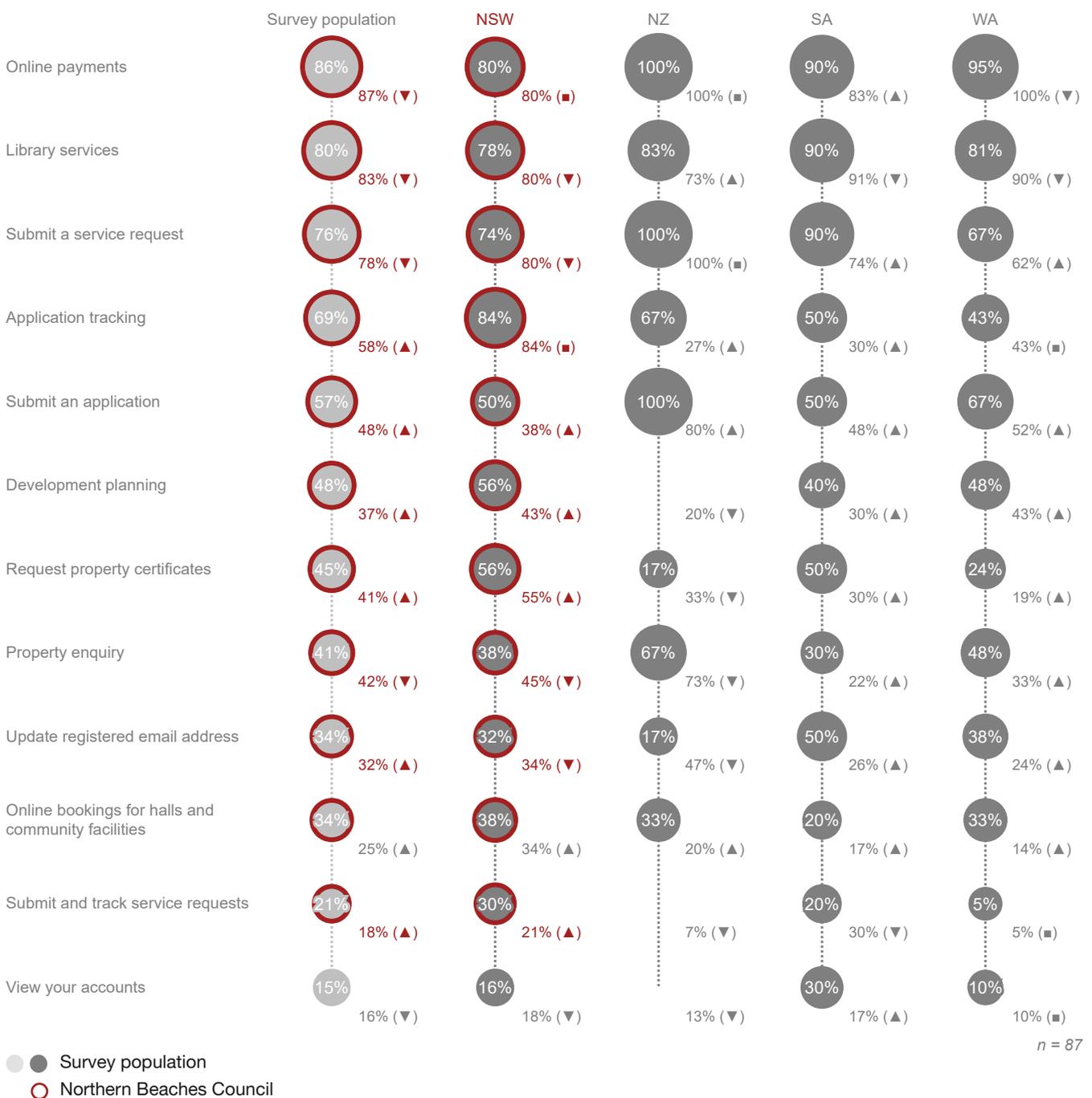
We observe all NZ councils continuing to provide online payment services and allowing service requests to be made online. A greater proportion of SA councils are now moving in this direction, with

90% offering online payments (up from 83% in the prior year) as well as enabling the community to submit a service request online (90%, up from 74%).

A clear opportunity exists for councils to continue increasing the provision of online application services for submission and tracking. Although there has been an overall uplift in councils allowing

applications to be lodged online, this is only offered by 67% of WA and 50% of SA and NSW councils, compared to 100% of NZ councils. Further, 84% of NSW councils and only 67% of NZ, 50% of SA and 43% of WA councils provide the ability to track applications online. We encourage councils to investigate how both these processes can continue to be incorporated into a self-service model.

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



## Customer service scorecard

### Servicing the community

The median number of customer service full-time equivalent staff members (FTEs) per 10,000 residents across the council population is now 2.0, down from 2.2 in FY19.

However, for small-sized councils, the median customer service FTEs per 10,000 residents of 7.4 FTE has set an all time high since this program began in 2014 (up from 4 FTEs in the prior year). In comparison, large councils remained stable with a median of 1.2 FTEs per 10,000 residents, and medium-sized councils dropped slightly with a median of 2.2 FTEs per 10,000 residents, down from 2.5 in FY19.

Large and medium-sized councils have increased their adoption of a self-service online customer experience more so than their small-sized counterparts, which may highlight the slightly different way of life in small council areas, with communities preferring face-to-face and over the phone interactions. It is acknowledged that small councils have been re-defining the customer service function over the past five years, and are trying to provide an optimal blended experience to the community.

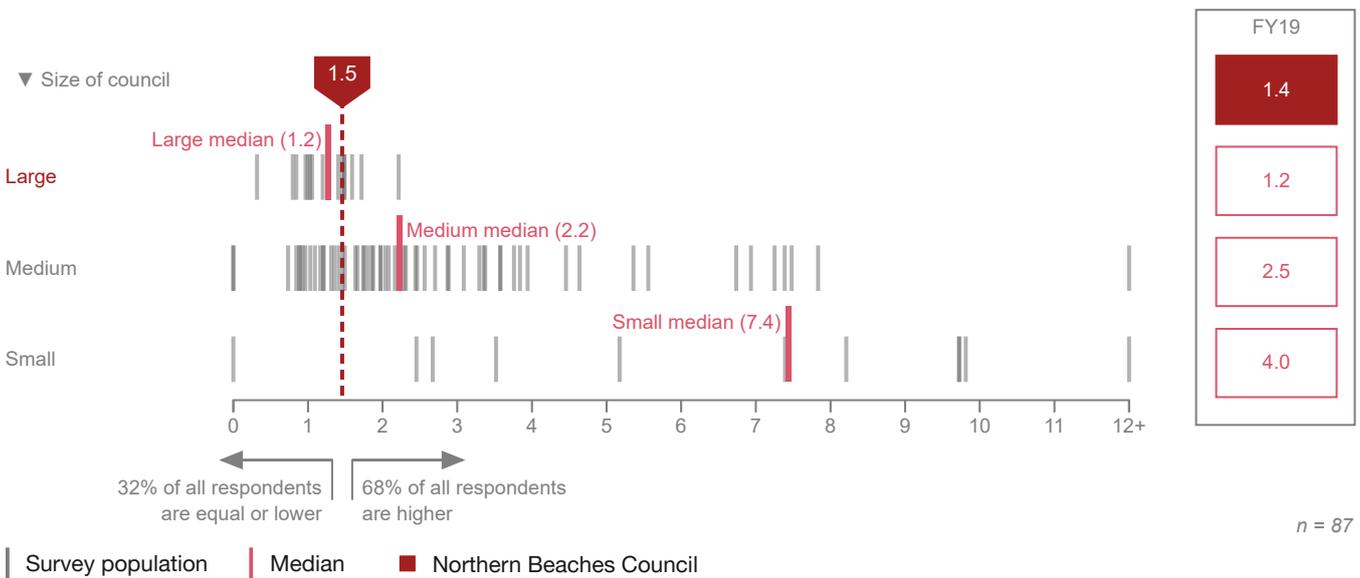
During the COVID-19 pandemic, increasing isolation of members of the community has elevated the importance of providing human connection at the point of customer interaction. Additionally, the need for compassion and patience in serving citizens who may not be at their best, when requesting support from councils, calls for additional input from the community to enable councils to make an informed decision regarding which services should be digitised and which services will still require human interaction.

*"In addition to the traditional return on investment (ROI) metrics used to determine a company's success, PwC believes it's time to introduce another metric, one with a focus on customer experience. Because consumers today are so discerning and powerful, it's our perspective that most organisations need to invest far more in customer experience (CX). Measuring 'return on experience' (ROX), will help you understand your earnings on investments in the parts of your company directly related to how people interact with your brand."<sup>55</sup>*

#### Key considerations

- Are you measuring your customer experience initiatives and their impact?
- Have you investigated how other councils are delivering online customer services effectively and the impact this has had on customer satisfaction?
- Does your council embed a culture of customer and community care? Are your staff encouraged to innovate and seek out new ways to enhance the customer service experience?
- Have you sought feedback from customers and the community on their preferences and expectations regarding customer service?

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



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

## Looking at different ways to deliver corporate services

### Outsourcing or sharing corporate services

Outsourcing and sharing corporate services are some of the ways to optimise operational effectiveness. In building a sustainable operating model, any form of outsourcing or sharing should enable councils to achieve high-quality service levels, deliver better value directly to users and generate cost savings that can be invested into other services or new initiatives, and enhance staff capability.

Our survey highlights that the top three corporate service areas that councils either outsource or share remain consistent to last year with legal (89%), IT hosting and support of systems (70%), and customer service call centre services (47%).

Although 100% of NZ and 90% of SA councils outsource or share their IT hosting and support of systems, there has been a general slowing down in this area with only 66% of WA and 64% of NSW

councils outsourcing or sharing this area. There has also been a downward trend across all councils in the outsourcing or sharing of the IT helpdesk, with only 21% of councils operating in this way.

Maintaining an inhouse data centre is becoming a more and more niche proposition, and continuing to do so as the market moves to cloud presents its own operational risks. A strategy to minimise this risk could be to further outsource or share IT helpdesk, hosting

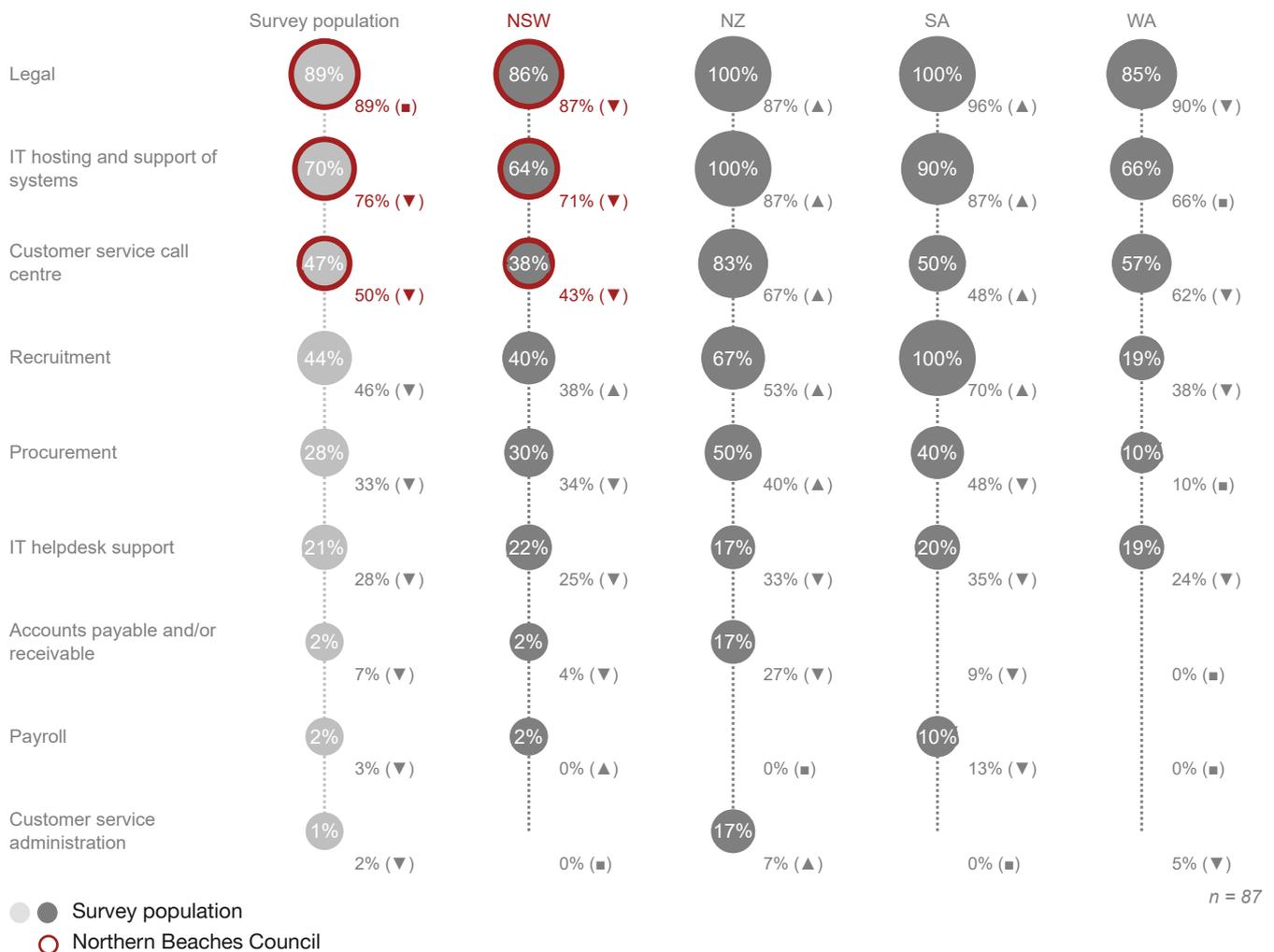
and support of systems, to free IT staff capacity, allowing them to focus on the future digitisation of the council.

More generally, councils should continually assess their in-house skill sets across a range of services and whether service delivery is performed to a high standard and in a cost effective manner. Equally important is sharing success stories with your neighbouring councils to identify a more efficient or cost effective approach.

#### Key considerations

- Have you assessed whether your staff have the required skills and knowledge to support the digitisation of your council?
- Have you taken-stock of the services and processes performed by the corporate service areas to identify any opportunity areas to outsource?

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



## Looking at different ways to deliver corporate services

### The future of outsourcing or sharing corporate services

Outsourcing services allow council staff to focus on their core competencies and strategies and perform more value adding activities. It also provides councils with increased flexibility to meet changing business and commercial conditions and access to innovation and thought leadership. Successful outsourcing requires a clear vision, the right governance structure to achieve the councils strategic objectives and a formal service-level agreement between councils and service providers.

Consideration should be made as to whether these outsourcing arrangements can include several councils, to achieve cost savings and improve service quality. An example of this is the outsourcing of legal services.

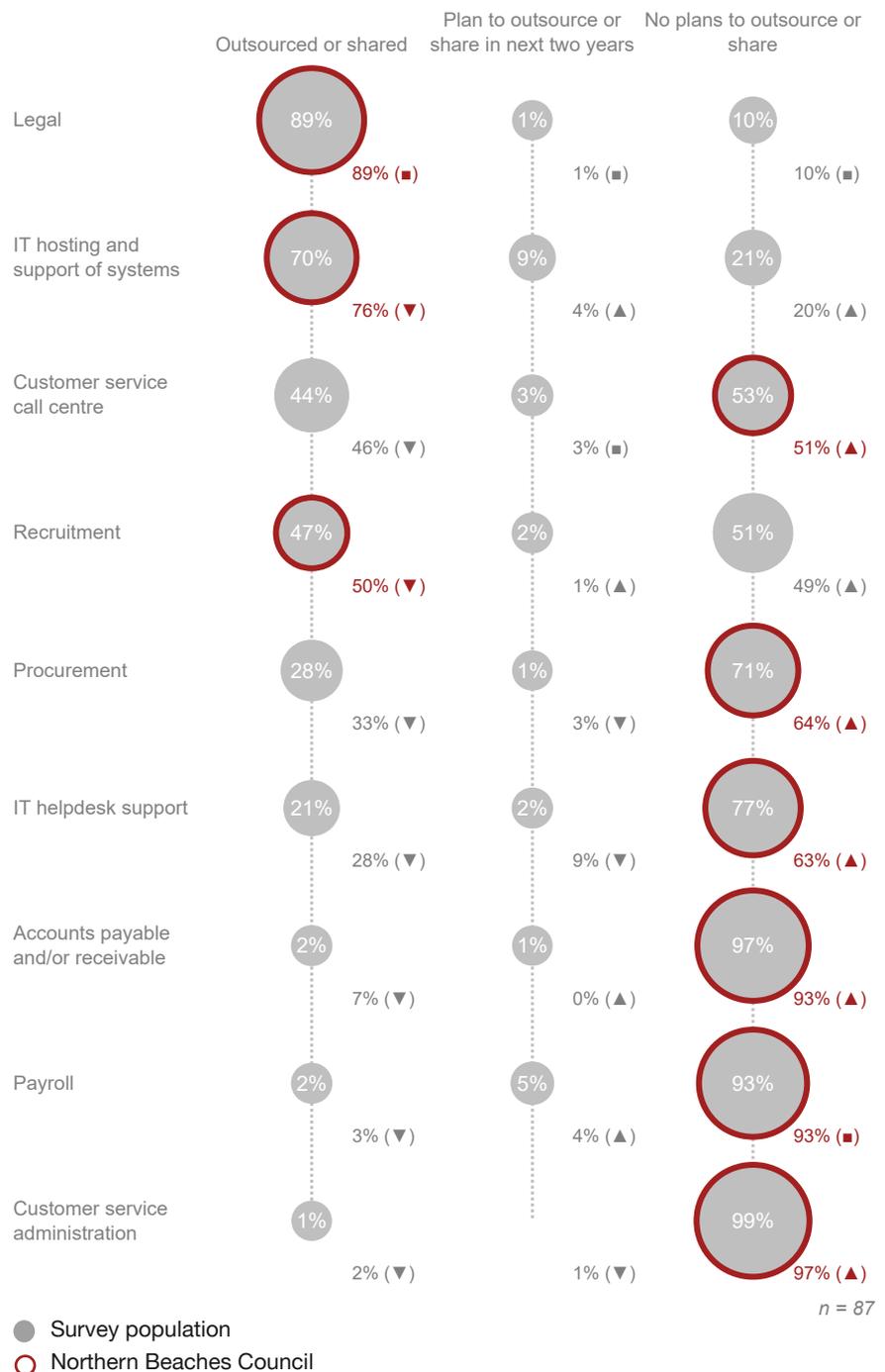
Where outsourcing is not the right solution, councils should continue to consider the benefits of sharing resources in regional areas, especially with the network of regional clusters growing to enable a consistent regional approach on important matters for staff and/or the community.

We compared the percentage of councils that currently outsource or share corporate services to those that have plans to adjust the way they deliver corporate services. Overall, our results highlight reduced demand to outsource or share corporate services in the next two years.

Geographically, we see that councils continue to be more focused on introducing an outsourced or shared model for either IT hosting and support of systems (NSW 12%, WA 10%) or IT helpdesk support (NSW 2%, WA 5%). Further, there continues to be a rise in the proportion of councils looking to outsource or share the high transaction based area of payroll (NZ 17%, SA 10%, and NSW 4%).

The opportunity continues to exist for increased collaboration with neighbouring councils by investigating how corporate services may be shared with each other, or outsourced to specialist service providers to potentially increase efficiencies and improve service delivery and financial outcomes. It should be acknowledged that councils may have valid reasons to keep some services in-house, including providing local employment opportunities. However, the opportunity still exists when collaborating with nearby councils.

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



# Service Delivery



**52%**

of councils own and operate their own landfill site



**51%**

of total solid waste management operating expense relates to outsourcing



**27%**

of councils completed service reviews and formally reported outcomes

# 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**	 82 councils	 A\$315	A\$186 - \$775
 Roads & Bridges	 81 councils	 A\$243	A\$91 - \$941
 Water Supplies	 38 councils	 A\$224	A\$27 - \$383
 Sewerage Services	 44 councils	 A\$207	A\$43 - \$393
 Solid Waste Management	 76 councils	 A\$169	A\$91 - \$298
 Parks and gardens	 77 councils	 A\$101	A\$47 - \$189

\* 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 cost per resident.

	Number of councils*	Average operating expense per resident*	Range of operating expense per resident^
 Governance & Administration**	 48 councils	 A\$357	A\$200 - \$894
 Water Supplies	 30 councils	 A\$319	A\$143- \$505
 Roads and Bridges	 49 councils	 A\$295	A\$94 - \$984
 Sewerage Services	 35 councils	 A\$256	A\$127 - \$396
 Solid Waste Management	 47 councils	 A\$206	A\$104 - \$204
 Parks and Gardens	 45 councils	 A\$94	A\$45 - \$894

\* 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 unique combination of services, brought together to meet the specific needs of its community. As communities evolve, councils are faced with the ongoing balancing act of appropriately allocating resources between direct service delivery and central administrative functions.

Although each community has its own specific needs and wants, one prevalent factor across all councils are workforce costs, which remains a major controllable component of total council expenditure (median of 37% of total costs). Therefore, our analysis focuses on using workforce data as the key to unlocking insights about service delivery of the participating councils.

This section will provide councils with the opportunity to better understand:

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

### Methodology

Participating councils map their council cost centres to a defined set of 36 service areas. As each employee is allocated to one or more of the council's cost centres (via their FTE status), which allows for 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. FY20 costs are allocated to their mapped service areas across four sub-categories of expenses: outsourced contract cost (if any), insourced staff remuneration, depreciation expenses, and insourced other expenses.

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

### Understanding this section

Each participating council will be able to view a variety of metrics for their top five service areas (displayed in red) either ranked by service cost or service FTE.

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

When calculating FTE and headcount, we have used the closing balance at 30 June 2020 for fixed term and permanent staff. Given the seasonal nature of some casual employees in local government, we have analysed casual staff employed across the year and then included a casual FTE component based on casual hours worked throughout the year in the relevant service areas.

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

In FY20, we report the following service areas making up 57% of the total closing FTE:

1. Governance and administration (26% of workforce)
2. Roads and bridges (12%)
3. Parks and gardens (9%)
4. Town planning (6%)
5. Library services (5%)

In addition, if we look at the share of operating expenses, the following services areas represent 59% of the total operating cost:

1. Governance and Administration (21% of total operating cost)
2. Roads and bridges (17%)
3. Solid waste management (10%)
4. Parks and gardens (6%)
5. Water supplies (5%)

## Serving the community - what's the cost?

### Breakdown of service delivery by operating costs and FTE

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

To enable easier comparison, the survey population results have been remodelled to represent the same size as your council. Therefore you have the ability to view the average equivalent resources (by cost and FTE) for each service area, and compare your results against a survey population with the same number of residents as your council.

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

council's number of residents.

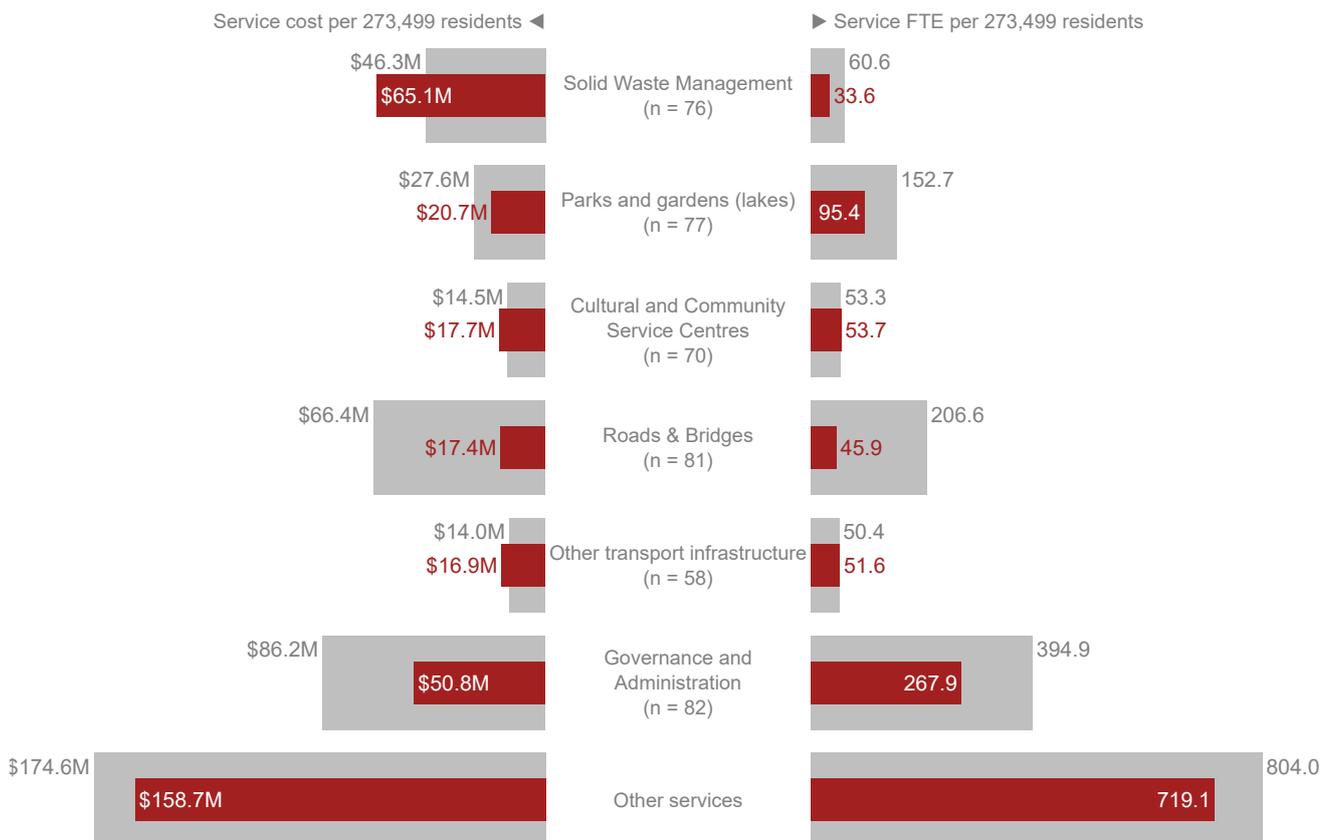
The survey population, by service area, is represented by other participating councils that also provide the same service. For example, a council may have 50,000 residents and spend \$10m on solid waste management, equating to a cost of \$200 per resident. The remodelled survey population result, using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

This means the council in focus is spending less than the relative survey population to deliver this service to its 50,000 residents. How? Is it due to the way the service is delivered or the nature of the service provided? Is it due to a lower number of employed FTE? Is the mix of staff different? Have procurement agreements been negotiated recently for a better price and volume of materials? Some of these questions may be answered further in this section.

#### Definition of FTE

Total number of full time equivalent employees at 30 June 2020, including a casual employee component based on casual hours worked throughout the financial year.

Figure 4.1: FY20 operating expenses (A\$) and FTE by service<sup>^</sup>



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

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

- Survey population
- Northern Beaches Council

## How is your council delivering its services?

### Insourcing and outsourcing

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

Solid waste management continues to operate principally as an outsourced model and exhibits the highest proportion of outsourcing. We observe outsourced solid waste management costs representing 51% of total solid waste operating expenses (down from 54% in FY19). All Australian councils increased their solid waste management outsourcing share of spend during FY20.

The service area of aerodromes is next in line (26 councils operate an aerodrome), with 49% of the operating expense related to outsourcing costs. NZ councils identify a substantial proportion of their aerodromes expenses as being outsourced, with 70% (compared to 50% in NSW, 40% in SA and 38% in WA).

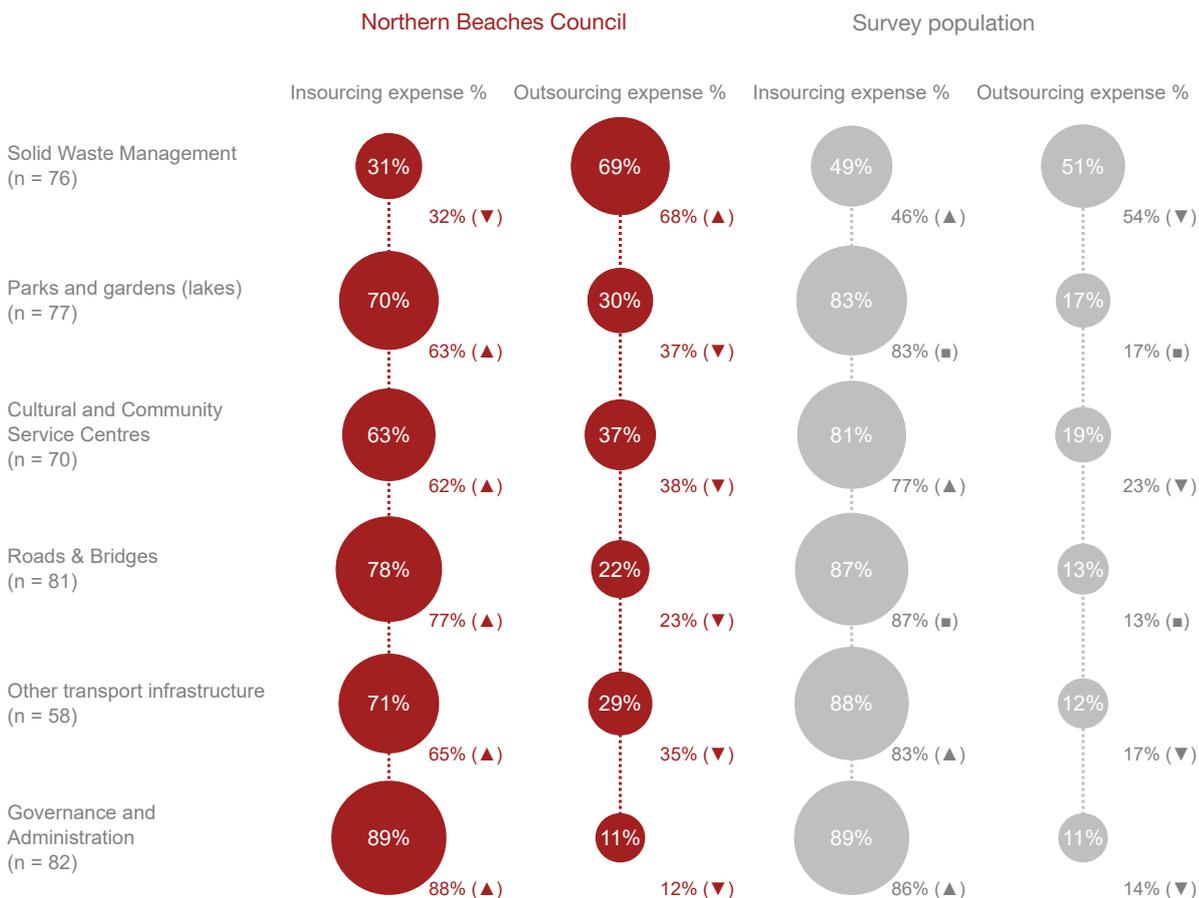
This year we see other community amenities with 30% of the operating expense related to outsourcing costs, covering maintenance and operation of public cemeteries, public toilet cleaning, graffiti management and maintenance of street furniture.

### Outsourcing expenses as a percentage of total operating expenses

Your outsourcing expense is **34%** of your total operating expense



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



<sup>^</sup> 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
- Northern Beaches Council

## Are you conducting regular service reviews?

### Service delivery reviews

Our report highlights an overall decline in the proportion of councils indicating that they performed at least one service review (51%, down from 60% in FY19), with 27% of these councils formally reporting their findings to senior management, down from 32% in FY19. NZ and WA councils reported the largest decline in their level of reviews in FY20, with 50% of NZ and 48% of WA councils indicating they did not perform a service review, compared to 33% and 48% respectively in the prior year.

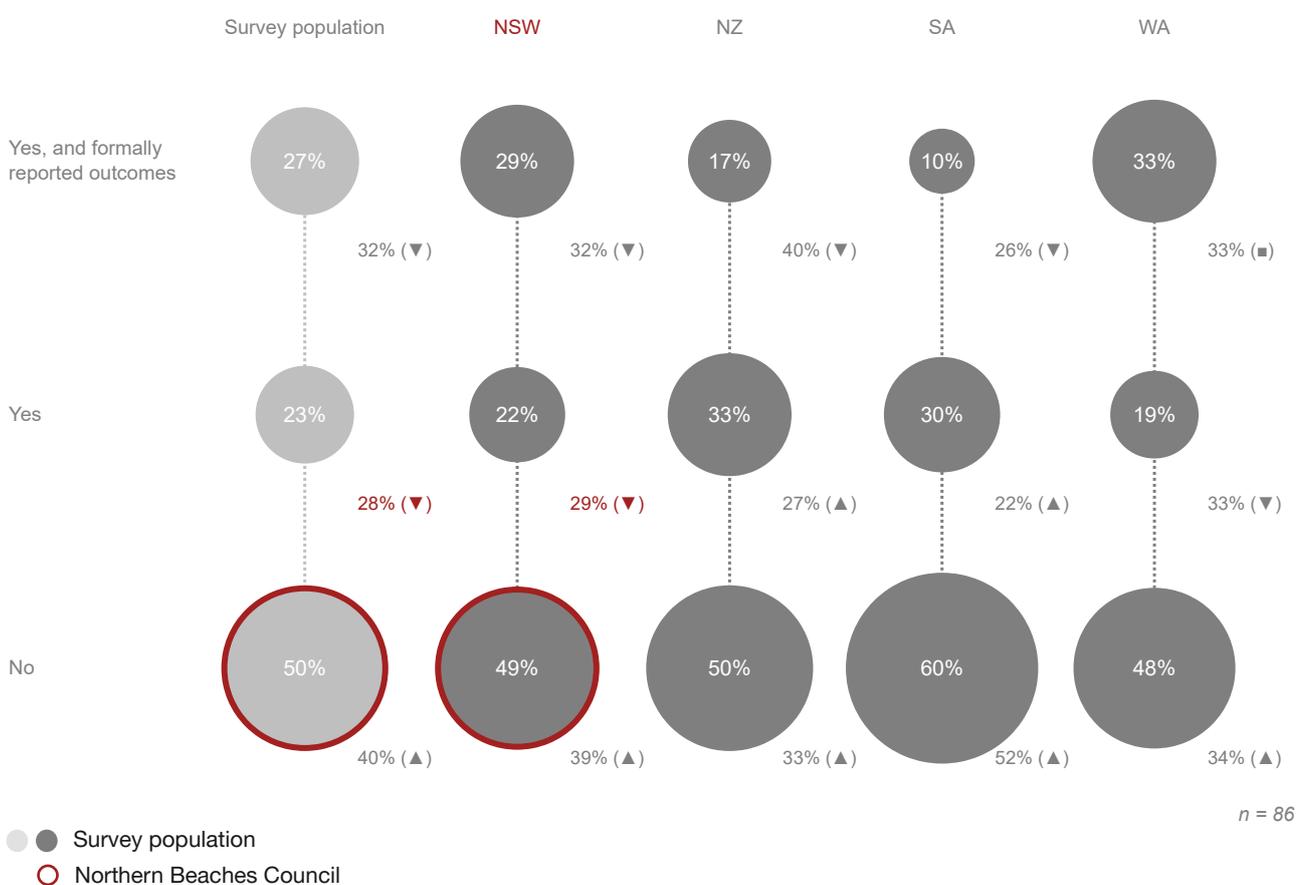
With a greater proportion of councils across all jurisdictions reporting a reduction in service reviews it is likely the onset of the pandemic during March 2020 restricted the ability to perform onsite reviews, especially during the lockdown period.

Performing service delivery reviews requires time, resources and funds, and it is important to assess whether these reviews provide appropriate returns in the form of operating efficiency gains or improved delivery of community services. It is then just as important to report these insights to senior management and engage in a discussion about how to improve or enhance the delivery of services and to enable efforts to be directed into the service areas that need it most.

#### Why are service delivery reviews important?

They assist councils to understand their community needs by using an evidence-based approach to assess how efficiently and effectively the council is meeting those needs. Using this information, councils can determine and prioritise the changes required to provide enhanced benefits to both residents and businesses within the constraints of financial sustainability.<sup>57</sup>

Figure 4.3: During FY20, did your council complete service reviews?



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

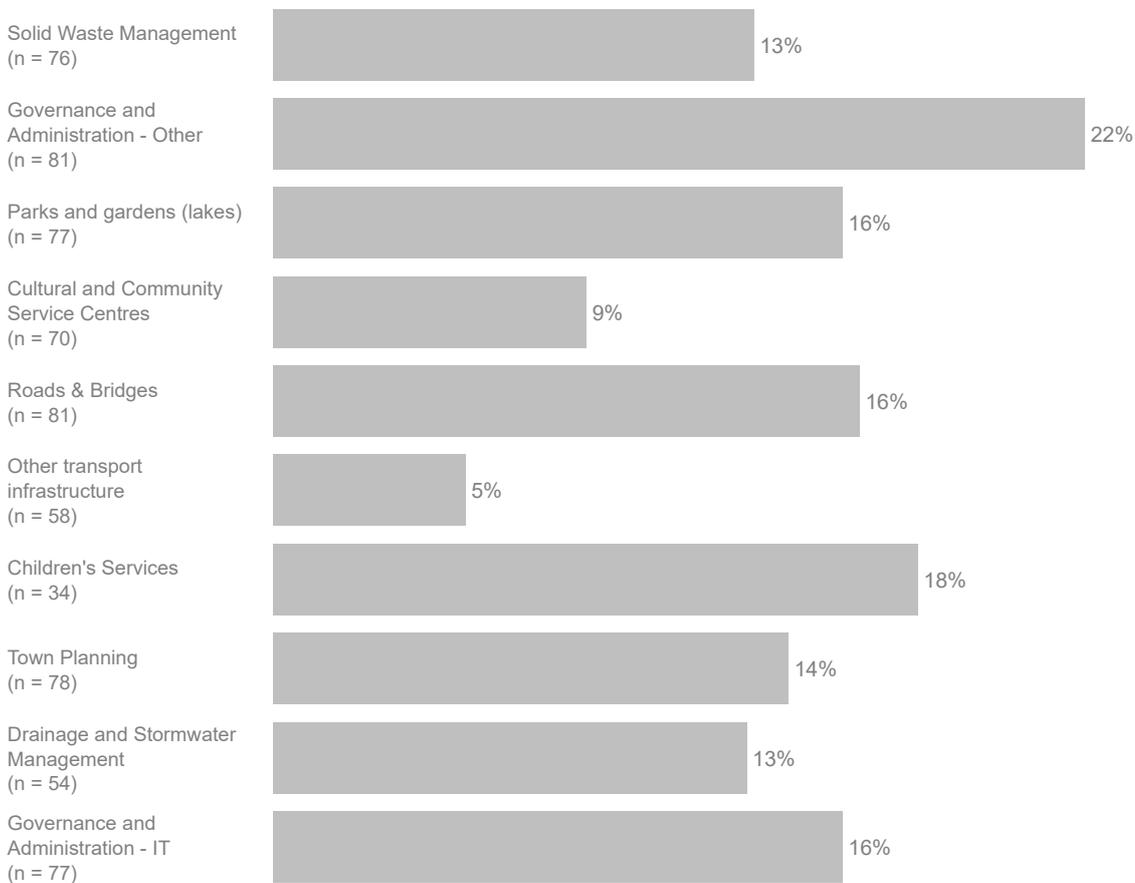
## Are you conducting regular service reviews?

### Which service areas are being reviewed?

Figure 4.4 highlights your council's top 10 service areas based on reported operating expenses. If your council also indicated that a service review was performed during FY20, the corresponding service area is outlined in red.

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

**Figure 4.4: Percentage of councils performing service reviews<sup>^</sup>**



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

- Survey population
- Northern Beaches Council

## Organisational design by service area

### Span of control

Earlier in the workforce section of this report, we highlighted the importance of understanding the span of control for any given area. It assists management to discover whether there is an appropriate balance between the level of oversight and the level of autonomy for employees within that area. The overall median span of control for all council functions and activities is 3.7 'other staff' per supervisor and above, which is a five year high with last year's result being 3.5.

The span of control for the three service areas with the highest closing full time equivalent (FTE) headcount has also remained consistent year on year. Governance and Administration continues to hold a relatively narrow median span of control (2.9 FTE, up from 2.8 in FY19), while Roads & Bridges and Parks & Gardens maintain a wider median span of control at 3.4 and 4.8 FTE respectively (compared to 3.6 and 4.2 in FY19 respectively).

#### Why is this important?

Optimum productivity and output will be achieved when there is the right balance in the manager-to-staff ratio, however the difficulty is considering the various working styles of individuals. Councils must acknowledge that a narrow span of control for some, may constrain the capacity of managers to lead, whereas for others it allows for expert technical input. Councils should regularly assess their workforce structure and consider not only historical data, but also the operating style of managers and their staff, the nature and complexity of the work, and the degree of outsourcing.

#### Definition of '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 area may find that this is due to an absence of staff above the supervisor level.

Figure 4.5: Span of control median by service area<sup>^</sup>

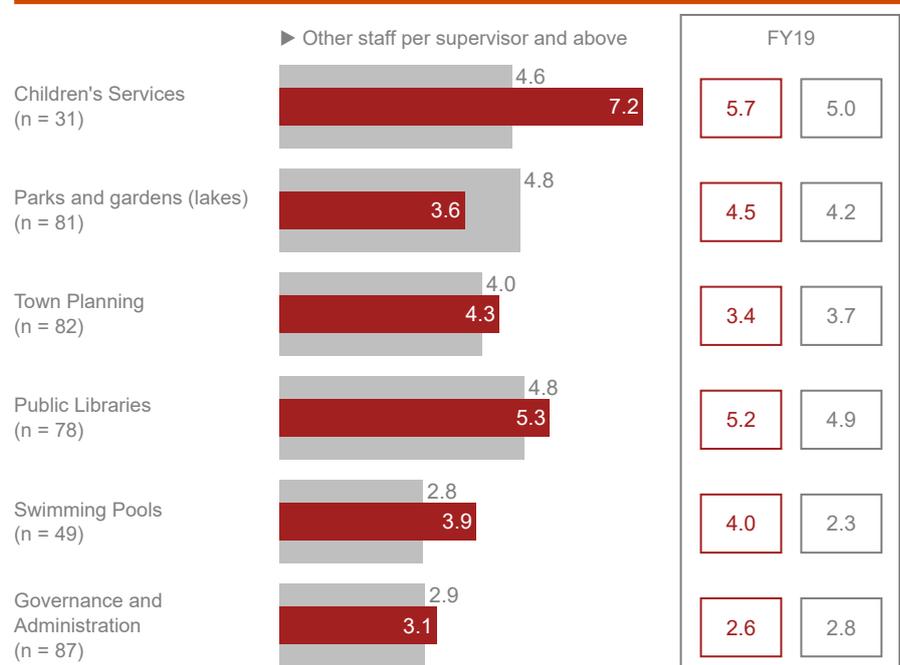
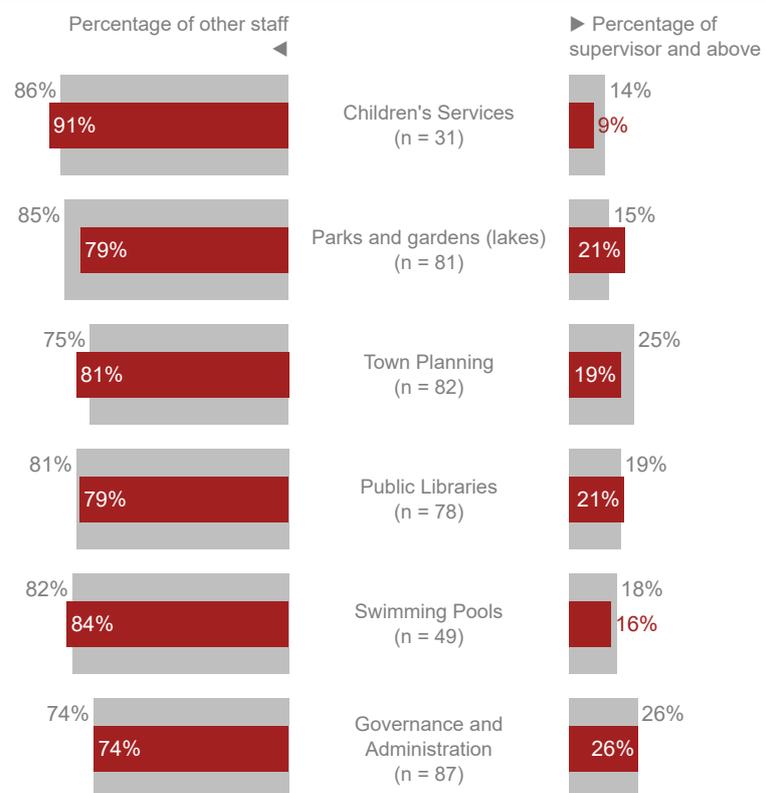


Figure 4.6: Closing full-time equivalents (FTEs) proportions by staff level<sup>^</sup>



<sup>^</sup> 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

■ Northern Beaches Council

## Talent management

### Gender diversity and staff turnover

Gender segregation is often prevalent in specialised employment areas that have traditionally appealed or been promoted as suitable to one gender. Examples within local government include a concentration of males in outdoor roles, compared to the caring, community services and education roles that are often areas where there is concentrated female employment. In this section, we show councils the extent of gender balance within the various service areas.

Figure 4.7 highlights the gender balance within the top five service areas for your council, plus Governance and Administration. While a council may have an overall gender balanced workforce, if this is achieved through the offsetting of various gender segregated workforces, the expected diversity benefits of gender balance will be unlikely to be achieved.

Our survey continues to show the trend of male-dominated areas in Street Cleaning (95%), Sewerage (93%), Footpath and Roads and Bridges (92%), while the highest proportion of female employees occurs in Children's Services (91%), Public Libraries (84%) and Aged Persons and Disabled (82%).

However, the service areas with a more balanced gender ratio (when averaged across all councils that provided a service area breakdown) are Town Planning (49% female workforce), Health (53% female workforce), followed by Camping areas/ Caravan parks (54% female workforce).

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

When we look at the overall top five service areas that make up 57% of the total workforce, Roads and Bridges has the highest median staff turnover rate of all service areas at 9.3% (up from 8.2% in FY19), followed by Governance and Admin (8.3%, down from 8.8% in FY19), Town Planning (7.8%, down from 12% in FY19), Parks and Gardens (6.5%, down from 7.8% in FY19), and Public Libraries (stable at 5.5%).

**Definition of '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<sup>^</sup>

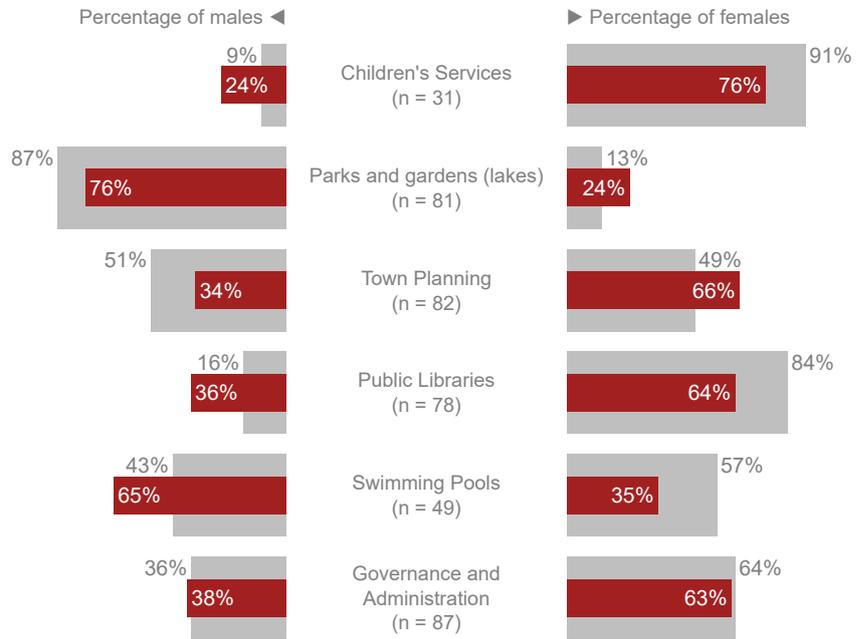
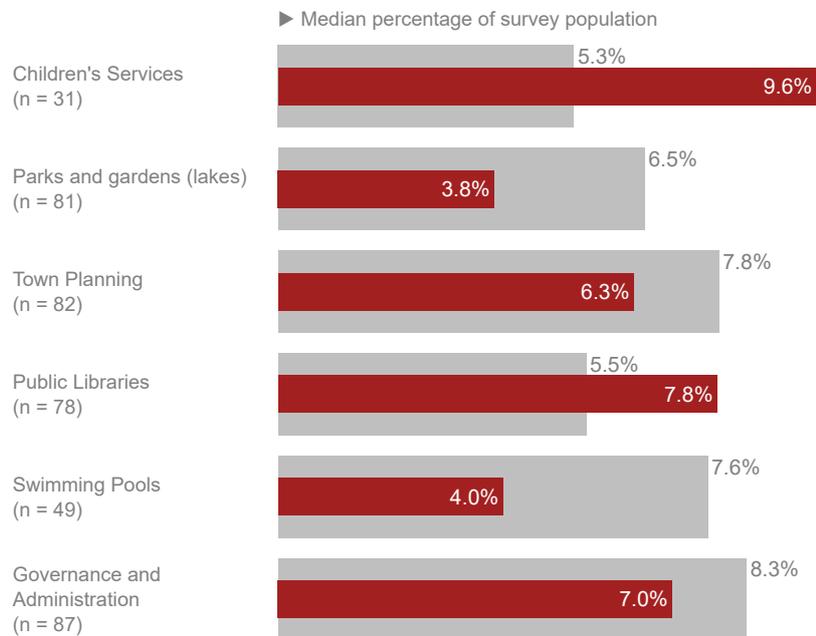


Figure 4.8: Staff turnover rate median by service area<sup>^</sup>



<sup>^</sup> 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
- Northern Beaches Council

## Talent management

### Generational diversity

As mentioned in the Workforce section, we observe an increasing number of councils now led by Gen X members, with this generation entering the age bracket where these leadership roles have traditionally been awarded.

Looking at the generational mix at a service level, figure 4.9 highlights the top five service areas ranked by FTE. Service areas with a higher proportion of overall council FTE that also have a high proportion of baby boomer staff are library services (43% baby boomer), roads and bridges (39%) and parks and gardens (35%). Governance and administration

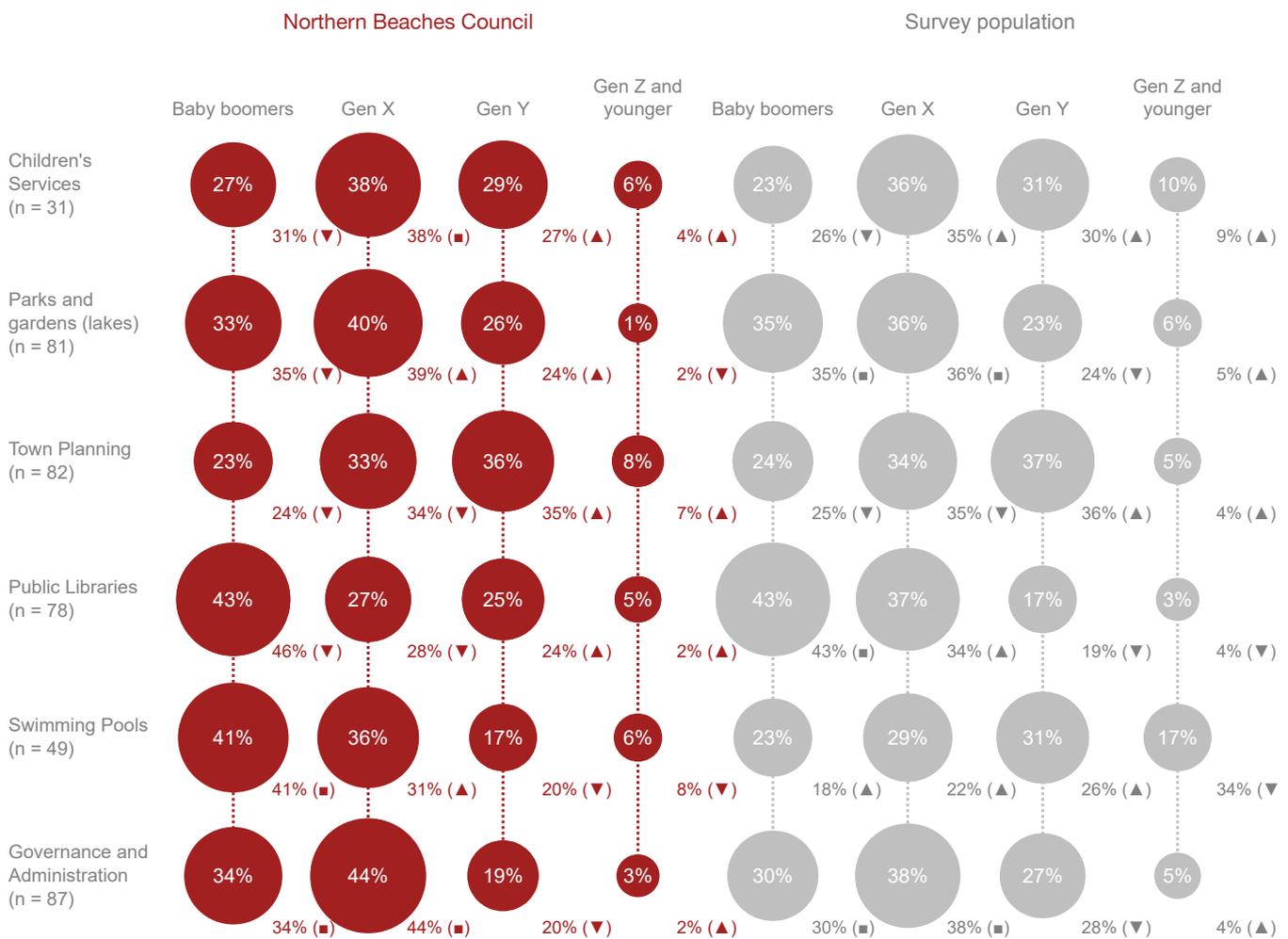
continue to operate with 30% baby boomers while town planning operates with a baby boomer cohort of 24%. Looking at service areas with a high baby boomer workforce will allow councils to quickly identify service areas requiring a focus on succession planning.

Succession planning will provide councils with the opportunity to minimise the risk of losing key talent, local government expertise and leadership skills by fostering a culture of mentorship and smooth transitions as individuals are tasked with ensuring their knowledge and skills are transferred to the next

generation. Resourcing strategy options to assist councils includes, the introduction of flexible work options for those nearing retirement, job sharing, or sharing resources with nearby councils to supplement in house resourcing.

Councils should engage with existing staff in the succession planning process, and leverage their key service area knowledge, as they are likely to have good innovative ideas about how to achieve a smooth transition process.

Figure 4.9: Generational mix by service area<sup>^</sup>



<sup>^</sup> 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
- Northern Beaches Council

# Case study: Innovation as a response to COVID-19

Liverpool City Council, NSW

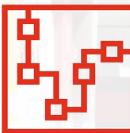
## Background



The COVID-19 pandemic presented unique challenges for local governments to continue to deliver services while also adhering to government regulations and social distancing guidelines. Council's libraries were forced to be agile in delivering services and innovating processes to keep the community connected.

Prior to the restrictions imposed by the COVID-19 pandemic, Council's libraries provided physical and online resources along with hosting a range of events including activities for children, school holiday programs and opportunities for youth and adult learning and recreation.

## Implementation



At the announcement of the lockdown period, Council's libraries responded swiftly, using existing staff knowledge and assistance from other business units to digitise face-to-face activities by creating videos to share online.

Library staff upskilled quickly and were able to deliver story-time using Facebook live to broadcast to the community. Council's library website was updated to allow easier access to online resources including eBooks, audiobooks, magazines, newspapers and online learning. As libraries were closed for a period, it was important to promote this reliable online resource to keep people connected.

Following the success of story-time online, Council began creating craft videos, presenting Law Week and National Science Week talks through their Facebook page and running English language practice classes in a Zoom classroom.

A Click and Collect service was launched with the reopening of library services, providing a low contact service for physical collections and a new Liverpool City Library mobile app was released making it easier to reserve physical books and access eResources on the go.

## Usage and Benefits



Moving library programs into an online virtual space and continuing to offer these services in the future, allows community members who may not be able to access the library at specific activity times the ability to participate. This new mode of community engagement also presents opportunities to build stronger networks and involvement with schools. These online services have the ability to reach a broader range of people.

Click and Collect provides a convenient way for community members to access collections. Reducing time inside library buildings for busy customers and allowing others to pick up items for frail or vulnerable members.

The Liverpool Library app ensures that Council's library services can be accessed from anywhere in the local government area, at any time, and has been optimised for delivering services over mobile devices. This has improved access to the community where mobile device use is higher than other forms of technology. Improved access and promotion has seen the rise in usage of eCollections continue throughout COVID.

## Challenges



The change to initiate online services occurred in a very short period of time causing staff to rapidly learn new skills and pilot new initiatives. Initially, utilising resources and knowledge that was available onsite, the online offering was further improved as each recording was made.

There was the added challenge of navigating copyright law for the early childhood program. Specific permissions were granted to libraries for a period during the pandemic to create online storytimes but as the "new normal" progresses these permissions are rolled back.

As the community turned online to seek social connection, a wealth of content was made available. The library aimed to create content for established communities but at times reaching these communities was challenging. The digital divide was visible in the community and there was a large cross-section of customers, such as elderly, unconnected and housebound customers that were difficult to service. For some, Council's Home Library, a service that provides individually selected items delivered to residents who are not able to come to the library along with loans to nursing homes, became a lifeline and chance for weekly connection. For each group of people, a different challenge of connectivity and mode of engagement needed to be understood.

With the reopening of library buildings, there were operational challenges to balance community demand and COVID-safe practices. Some services, such as public access to technology and staff one-on-one or close contact assistance were reduced creating unmet demand in the community.

Requirements for staff PPE, sanitising supplies and additional cleaning services for a public space was a budget and logistics challenge.

# Case study: Innovation as a response to COVID-19

Liverpool City Council, NSW (continued)

## Lessons learned and advice



A range of programs were adapted to an online environment, with broad demographic appeal, whereby some were presented in a classroom format, others streamed live, and others available for on-demand viewing. Over time, observations on engagement showed on-demand content was more successful for particular program types and was preferential for parts of the community. Whilst the program was adapted quickly to be available online, how this content is presented is a continual evolution in direct response to community engagement.

## Moving forward



With libraries being accessible spaces, community members want to resume to engage in social and educational experiences onsite. The online programs are continually evolving to suit the community and since September, onsite programs for several demographics have resumed. Successful engagement was seen within school networks and culturally and linguistically diverse community members. Online special events and regular meetings will target these areas of the community whilst continuing to offer opportunities to gather in a safe environment.



# Case study: Innovation as a response to COVID-19

City of Salisbury, SA

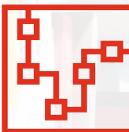
## Background



Prior to COVID it was thought that there were low levels of community desire to engage in learning and developing offerings online with some age groups being particularly reluctant to engage with programs digitally.

With the onset of COVID-19 it became apparent that many of the community-facing learning and development events and programs could not be delivered physically and a new approach was required.

## Implementation



The responsible divisional staff performed a rapid assessment of what was required and developed an implementation plan. A quick turnaround implementation of the online delivery solution was performed in a tight timeline and zoom software was elected as the technology to implement the required solution.

Staff from the City of Salisbury Community Capacity and Learning division involved in libraries and community based learning programs were involved. This was a cross functional activity and staff were involved in the development of the online content as well as implementing the online service delivery capability.

## Benefits



Members of the community could engage in programs at a time when much of the community was under COVID-19 restrictions.

New cohorts of the community adopted the online offerings. This included a demographic that had previously been considered resistant to engaging online. This opens up new possibilities and opportunities in the future.

## Challenges



Moving content from physical face to face to online, required the development of the online content and the ability to provide offerings digitally. Staff had no training in curating digital content and faced a steep learning curve adjusting to not only the technologies that allowed them to work effectively from home, but also the software and skills required to curate the content in an engaging format.

Further, the scheduling of the online events at short notice was challenging as was the promotion of the events and programs to the community to raise awareness of the availability of the digital content available.

## Moving forward



When required it is possible, even necessary, to adopt new ways of providing services to your community. It is good to test your assumptions as things may not always be as they seem. Online offering of content allows the provision of events and programs to a wider spread of our community and gives us greater flexibility to respond to any future external changes. We are now monitoring the attendance of both physical and online program attendance. This will help us understand the community demand and plan accordingly.

## Solid waste management deep dive

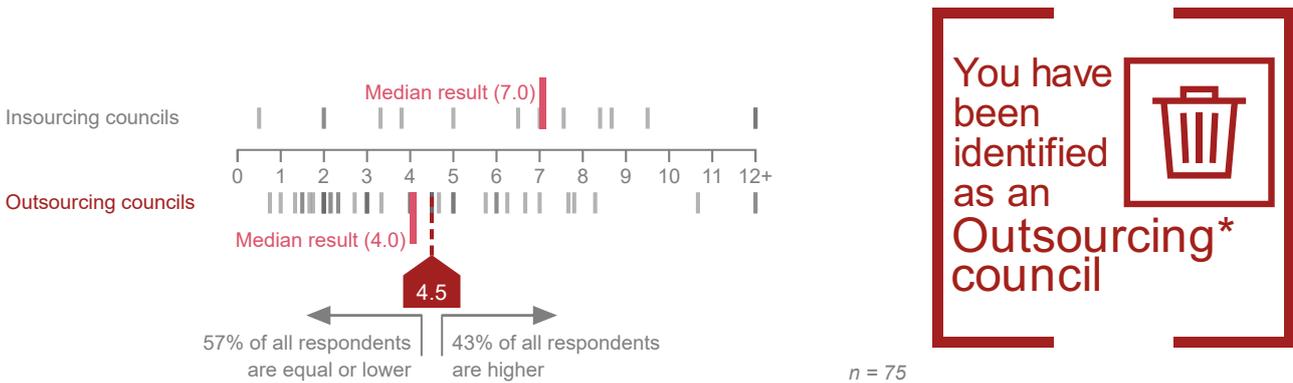
### Workforce analysis

This section of the report can be used by councils to further analyse and compare key workforce metrics across solid waste management (SWM). We have classified

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

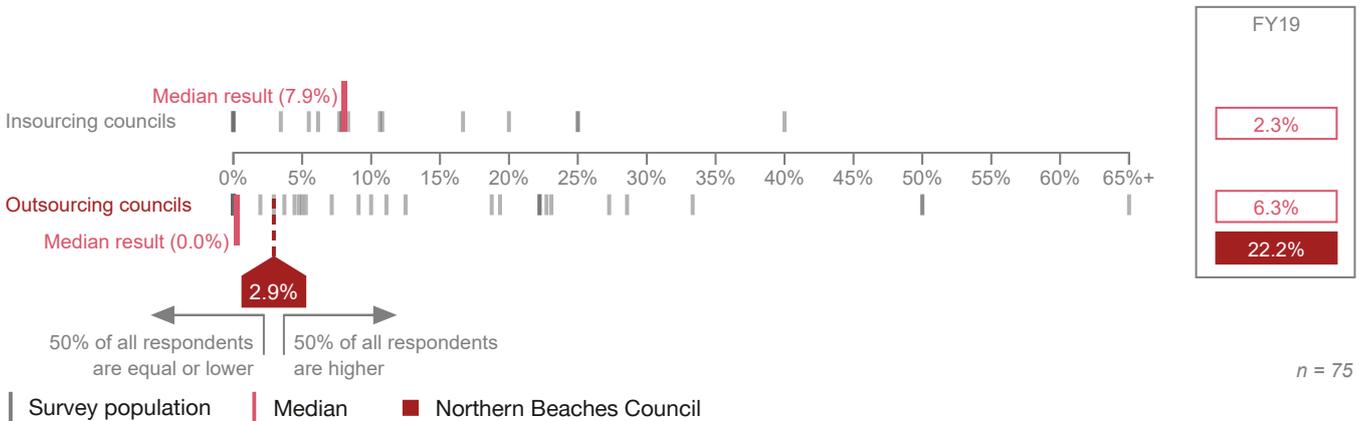
SWM cost, then it has been classified as an 'outsourcing' council. All other councils are classified as 'insourcing'.

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

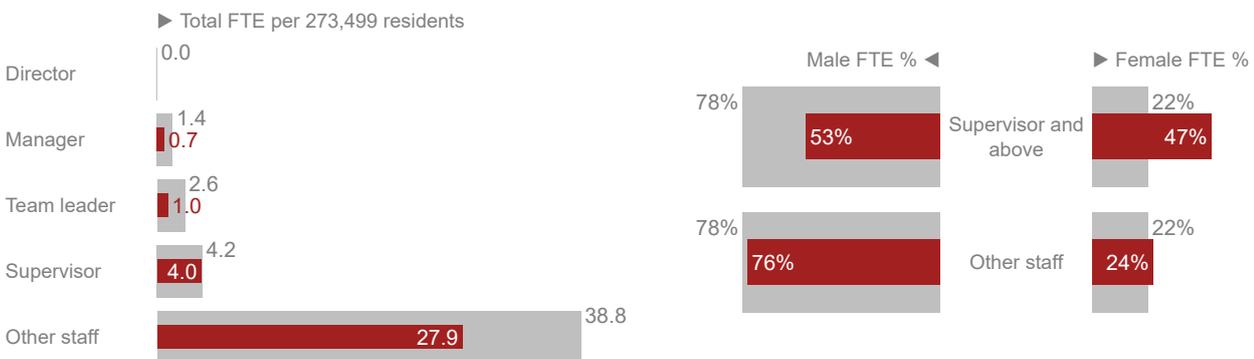


\*Outsourcing councils are defined as the SWM outsourced contract value being more than 25% of the total SWM cost. All other councils are classified as insourcing. This will be "-" if you have not provided us with any cost data for this service.

**Figure 4.11: Staff turnover rate - Solid waste management**



**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.

■ Outsourcing councils  
 ■ Northern Beaches 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 is influenced by many factors. These may be environmental factors, such as the unique nature and density of dwellings serviced, or the nature and scope of the service that is provided. Government landfill waste levies also have a large impact on cost and vary widely by jurisdiction.

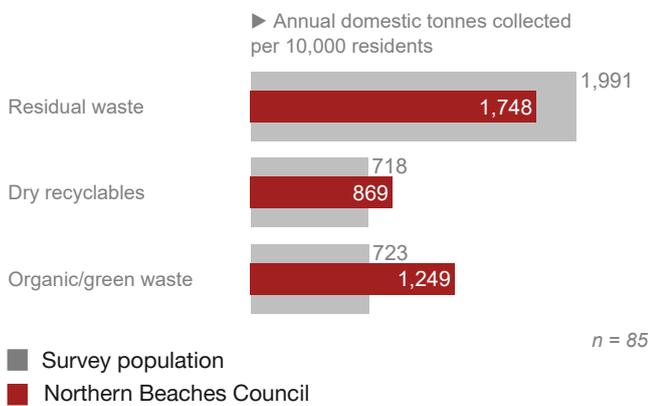
This section of the report can be used by councils to further analyse and compare key cost metrics across solid waste management.



**Your council**  
owns but does not  
operate its own  
**landfill site**

**16%**  
of councils  
owns but do not  
operate their own  
**landfill site**

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



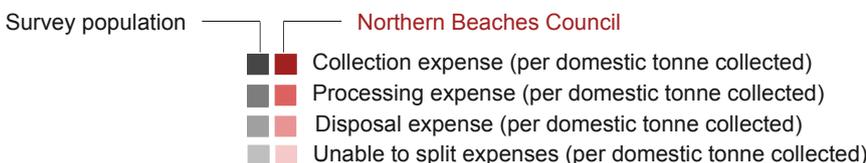
### Waste disposal or landfill levy per tonne taken to landfill (\$)



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



n = 83



## Solid waste management deep dive

### Cost analysis (continued)

We have provided the annual solid waste management cost per resident for your council, compared to the median for each jurisdiction in Figure 4.15. Additionally, councils can also better understand the cost breakdown, taking into account outsourcing costs as well as insourcing costs per resident in Figure 4.16.



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

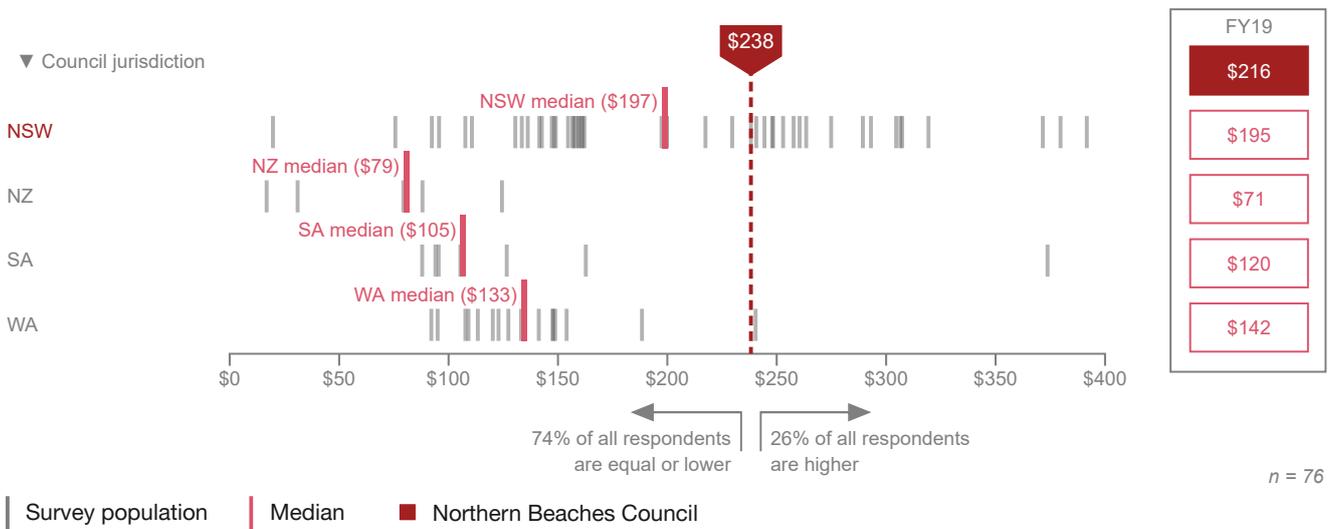
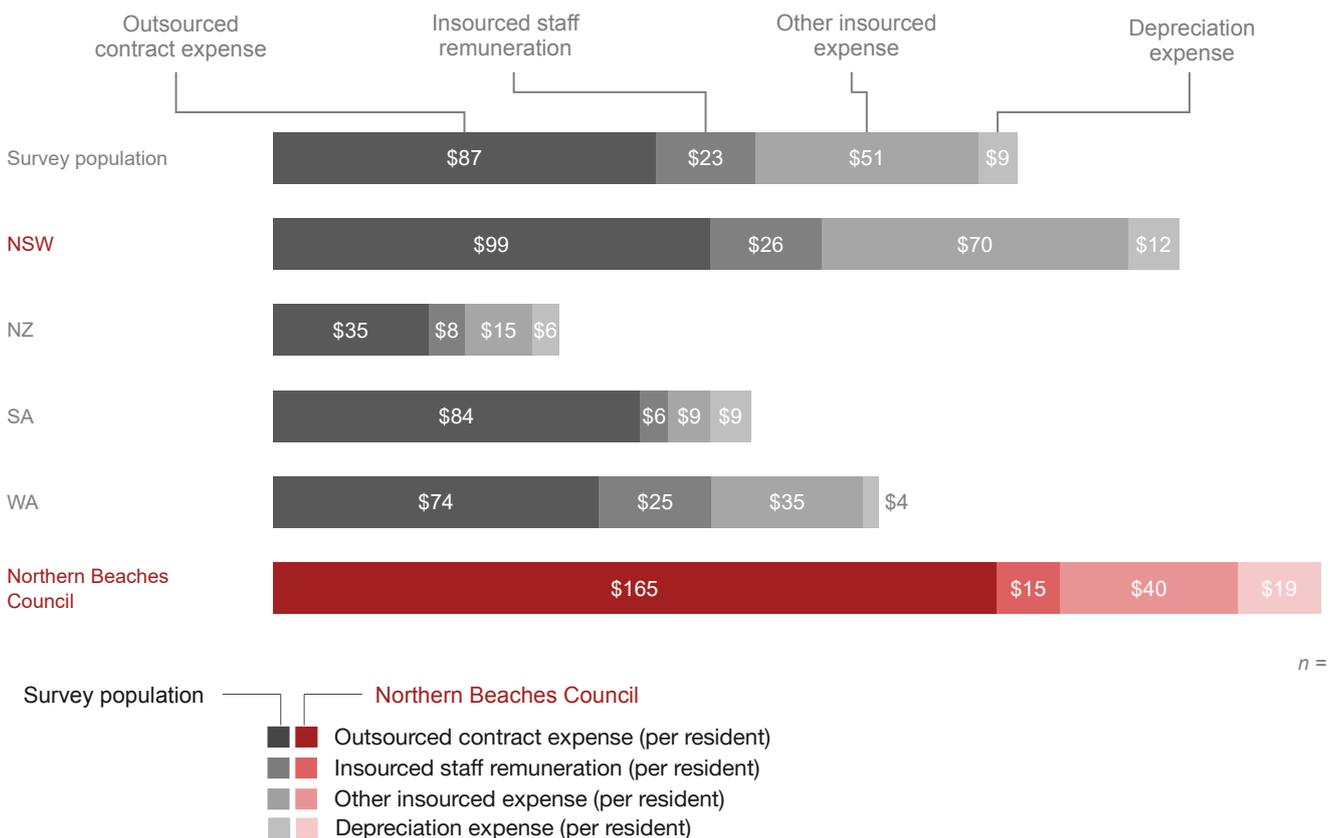


Figure 4.16: Breakdown of solid waste management annual operating expense (A\$) per resident



## Roads and bridges deep dive

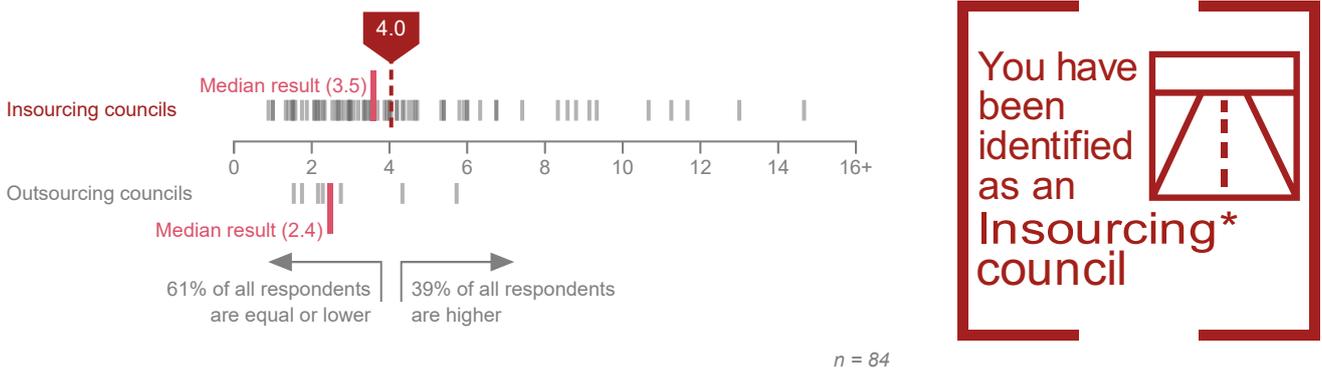
### Workforce analysis

This section of the report can be used by councils to further analyse and compare key workforce metrics across roads and bridges. We have classified councils as

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

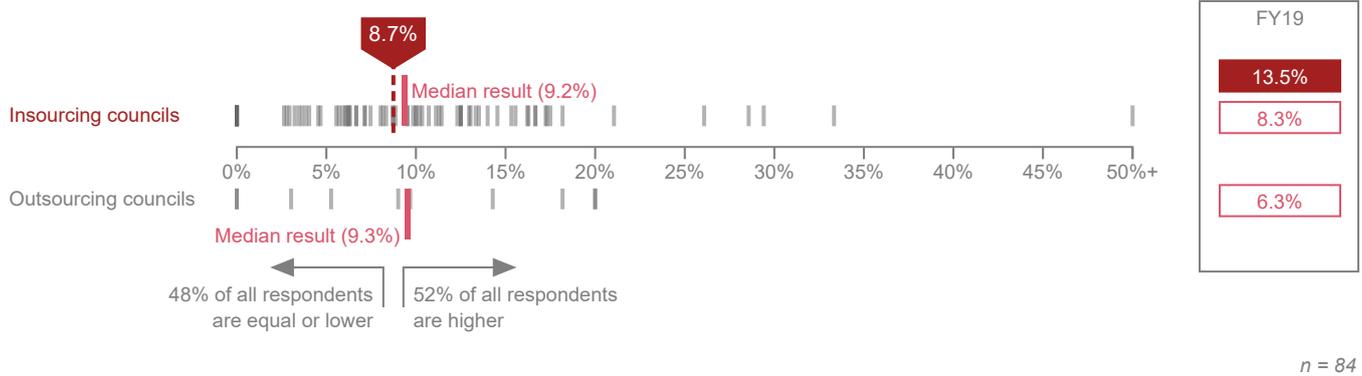
bridge cost then it was classified as 'outsourcing'. All other councils are classified as 'insourcing'.

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



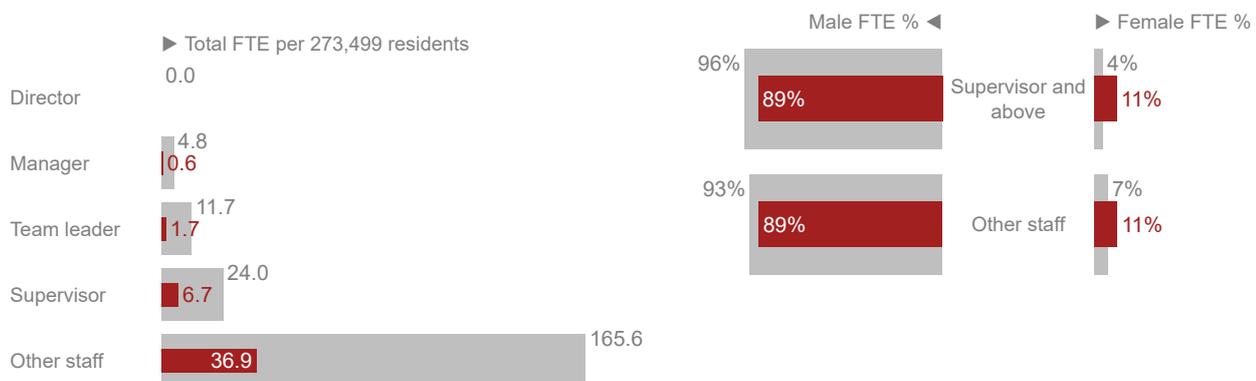
\*Outsourcing councils are defined as the Road/Bridge outsourced contract value being more than 25% of the total Road/Bridge cost. All other councils are classified as insourcing. This will be "-" if you have not provided us with any cost data for this service.

**Figure 4.18: Staff turnover rate - roads and bridges**



Survey population | Median | Northern Beaches Council

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



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

■ Insourcing councils population  
■ Northern Beaches Council

## Roads and bridges deep dive

### Cost analysis

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

The relationship between the extent of unsealed to sealed roads in a council's road network, and the associated

operating cost can be seen in Figure 4.21. Sealed roads are typically associated with higher volumes of traffic, therefore the operating expense comprises not only the cost of construction, but the cost of maintaining appropriate road quality. Given the mix of sealed and unsealed roads in the network, councils below the curved line have a higher than expected cost per km.



Your roads roads and bridges expense per kilometre is

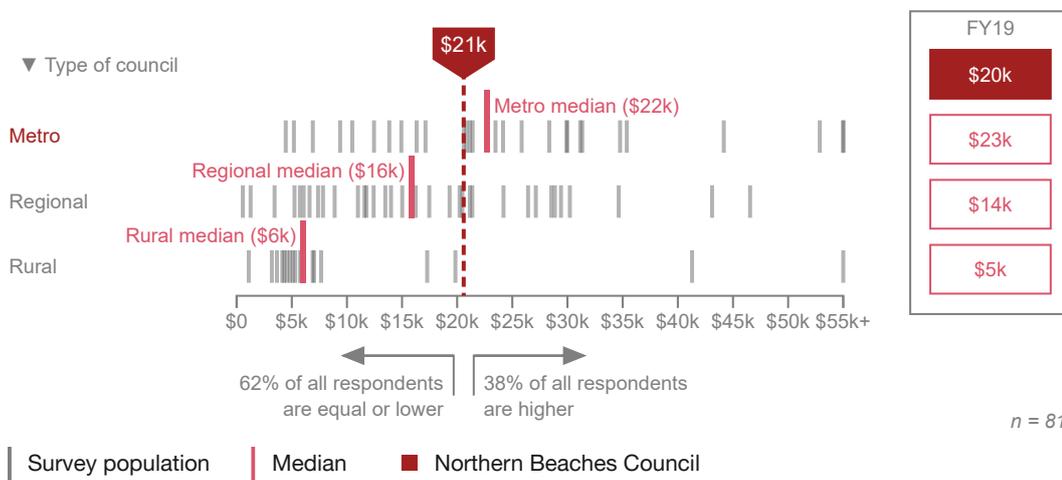
# A\$20.6k



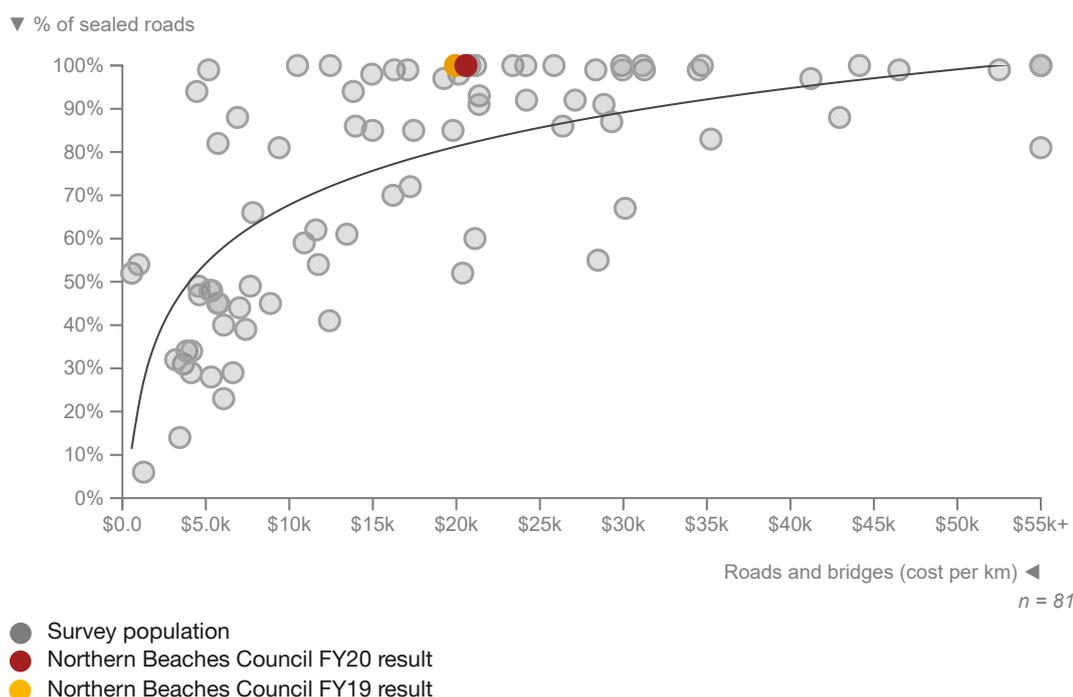
NSW median roads and bridges expense per kilometre is

# A\$15.0k

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



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



## Parks, gardens and sporting grounds deep dive

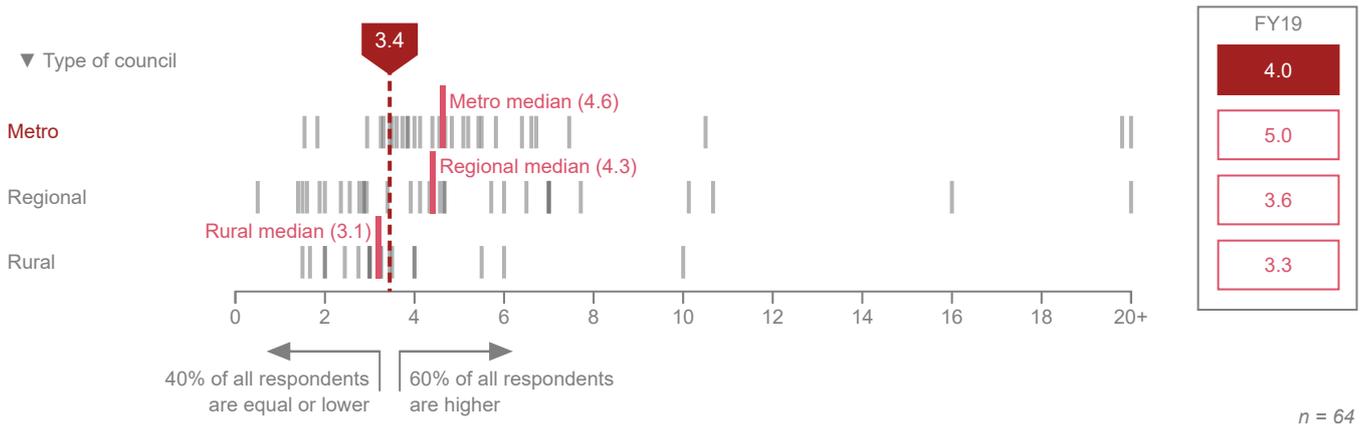
### Workforce analysis

In this section, we have combined parks and garden data with the sporting grounds data to present a holistic view of the primarily outdoor-based workforce. Figure 4.22, highlights a narrowing in the

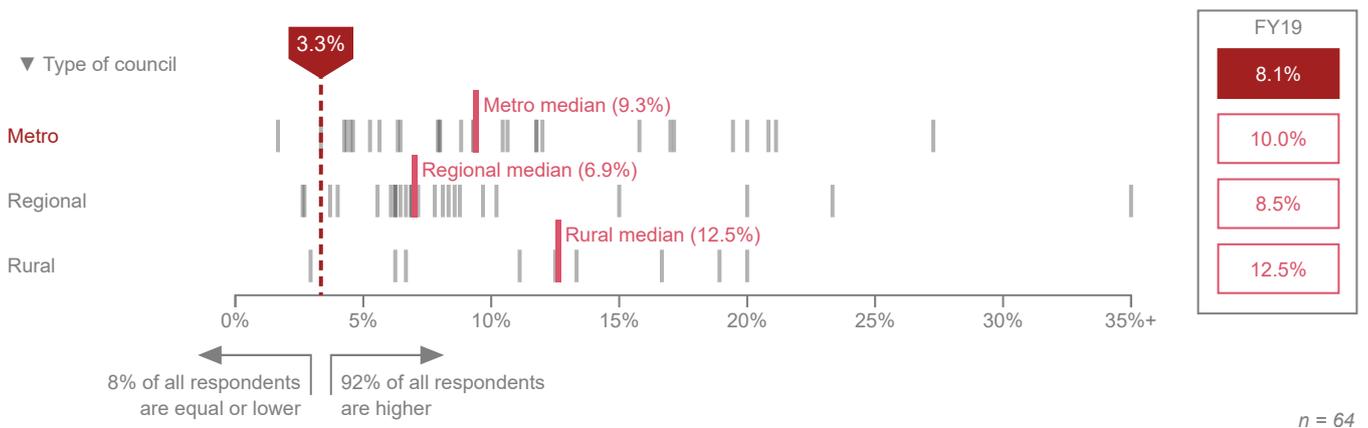
span of control across metro and rural councils, while regional councils have widened their span of control. Figure 4.23 highlights that rural councils continue to have a higher median staff turnover rate,

at 12.5% (albeit consistent with FY19), while metro and regional councils have seen a slowing down in staff turnover year on year.

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

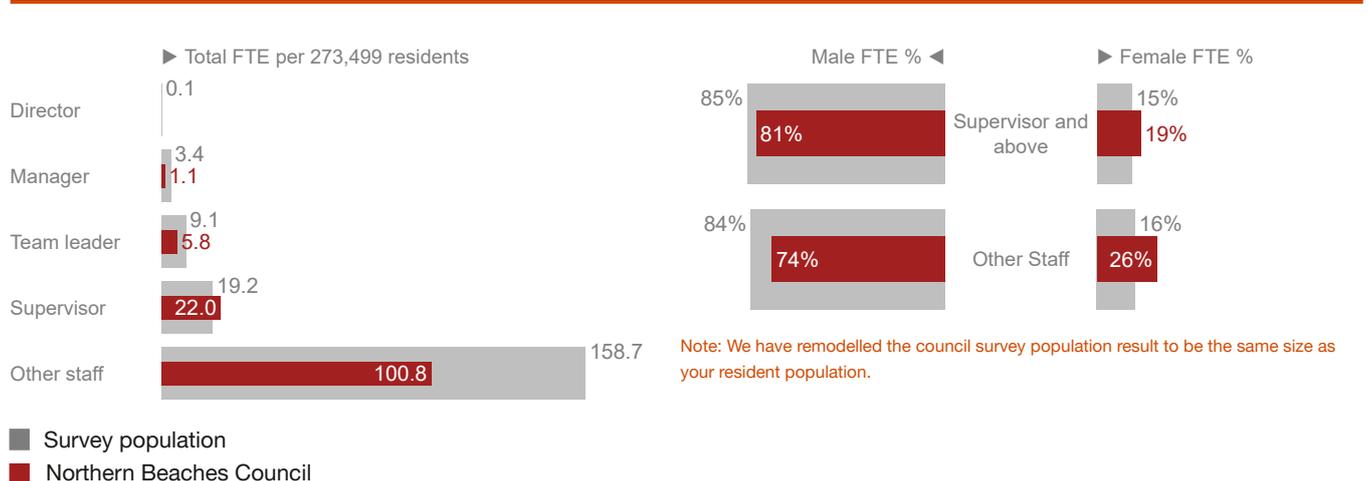


**Figure 4.23: Staff turnover rate - parks, gardens and sporting grounds**



Survey population | Median | Northern Beaches Council

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



## Parks, gardens and sporting grounds deep dive

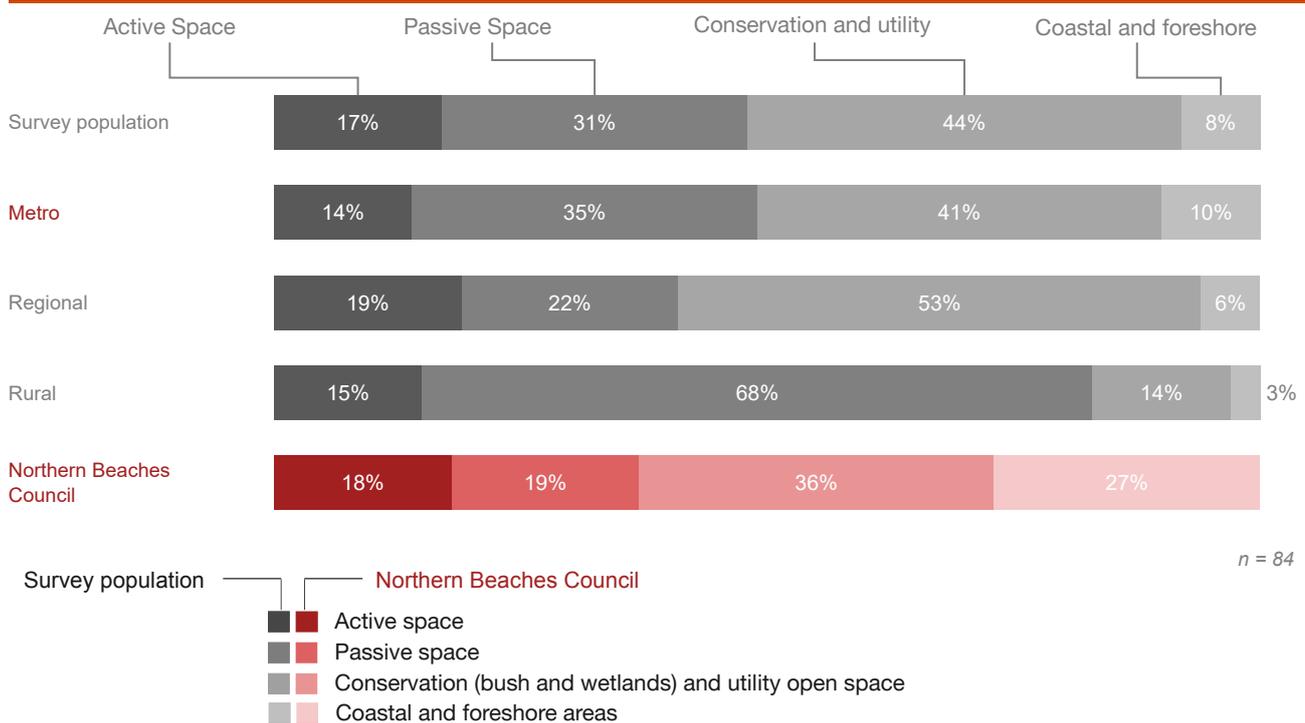
### Categorisation and cost breakdown of parks, gardens, and sporting grounds

Our report highlights the variety of segmentation of outdoor recreational areas across types of councils. Figure 4.25 shows that regional councils have a greater proportion of active space compared to the rest of the survey population, as well as a larger segment of land dedicated to conservation and utility.

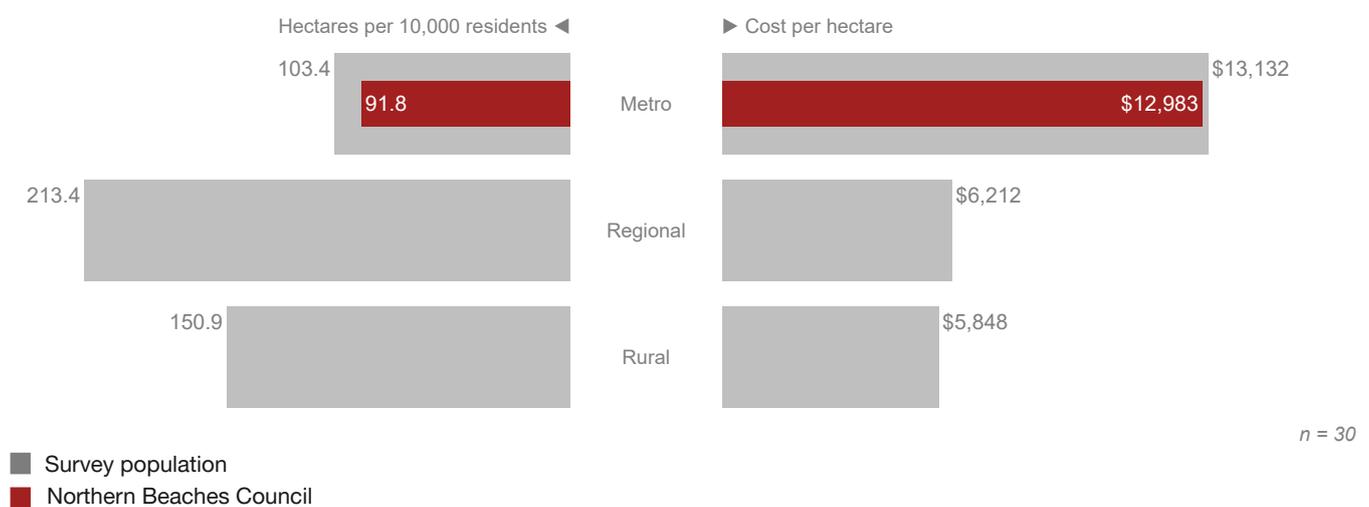
In Figure 4.26, we see that regional councils have the largest per-resident area of parks, gardens and sporting grounds, at 213.4ha per 10,000 residents, followed by rural councils (150.9ha per 10,000 residents) and then metro councils (103.4ha). Perhaps benefiting

from minimal intervention required to maintain some of the larger open spaces, rural councils reported the lowest cost per hectare (\$5,848) when compared to its metro and regional counterparts.

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



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



## Parks, gardens and sporting grounds deep dive

### Cost analysis

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



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

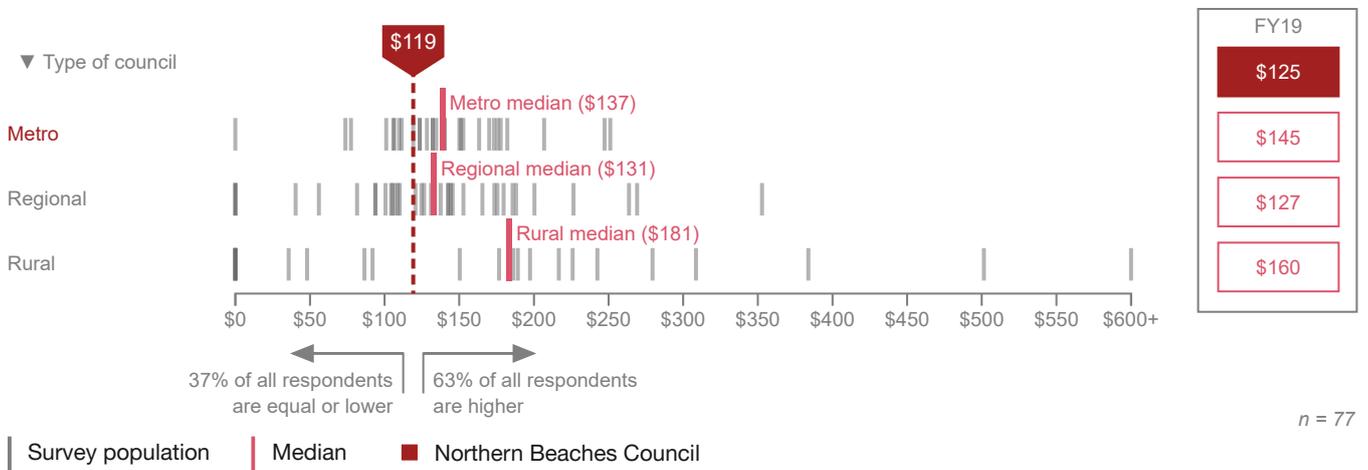
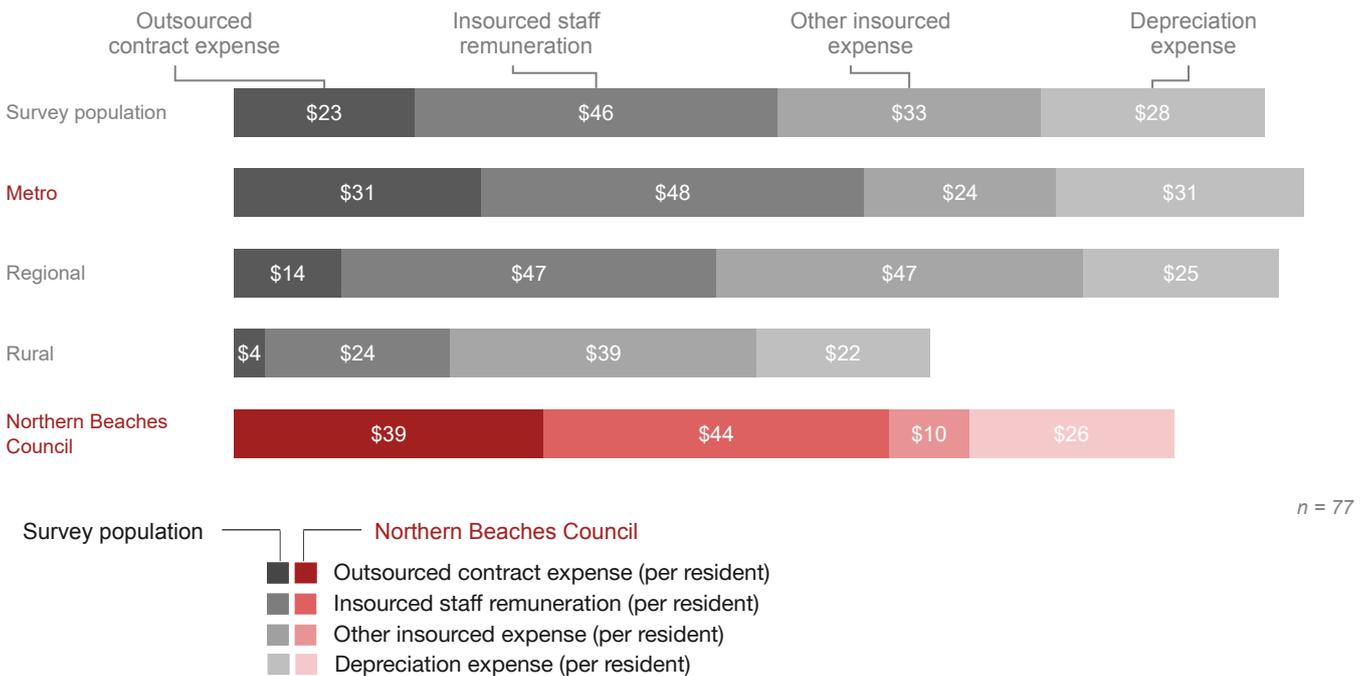


Figure 4.28: Breakdown of parks, gardens and sporting grounds annual operating expense (A\$) per resident



## Swimming pools leisure centres deep dive

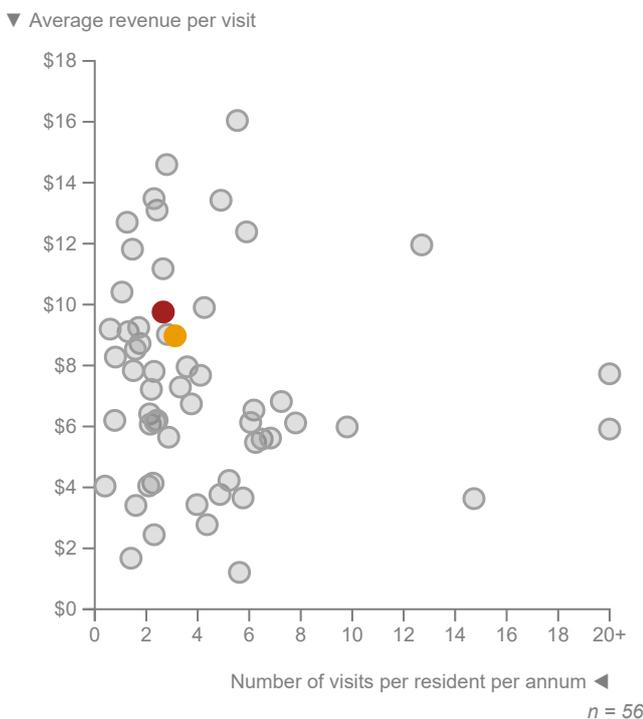
### Analysis of operations

Swimming pool leisure centres<sup>58</sup> are a vital community resource as they create a variety of tangible benefits including an increased sense of community social network, encouragement of a more active/healthier lifestyle, and reduced criminal/anti-social behaviour. Our report highlights that across all jurisdictions, swimming pool leisure centres represent a substantial investment of council financial resources.

Your council reported  
**2** facilities

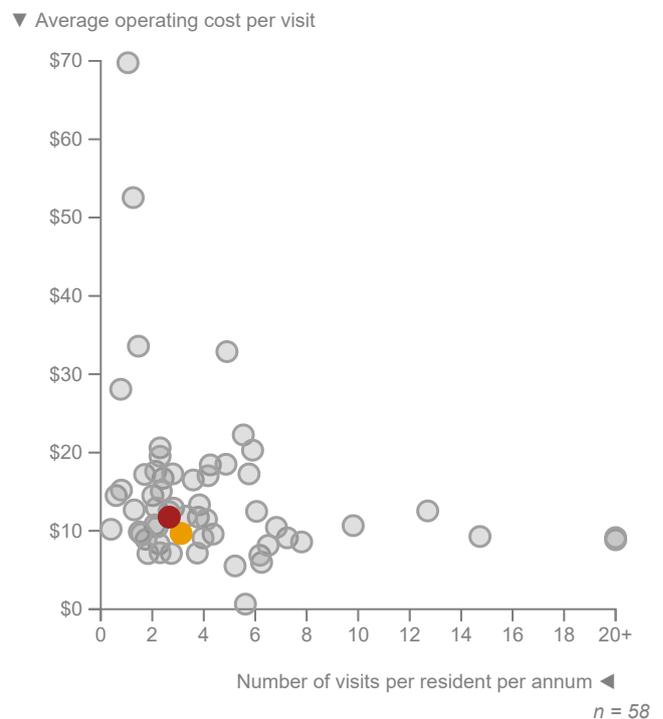
Your council reported  
**0%** single-use facilities  
**100%** multi-use facilities

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

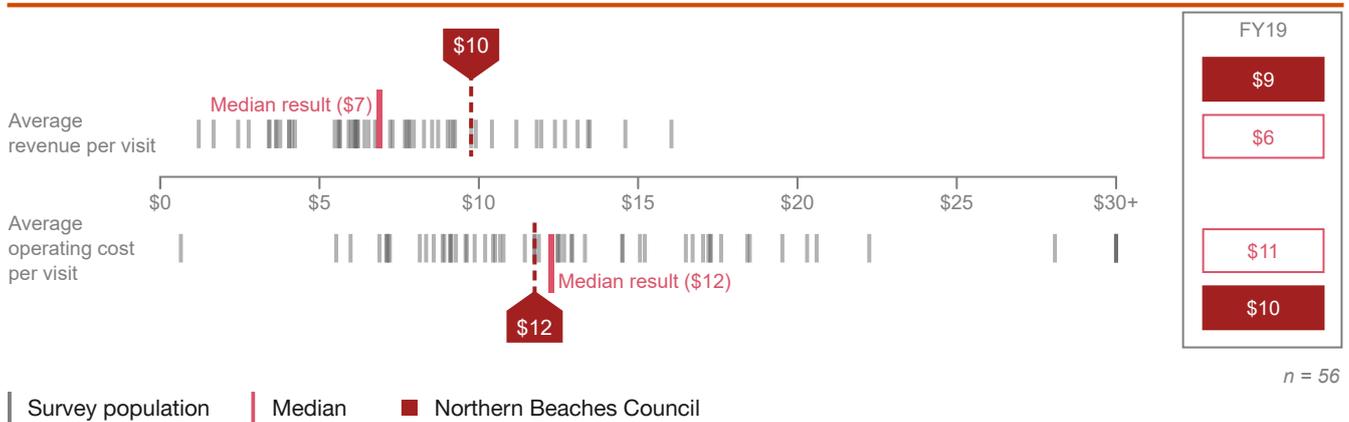


- Survey population
- Northern Beaches Council FY20 result
- Northern Beaches Council FY19 result

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



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



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

## Swimming pools leisure centres deep dive

### Swim schools

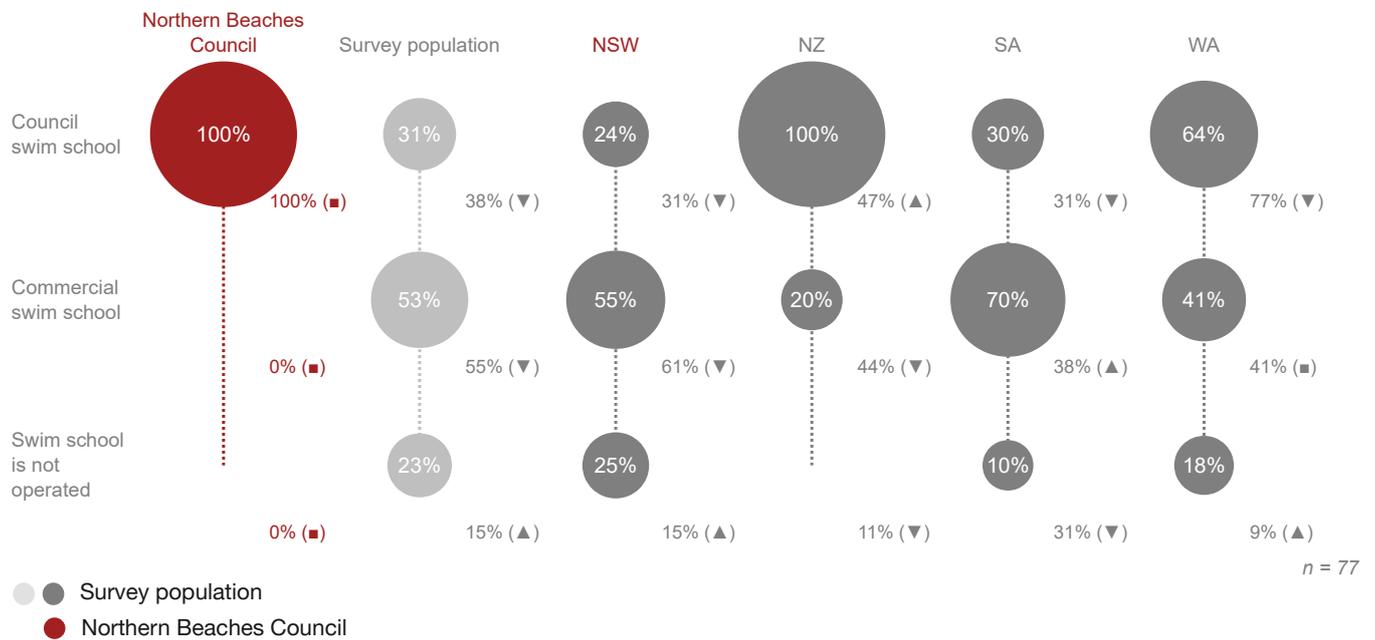
There are a number of factors that impact the utilisation of swimming pool leisure centres including seasonality changes, indoor versus outdoor pools, the presence of swim schools and other options including gym, courts, cafes and child minding. In addition, usage rates will depend on the extent of alternative leisure opportunities that exist within a local government area.

Over half of all facilities host a commercial swim school, with SA facilities having the highest proportion of commercial swim schools (70%). However, in NZ and WA we see a much higher percentage of facilities running council swim schools, as opposed to commercial schools, with 100% of NZ and 64% of WA participating councils doing so.

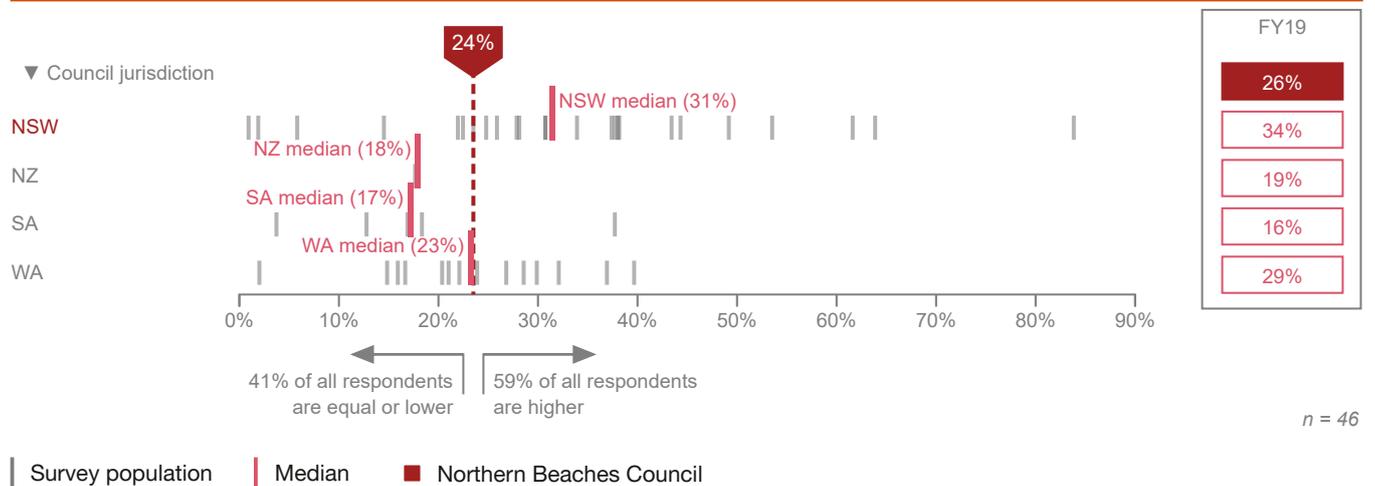
The proportion of total swim school revenue as a percentage of total facility revenue can be seen in Figure 4.33 and we see this revenue is more important to some councils than others.

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

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



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



## Development applications deep dive

### Analysis of activity

Local governments play a critical role in assessing proposed development applications and ensuring compliance to statutory requirements, as their decision has a substantial impact on the community landscape and liveability conditions.

Our report has categorised development applications into planning/development applications and integrated/building permit applications, taking into account the different jurisdictional naming conventions<sup>59</sup>, and the different emphasis jurisdictions place on these two categories.

We continue to observe NZ and WA councils having a different town planning profile to NSW and SA, processing a higher proportion of integrated or building permits, compared to planning or development approvals, reflecting the varying regulations that exist across the jurisdictions.



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

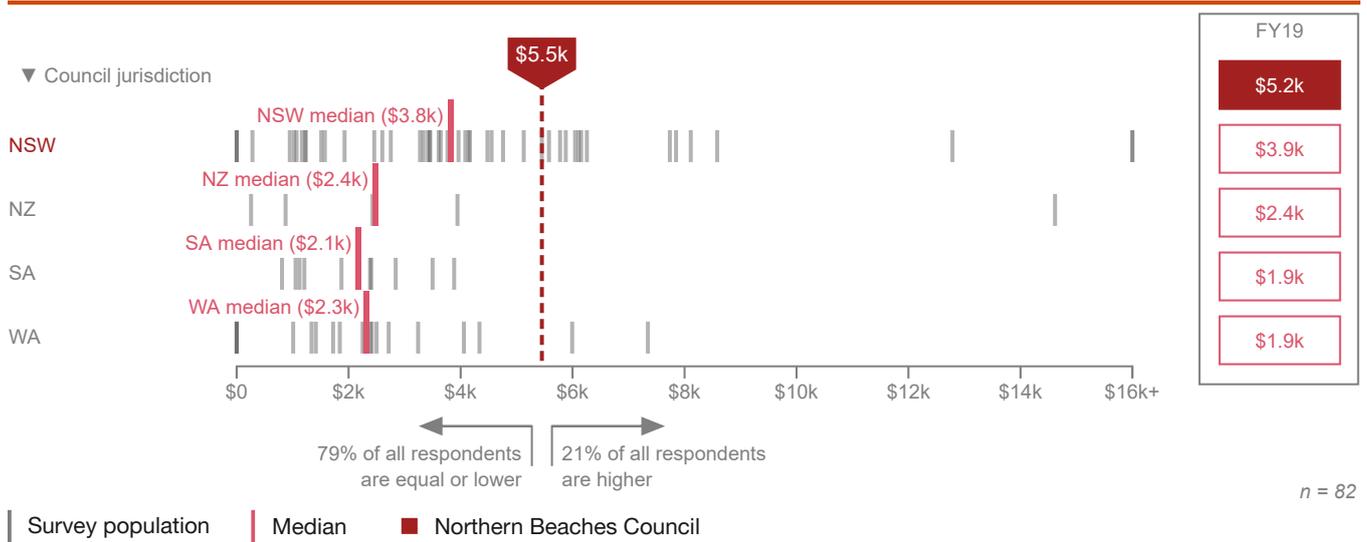


Figure 4.35: Percentage of determined development applications by type



59 **Planning or Development Approval** (NSW = Development Application, SA = Planning Consent, WA = Development Approval and NZ = Resource Consent)  
**Integrated or Building Permit** (NSW = Complying Development, SA = Rescode Consent, WA = Building Permit and NZ = Building Consent)

## Development applications deep dive

### Analysis of activity (continued)

We acknowledge that the town planning function is resourced in response to the degree of complexity, volume of development applications and any mandated or recommended processing deadlines. As such, we expect high growth local government areas to be more likely to invest in town planning

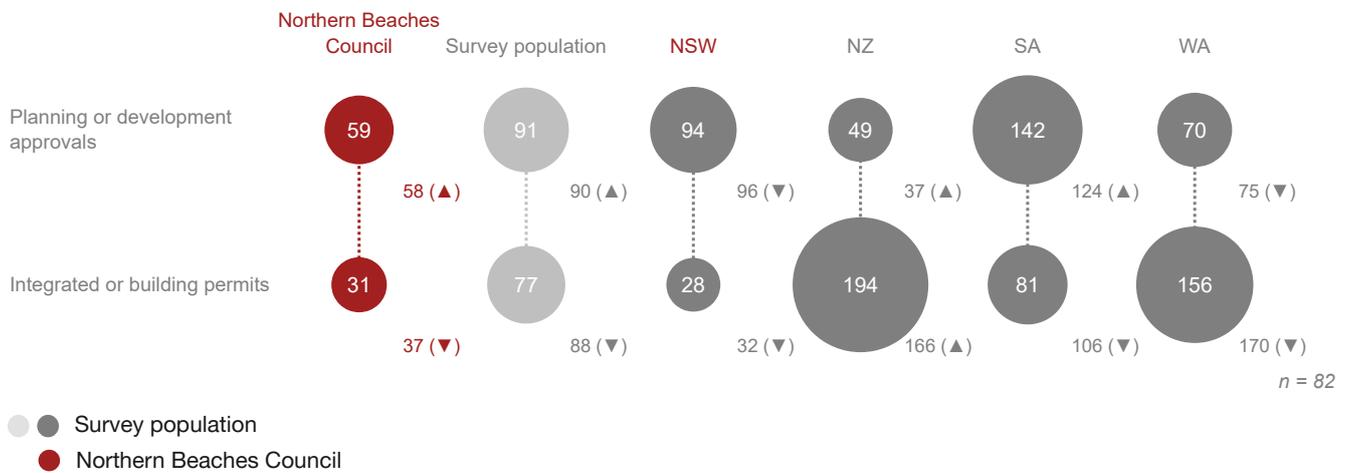
resources as well as councils with more complex developments requiring a greater degree of skill and knowledge in building codes and regulations.

Our report highlights a substantially higher than average value of determined planning or development approval

applications in NSW and WA, compared to SA and NZ which may reflect the relative scale of determined developments in NSW and WA.

To investigate into the results further, please refer to the council comparative analysis tool (CCAT).

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



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



## Development applications deep dive

Figure 4.38: Volume of residential determined development applications by subcategory per 10,000 residents

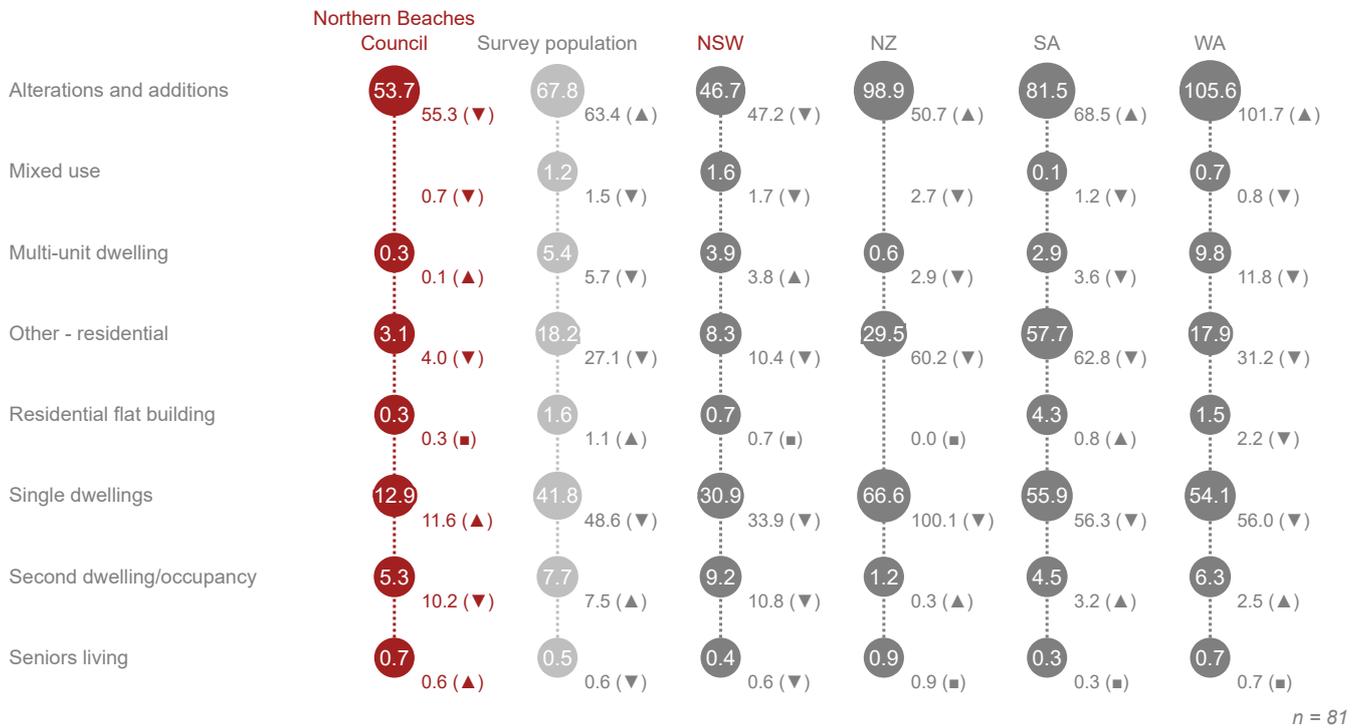
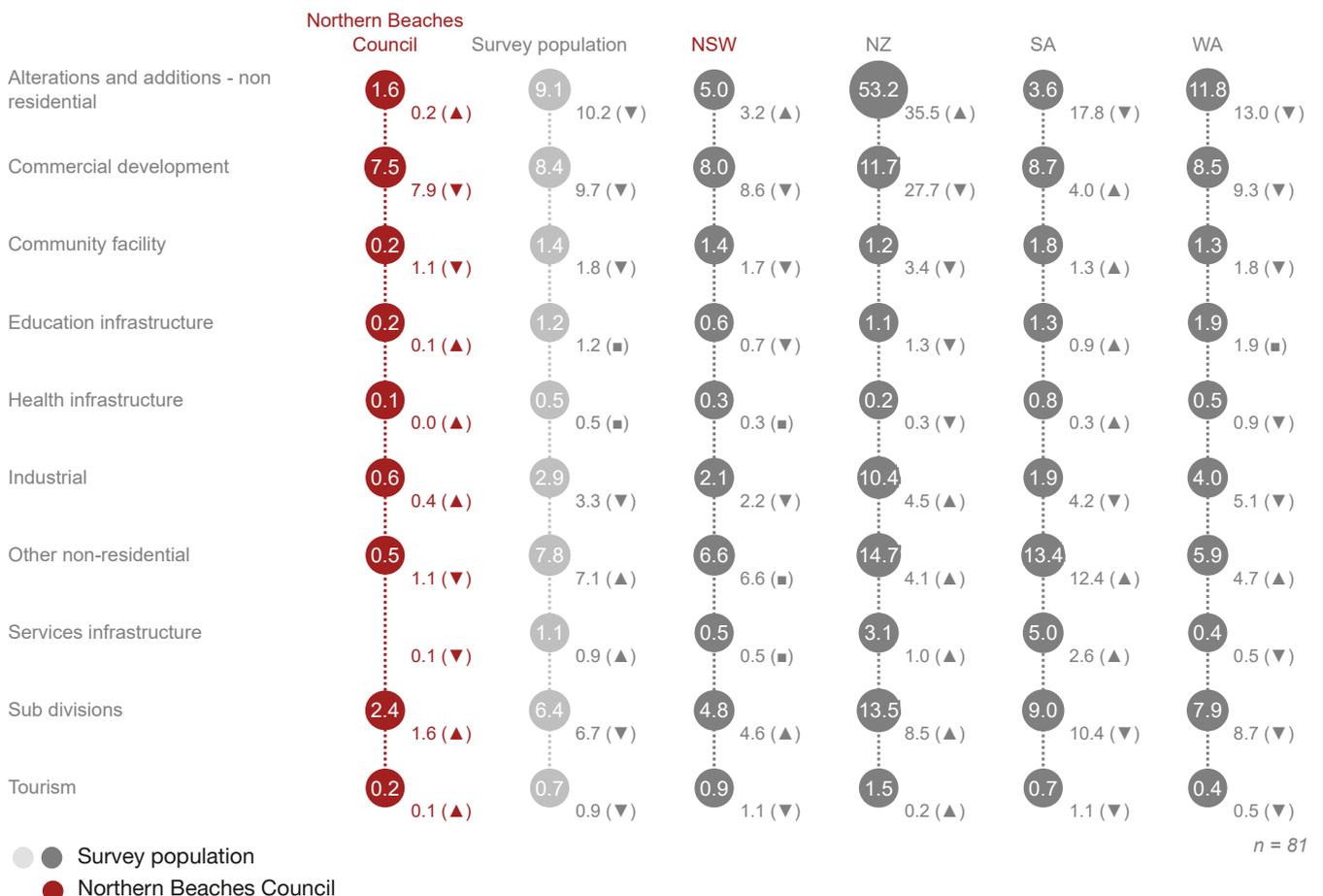


Figure 4.39: Volume of non-residential determined development applications by subcategory per 10,000 residents



## 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	26	22
Aged Persons and Disabled	43	39
Agriculture	2	2
Beach Control and Maritime activities	13	10
Camping Area and Caravan Parks	20	15
Children's Services	34	31
Cultural and Community Service Centres	70	70
Drainage and Stormwater Management	54	50
Emergency services, fire levy and protection	38	26
Enforcement of Regs and Animal Control	78	80
Footpaths	45	40
Fuel & Energy	1	1
Governance and Administration	82	87
Health	39	35
Mining, Manufacturing & Construction	44	45
Other community amenities	64	63
Other community services and education	63	66
Other economic affairs	69	71
Other environment	72	72
Other public order and safety	34	34
Other transport infrastructure	58	64
Parks and gardens (lakes)	77	81
Public libraries	75	78
Road & Bridges	81	84
Sewerage Services	44	44
Solid Waste Management	76	75
Sporting grounds and venues	64	68
Street cleaning	48	48
Street lighting	26	11
Swimming Pools	53	49
Town Planning	78	82
Water supplies	38	38

# Corporate Leadership



Workforce



Finance



Operations



Service Delivery



Corporate Leadership



Asset Management



**137**  
**minutes**

is the median duration of a council meeting



**69%**

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

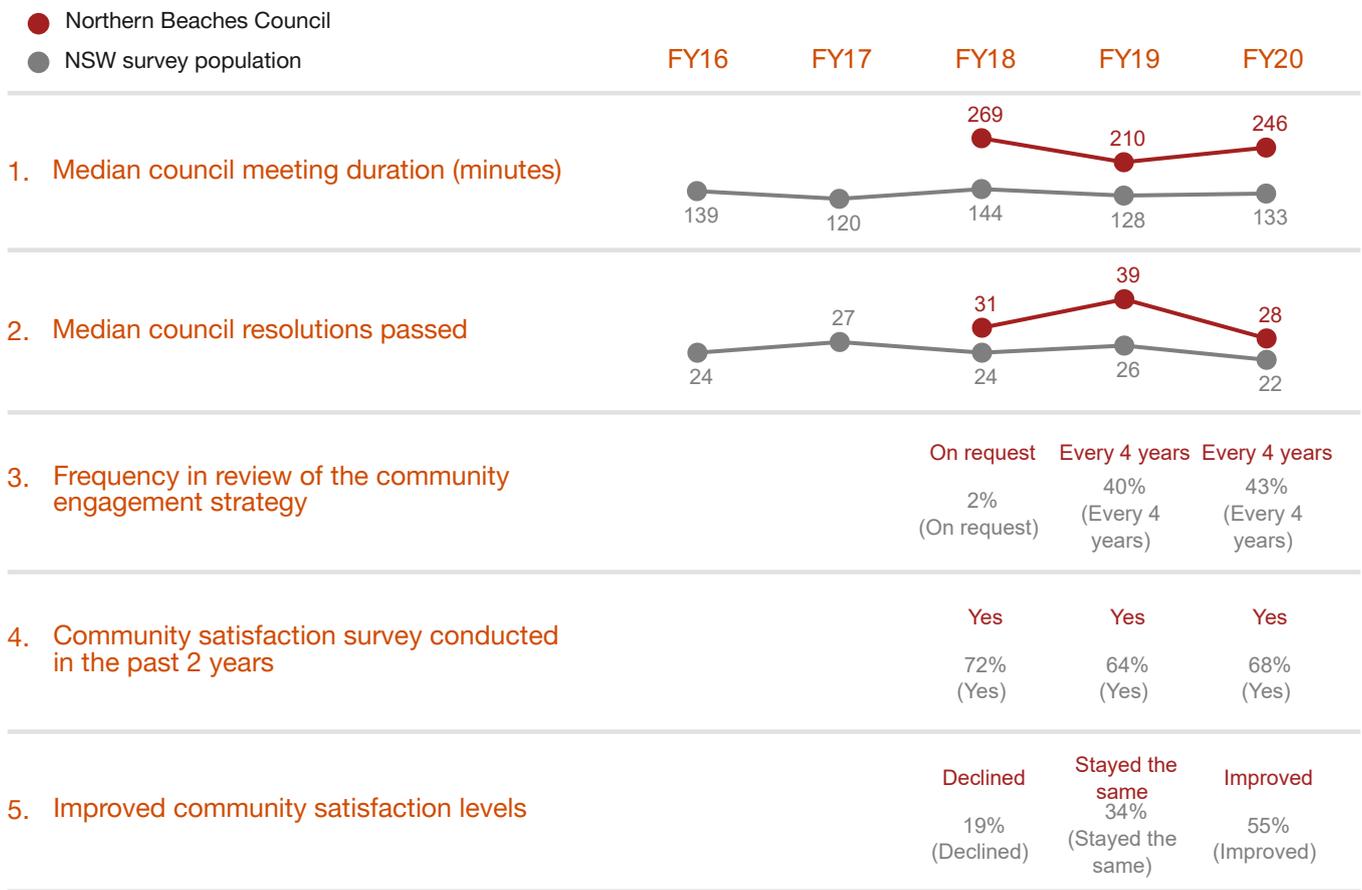


**51%**

of councils reported *improved* community satisfaction levels

## Corporate Leadership Trend Summary

### Northern Beaches Council



## Approach to decision making

### Council decision making

Councillors play an important leadership role in interpreting and implementing their community's values, vision and strategic direction. In order to achieve this, the council body requires accurate, timely and relevant information so that informative discussion and clear decision making can occur at council meetings.

Creating a more efficient and effective council meeting requires upfront planning. Providing workshops beforehand gives councillors the opportunity to debate at the workshop rather than in council chambers. In addition, openly sharing information in the form of a clear agenda, meeting papers and background or supporting information a week or more prior to the meeting enables the councillors to sufficiently prepare leading to more timely decision making and understanding of the related consequences as motions are considered and debated, and resolutions made.

To better understand the council meeting process, councils were asked to provide meeting duration and resolutions passed for the last six FY20 council meetings.

Despite the COVID-19 lockdown period in quarter 4 of FY20, our survey highlights that the overall median length of council meetings at 137 minutes is broadly in line with the median of 131 minutes in FY19 or 138 minutes in FY18. The median number of resolutions passed remains relatively stable at 21 resolutions (compared to 23 in FY19 and 22 in FY18).

At the jurisdictional level, SA councils continue to record the longest meeting duration, with a median result of 186 minutes, and one of the highest median resolutions passed of 20. This is followed by NZ councils with a

median of 145 minutes duration and a median of 15 resolutions passed.

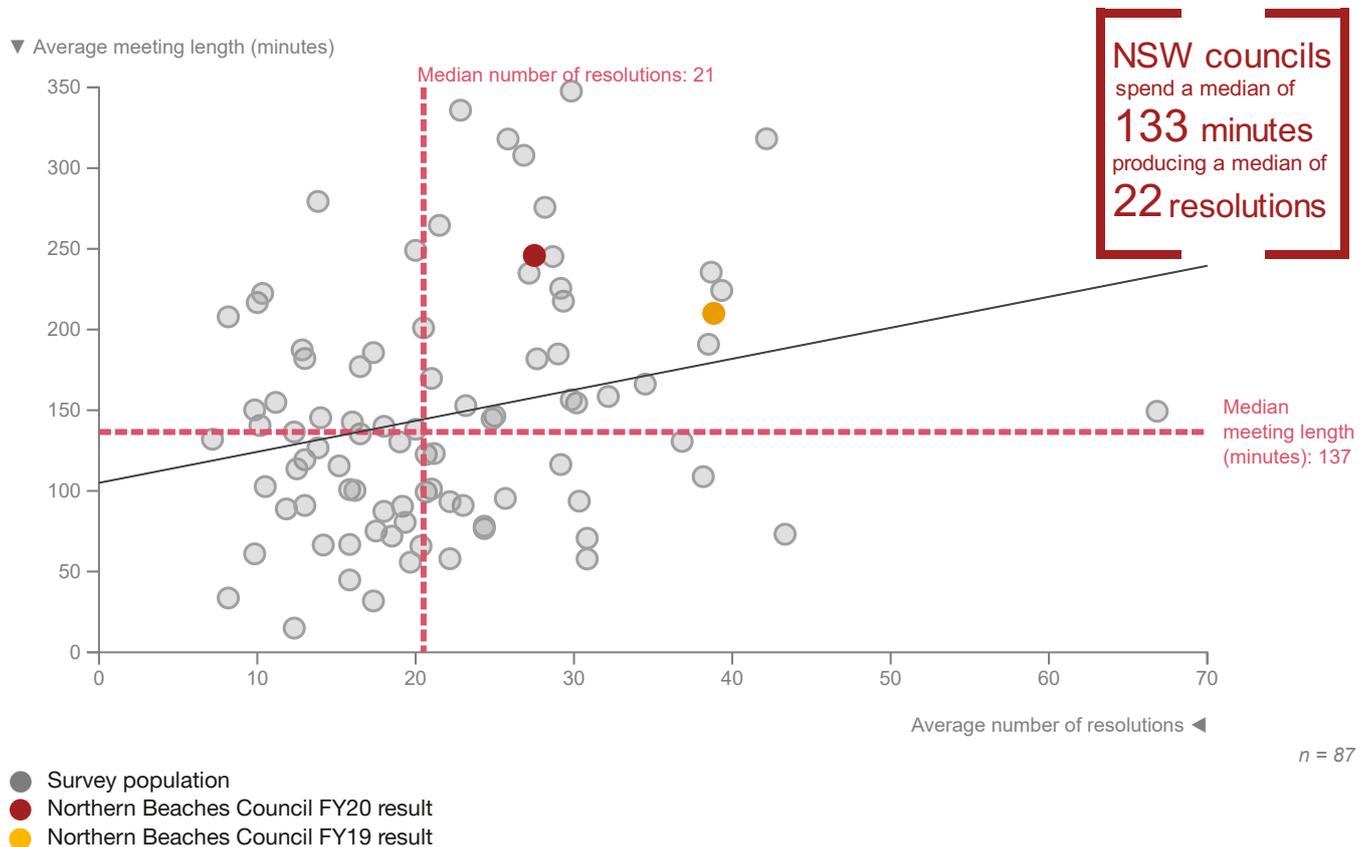
WA councils recorded an increase in their median length of council meetings of 130 minutes, compared to 119 minutes in the prior year. Despite this, the median number of resolutions passed remained stable at 17, compared to 18 in the prior year.

Meanwhile, in NSW councils, the median meeting duration rose by 5 minutes (from 128 minutes in the prior year to 133 minutes), and the median number of resolutions passed dropped to 22 (down from 26 resolutions passed in the prior year).

#### Key considerations

- Are councillor briefings/workshops well attended and are councillors provided the opportunity to discuss and debate topics before the council meeting?
- Are questions to councillors and or staff able to be answered during the council meeting or are they put on notice and responded to at the next meeting?

Figure 5.1: Relationship between council meeting duration and resolutions passed in the second half of FY20



## Analysing council meetings and resolutions

### Council meeting duration and number of resolutions

In Figure 5.2, we have transformed our survey results into a matrix to demonstrate possible reasons for meeting variations, either in council meeting duration and/or number of resolutions passed. This analysis allows councils to explore the correlation between council meeting length and the number of resolutions passed at their last six council meetings during FY20.

Our survey results show that 33% of council meetings are in the 'short and sharp' quadrant and 27% are in the 'clearance of straightforward matters' quadrant.

Acknowledging there are two levels of government in NZ, compared to the three levels that exist in Australia, we observe 36% of NZ council meetings in the 'complex issues' quadrant, compared to 29% of NZ council meetings in the 'complex issues' quadrant in FY19. It is difficult to identify from the data alone, whether these councils are working through more complex issues, or having more difficulty agreeing issues of comparable complexity. One possible explanation is that in FY19, councillors were in their third year of office and more familiar with the operation of council decision making, compared to new councillors who joined the local government sector in October 2019.

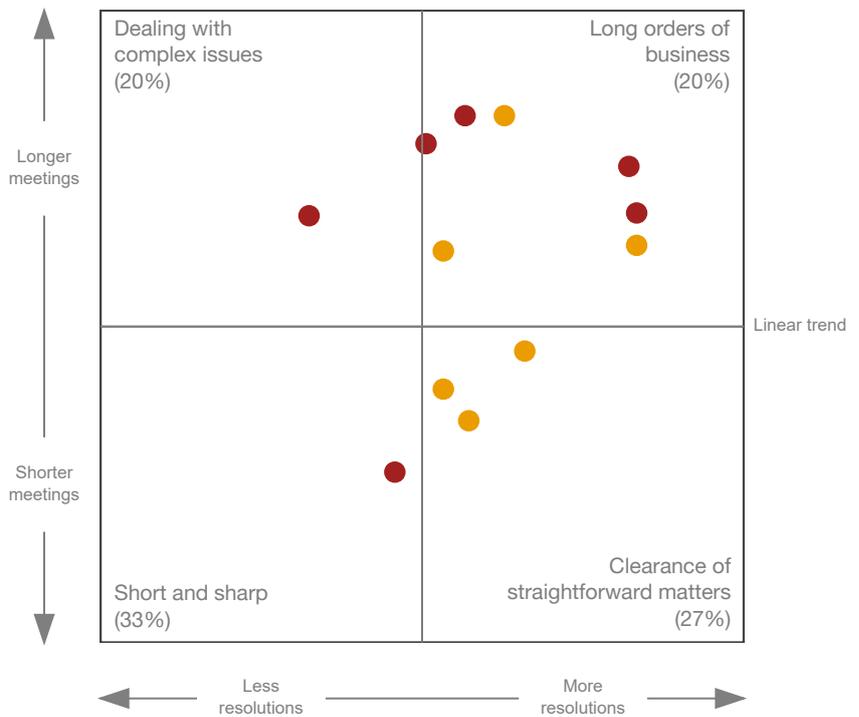
Across our participating Australian councils, we observe 60% of SA council meetings within the 'complex issues' and 'long orders of business' quadrants, compared to 38% in NSW and 31% in WA councils. This may be explained by new councillors assimilating to the operations of council meetings. This is especially prevalent in SA where council elections took place in November 2018, compared to NSW elected councillors having three years of experience and WA elected councillors being in their final year at the time of this survey.

When reviewing your profile in the matrix, consider there may be a reasonable basis for why your final six council meetings sit in a particular quadrant. It may enhance a council's productivity if a range of the identified meeting types exist across the year. You may even consider categorising issues in the agenda, similar to those discussed in the matrix, in the lead up to the meeting. After each meeting, councils should review their results against the complexity and associated risk profile of the issues discussed during these meetings.

#### Key considerations

- Do your councillors have access to technology that supports them to be more effective in their role as councillor, e.g. online meeting and papers access?
- When did you last review the governance and approach to your council meetings and identified any improvement areas or opportunities for efficiency gains?
- Have you assessed whether the frequency of council meetings needs to be reviewed, e.g. meet twice a month but for shorter periods?

**Figure 5.2: Relationship between council meeting duration and resolutions passed in the second half of FY20**



n = 87

- Northern Beaches Council FY20 result
- Northern Beaches Council FY19 result

## Consulting with the community

### Community engagement strategy

Effective local government needs a combination of representative and participatory democracy, and a key way to achieve this is to implement a community engagement strategy. Councils should be moving beyond informing or consulting with the community, to involving, collaborating with and empowering their communities. This allows councils to build a collaborative partnership with the community, building trust and confidence in local government.

Our survey results show that 87% of councils have a documented and approved community engagement strategy in place, up from 78% in FY19. We observe a higher proportion of NSW councils with a community engagement strategy in place (96%, up from 87% in FY19), due to the requirement to do so under the Integrated Planning and Reporting Framework. The majority of NZ and SA councils surveyed had a strategy in place (83% and 80% respectively). In WA councils, just 71% have a strategy,

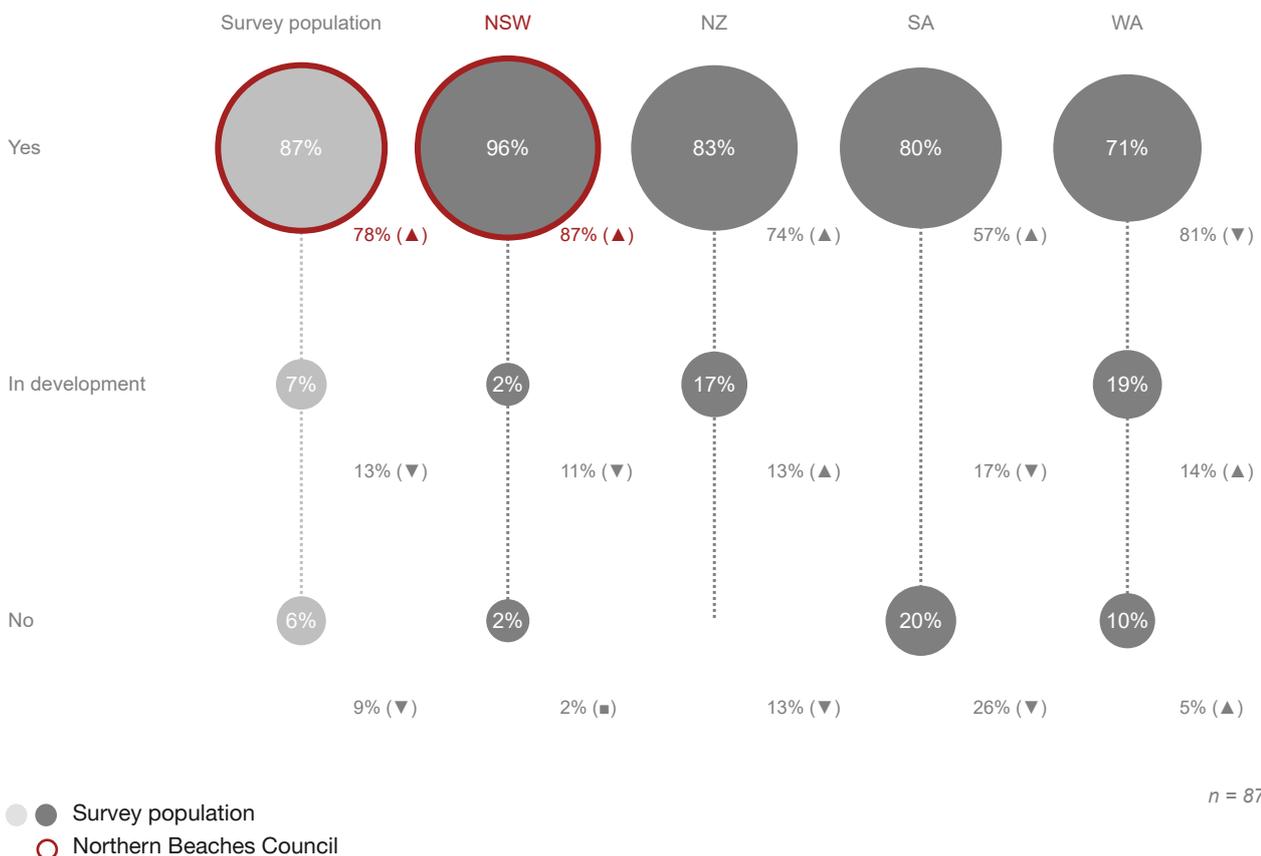
indicating there is an opportunity for councils to continue to bring a community strategy to life in their local government area.

The overall increase in the number of councils operating with a community engagement strategy indicates that councils are maturing in their approach, focusing on a more planned and detailed method of developing a cohesive relationship with the community.

#### Key considerations

- Do you engage with the community in a consistent manner on a wide range of matters, or does the method vary depending on the issue?
- How do you ensure that your community engagement strategy is inclusive across the diverse mix of members in your communities?
- Is community engagement performed regularly to foster a trusted and collaborative relationship between the council and the community?
- Do you monitor and evaluate whether the community engagement strategy meets its purpose? Is the strategy evolving as the community evolves?
- Is your council adequately resourced such that the views of your community can be appropriately considered as part of the execution of the community engagement strategy?

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



## Consulting with the community

### Review of the community engagement strategy

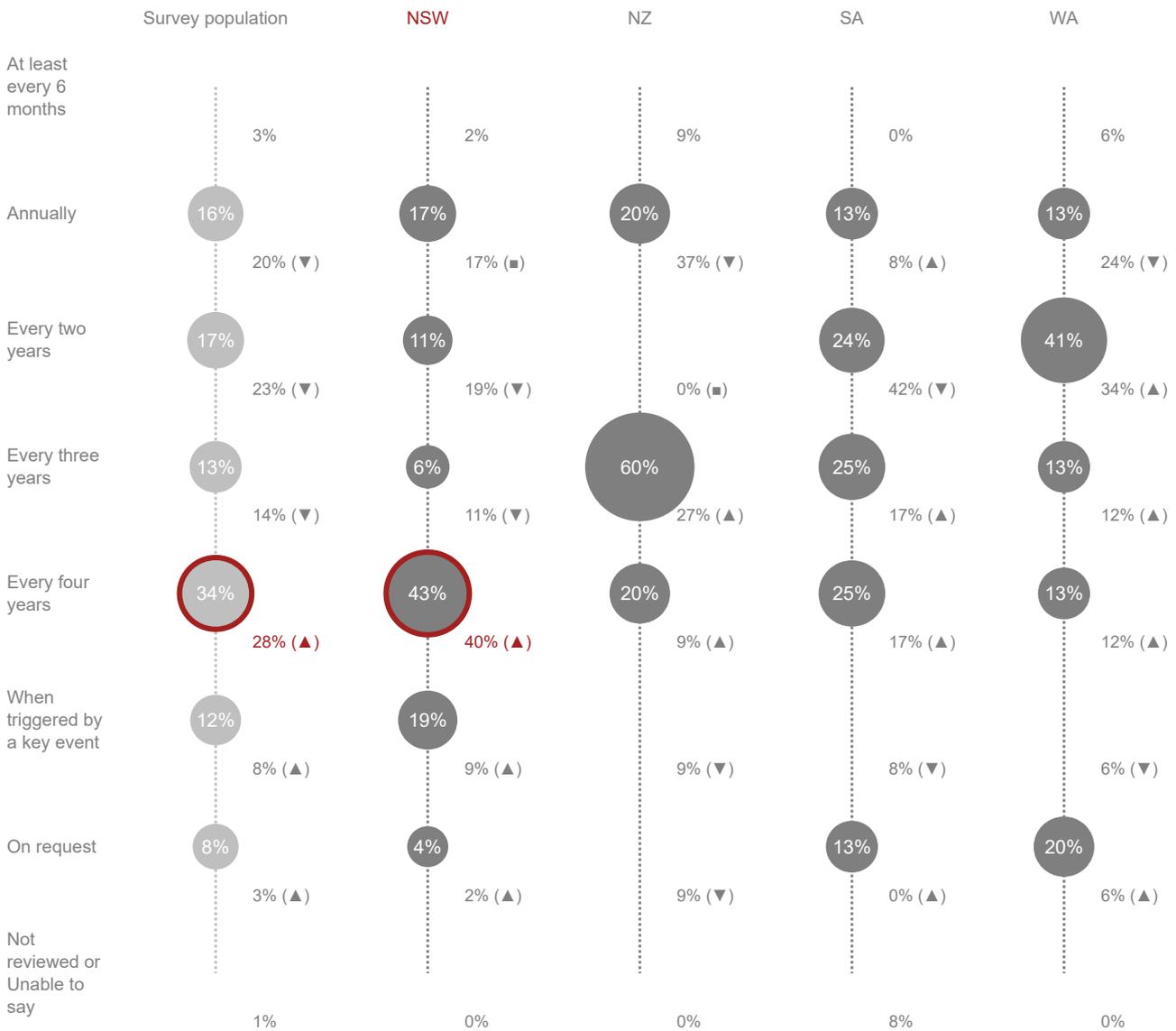
The continuous review of the community engagement strategy is as important as the strategy itself; there is a need to confirm that it continues to meet the evolving community's requirements.

Our results highlight that the frequency with which councils review their community engagement strategy varies across jurisdictions, reflecting

the various legislative requirements. NSW councils are more likely to review their community strategy every 4 years (43%), compared to 60% of NZ councils reviewing every 3 years (in line with the triennial long term planning (LTP) process). SA councils are more evenly split across 2-4 years for frequency of review, while WA councils typically review the strategy more frequently, with 41% reviewing every 2 years.

It is important to consider the balance between reviewing plans and implementing plans. The ability to review and then implement elements of the plan enables councils to demonstrate action and agility to the community.

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



● Survey population  
○ Northern Beaches Council

n = 75

## Consulting with the community

### Community satisfaction survey

Our survey results highlight that 100% of NZ councils conducted a community satisfaction survey in the past two years, compared to 70% of SA councils, 68% of NSW councils and 62% of WA councils. It should be noted, in WA this year, the lowest proportion of councils conducted a community satisfaction survey when compared to the past four years (WA councils first joined the program in 2016). This is surprising given the previous section highlighted WA councils typically review their community engagement strategy more frequently compared to the other jurisdictions, with 41% reviewing every 2 years.

With regard to reported satisfaction levels, just over half of councils (51%) reported improved community satisfaction, a remarkable jump from 30% in the prior year. At a jurisdiction level, 60% of NZ councils reported an improvement in

satisfaction levels, followed by NSW (55%), WA (46%) and SA (29%) councils. It seems that community satisfaction has taken a dive in SA, with 42% of councils reporting a decline in community satisfaction, up from 29% in the prior year.

Obtaining community feedback is important as it provides councils with useful insight into where they should focus and improve to meet changing community needs and priorities. It is key

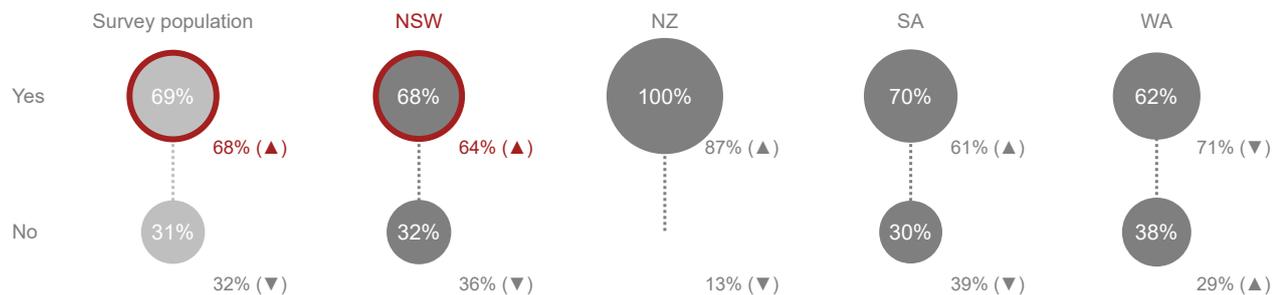
that councils analyse and understand their overall result and investigate any trends emerging from similar community engagement surveys each year.

Community satisfaction may vary each year and can be influenced by the type of council projects and developments taking place at any point in time. Where there is a diminishing result, councils should examine the changes in the demographics of the survey respondents as well as their changing expectations.

#### Key considerations

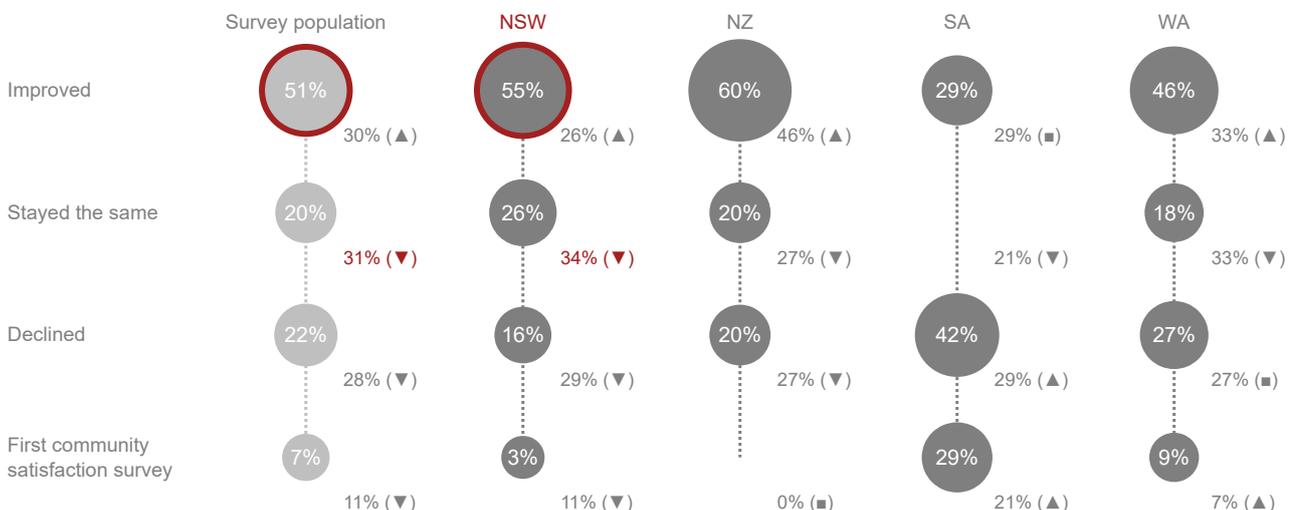
- Does your council embed a culture of engaging with the community regularly?
- Does your council investigate why community feedback is not performed periodically or why there has been a decline in overall community satisfaction?
- Where community satisfaction has stayed the same, do you look for ways to improve and exceed community expectations?

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



n = 87

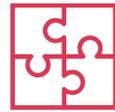
Figure 5.6: Did the overall community satisfaction levels improve since the last survey?



● Survey population  
○ Northern Beaches Council

n = 87

# Asset Management



**77%**

of councils have formal condition ratings in place for their *buildings*



**47%**

of councils use an asset maturity rating model



**37%**

of councils report annually to councils on the management of assets in accordance with the strategic asset management plan.

## Asset Management Trend Summary

Northern Beaches Council

	FY16	FY17	FY18	FY19	FY20
● Northern Beaches Council					
● NSW survey population					
1. Dedicated asset management systems in road networks, bridges, footpaths and cycleways			Yes 77% (Yes)	Yes 82% (Yes)	Yes 82% (Yes)
2. Does your council have an asset management maturity rating model that it applies to its assets?			In development 37% (In development)	Yes 41% (Yes)	In development 42% (In development)
3. Frequency in reporting management of assets to council			As required 42% (As required)	As required 43% (As required)	As required 50% (As required)
4. Strategic asset management plan linked to long term financial plan			Yes 66% (Yes)	Yes 61% (Yes)	Yes 58% (Yes)

## Asset management systems

### Data storage

Councils are responsible for exercising good stewardship over their assets, including effective management of asset maintenance, replacement planning, and future asset investment. This involves making critical decisions in the face of difficult trade-offs, within a complex set of constraints. Optimal results are often achieved when asset management is integrated throughout the business, with detailed asset information stored in robust systems, and then presented in a way that enables effective and timely decision making.

As the management of council assets can be subject to stringent regulatory requirements, councils understandably maintain a robust focus on the highest value asset categories, with the lower value asset categories therefore receiving less attention. Consequently, the risk exposure can be heightened within lower value asset categories. Councils may be operating without a fully-informed view of their total asset portfolio, negating their ability to manage in a holistic way, potentially affecting their ongoing financial performance and position.

The starting point for good management of council assets is a complete and reliable register of assets. As a result of NZ legislative compliance requirements, all NZ councils reported having an asset management system (AMS) across the top three asset categories, as depicted in the table. At the other end of the scale, a limited number of NZ councils reported having an AMS for Buildings (50%) and Other infrastructure (34%).

When it comes to Road networks, we observe 95% of WA and 89% of SA councils with an AMS, compared to 82% of NSW councils. However, the remaining 18% of NSW councils have an AMS in development for Road networks.

SA councils (90%) continue to report strong asset management of Drainage networks, compared to WA and NSW councils. While we continue to see 80% of NSW councils with an AMS in Drainage networks, we do observe a higher proportion of WA councils operating a Drainage networks AMS (76%, up from 62% in FY19). This leaves 19% managing Drainage networks with a partially completed AMS, and a further 5% of WA councils without an AMS.

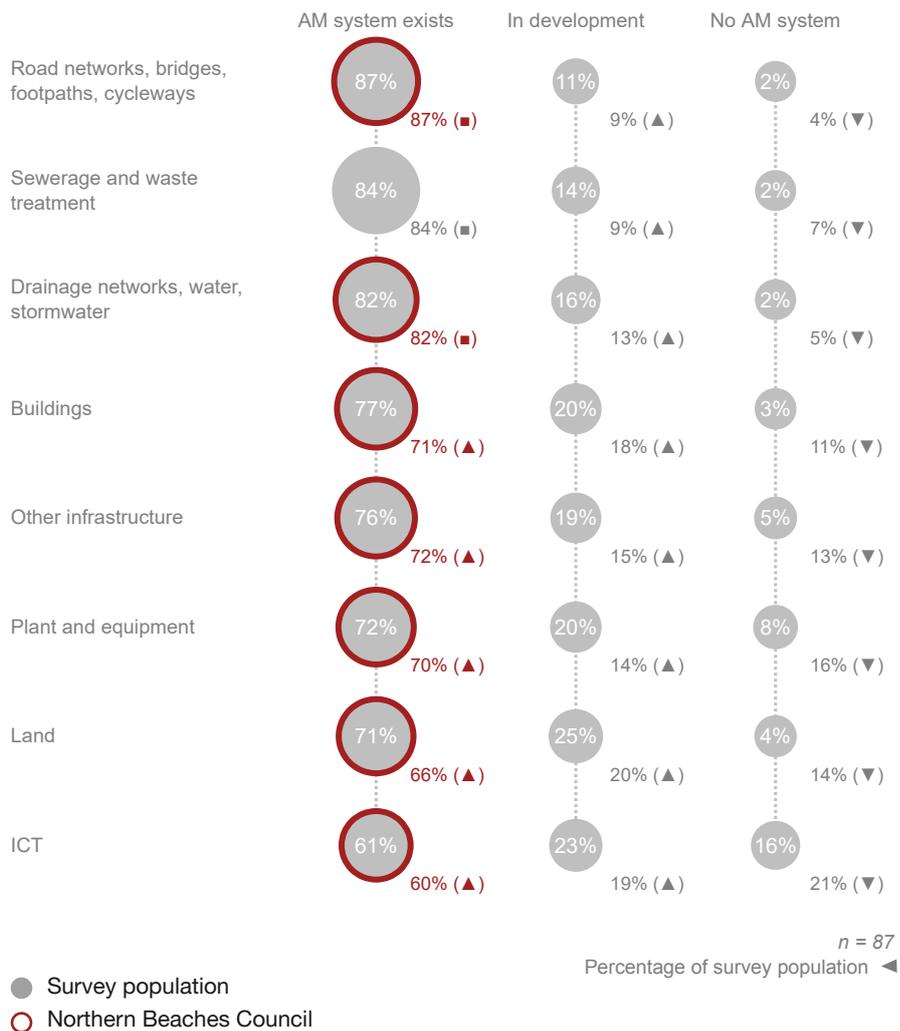
Of interest, is the growing proportion of small councils that have access to important asset management data in the top three asset categories. There are now 90% of small councils operating an AMS across Sewerage networks (up from 73% in FY19), and 91% across Drainage and

Road networks (up from 82% in FY19).

We see a pronounced upward trend for a greater proportion of councils having access to data in regards to Buildings (77%, up from 71% in FY19) and Land (71%, up from 66% in FY19).

Top 3 asset categories with councils operating a dedicated asset management system <sup>60</sup>					
Asset category	Survey population	NSW	NZ	SA	WA
Road networks	87%	82%	100%	89%	95%
Sewerage & waste treatment	84%	81%	100%	83%	100%
Drainage networks	82%	80%	100%	90%	76%

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



<sup>60</sup> The reported results, for each asset category, relate only to councils that have responsibility for an asset category

## Asset ratings

### Condition ratings

The assignment of condition ratings to key assets provides councils with valuable information to better manage their asset portfolio including asset maintenance, renewal and future investment. Condition ratings also empower management with the ability to proactively undertake planned maintenance.

In the absence of condition ratings, time-driven maintenance schedules can lead to unnecessary maintenance, which is costly in terms of the labour and materials inputs, as well as the downtime implications from the plant and equipment being out of service while it is maintained. Having an AMS and assigning condition ratings provides the opportunity for assessment-driven maintenance, not just fault-driven maintenance.

We continue to observe an upward shift in FY20, with 99% of councils reporting the use of condition ratings for some or all assets, up from 96% in FY19. With the exception of WA (95%), 100% of councils in NSW, NZ and SA assign condition ratings for some or all of their assets.

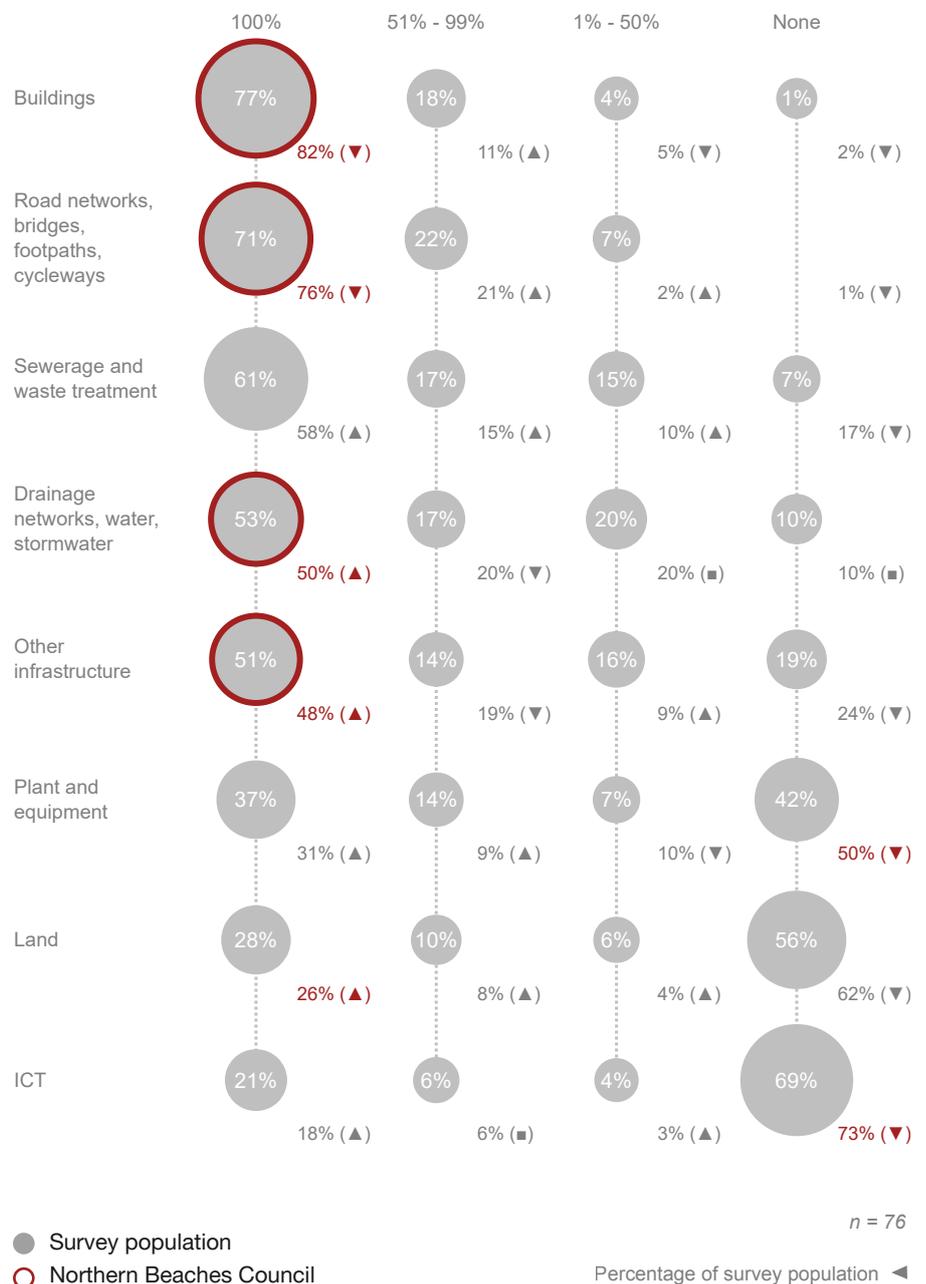
Across the higher valued asset categories, our program highlights 71% of all councils assigning condition ratings to Roads, 61% in Sewerage and 53% for Drainage network assets.

*However, we continue to see the trend for a higher proportion of councils to formally rate Building assets above all asset classes, with 77% of councils doing so. This was driven largely by SA and NSW councils, with 89% of SA and 84% of NSW councils assigning ratings to all Buildings.*

This is in line with the higher proportion of councils with a dedicated Building asset management system (77% of councils, up from 71% in FY19), as seen in Figure 6.1 on the previous page.

We encourage councils to review their current state asset portfolio reflecting on the risk management strategy and alignment of the management of all asset classes.

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



## Asset ratings

### Maturity rating model

An asset management maturity rating model is a pragmatic tool that assists with optimising decisions regarding the type of treatments required to effectively manage assets. The model allows an asset to be rated based on its performance and service potential, rather than applying an assumed condition or useful life based on the asset's age. Although the latter approach is simpler to implement, the value it provides to councils to manage assets effectively is more limited.

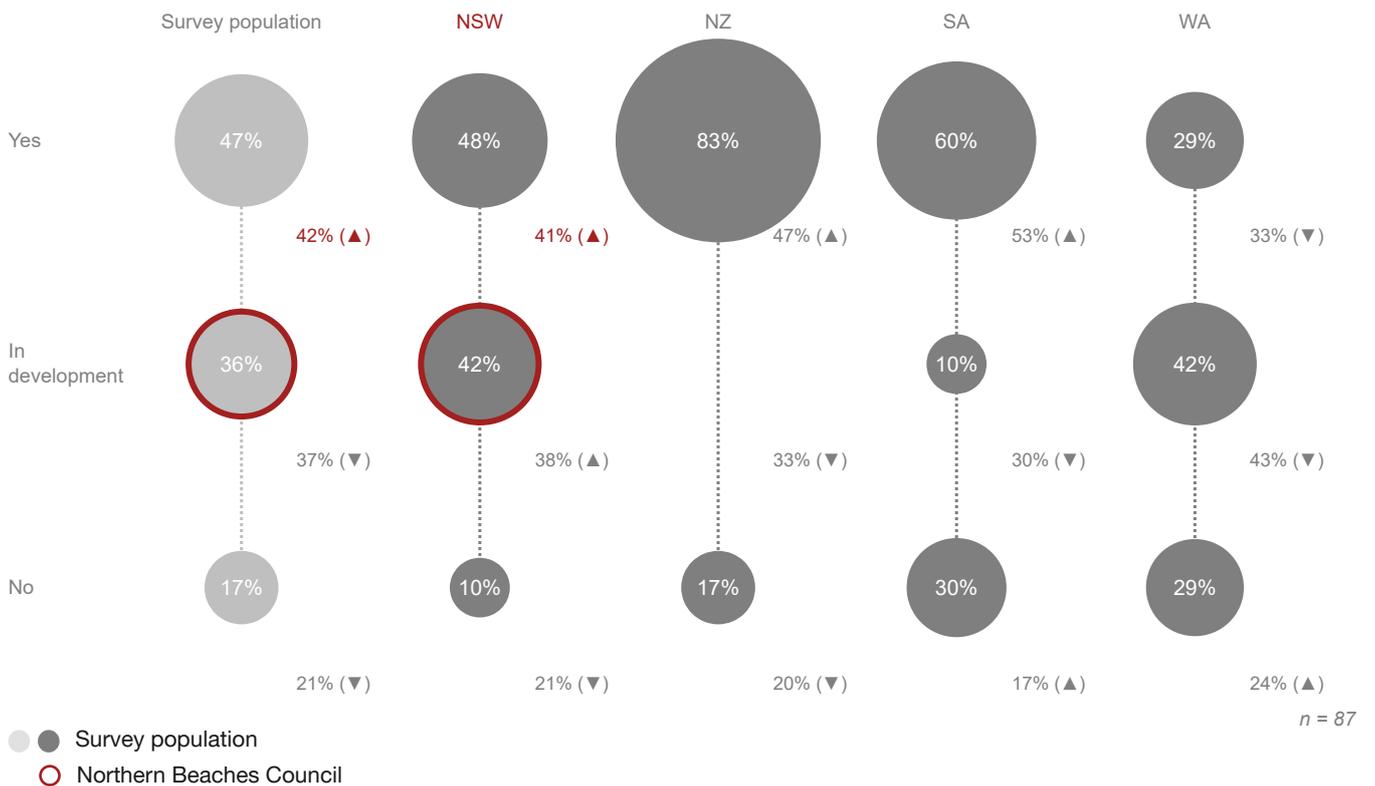
Our results highlight an increase in the proportion of councils that utilise an asset maturity rating model (47%, up from 42% in FY19).

We observe a greater proportion of NZ councils (83%, up from 47% in FY19) rating their assets using a maturity scale and are now more likely than other jurisdictions to use a model as part of the overall asset management lifecycle.

Across the different types of councils, rural councils are shifting their focus and making use of a maturity rating model for their assets. We now observe 41% using a maturity rating model, up from 24% in FY19.



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



## Strategic asset management

### Reporting to council

Our survey highlights that overall, councils either report in a reactive manner (44% report 'as required') or once a year (37%) on the management of assets, in accordance with the strategic asset management plan.

We continue to see NZ councils moving towards a proactive reporting approach, with a higher proportion of NZ councils reporting 'quarterly' (33%, up from 27% in FY19). However, the proportion of NZ councils that do not report at all has increased from 0% in FY19 to 17% in FY20.

We observe this trend across WA councils, with 10% not reporting on the management of assets, an increase from 0% in FY19, and a shift away from reporting annually, with just 38% doing so, down from over half of all WA councils a year ago (52%).

#### Key considerations

- Is your strategic asset management plan clear, easily accessible and does it meet all mandatory requirements?
- Does your strategic asset management plan clearly detail investment priority areas over a defined period of time and allow residents and the community to understand the future direction of spend on both asset renewal and growth?
- Do you link the management of council assets to a strategic plan to create rigour and accountability within the senior executive team?
- Is progress against the strategic asset management plan reported in a timely manner to council?
- Is management provided with clear guidance on the minimum frequency to report on asset management to ensure councillors are given adequate time and opportunity to analyse, assess and discuss the progress of asset renewal as well as asset investments?

**Figure 6.4: 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

To avoid the situation where asset condition adversely impacts the ability to deliver services to current and future residents, councils should link their strategic asset management plan to their long-term financial plan. This allows the management of assets to be prioritised in a structured manner with renewal, retirement and replacement occurring in consideration of asset condition, and in light of financial constraints.

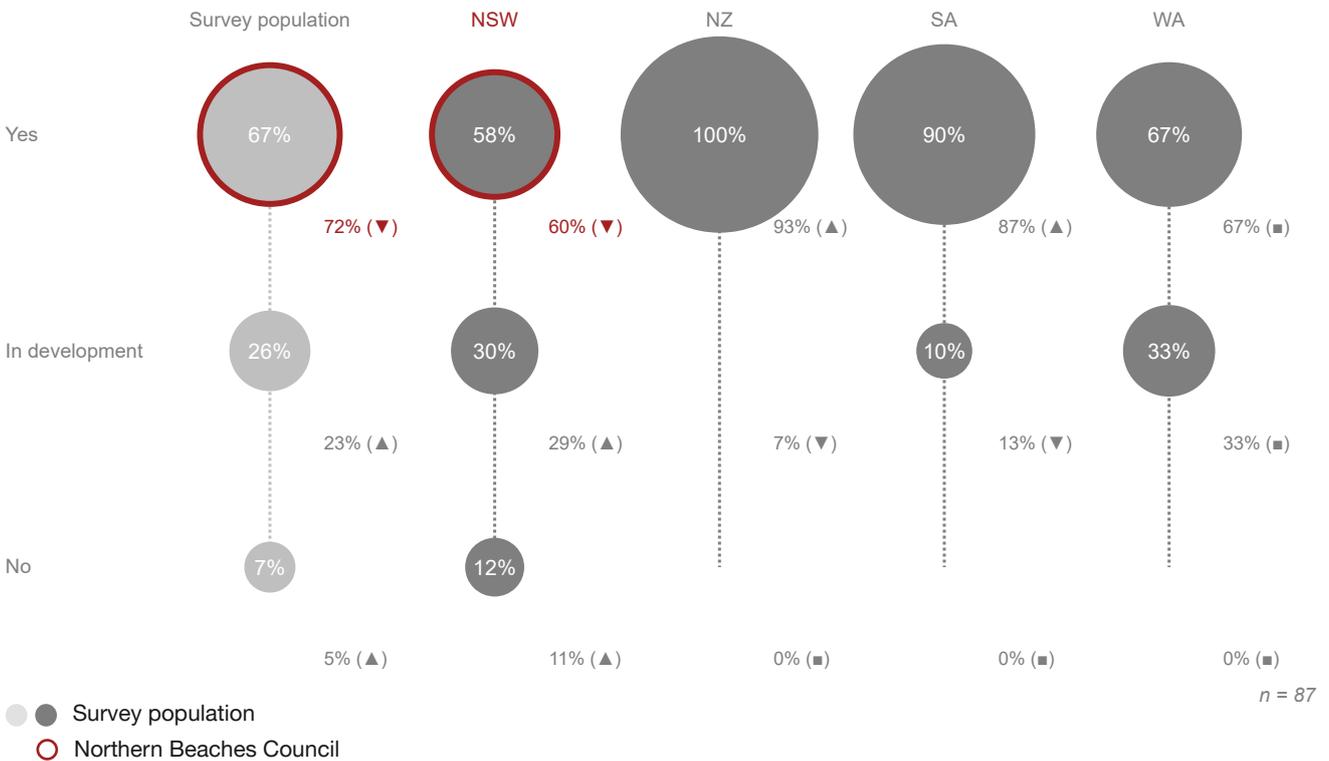
We observe 100% of NZ councils focused on linking their long-term financial plan to the strategic asset management plan,

reflecting compliance with NZ legislation whereby councils must triennially develop overarching 30-year infrastructure and financial strategies.

Within Australia, NSW (58%, decrease from 60% in FY19) and WA (67%, stable from FY19) councils continue to have the greatest opportunity to fully adopt a more rigorous approach of financially linking the strategic asset management plan to the long-term financial plan.

Across the different types of councils, the proportion of rural councils that financially link their strategic asset management plan to their long-term financial plan have decreased (54%, down from 70% in FY19). When looking at the different sizes of councils, the proportion of small councils linking their strategic asset management plan to their long-term financial plan have increased (73%, up from 64% in FY19), in comparison to a decline across medium councils (64%, down from 71% in FY19).

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



## Financial asset planning

### Self-sustaining asset renewal

In a council context, 'self-sustaining' refers to a council's ability to fund its own activities without requiring outside grants.

Given the importance of self-sustainability to a council's long-term ability to deliver services, our program asks questions geared toward assessing the extent to which a council's long-term financial plan aims to generate sufficient operational revenue to maintain its asset base.

When asked if the long-term financial plan delivers self-sustaining council asset renewal (including roads), 58% of councils responded in the affirmative, down from 62% in FY19.

We observe 73% of metro councils reporting as self-sustaining (including

roads), down from 84% in FY19. When compared to metro councils, there is still a large gap between both rural councils (54%) and regional councils (48%) in terms of their ability to deliver self-sustaining asset renewal. This most notably reflects the role that rural and regional councils play in the maintenance and development of state-wide road infrastructure which is generally grant funded. Given the materiality of this asset category, it can be challenging for these councils to understand the underlying financial sustainability of their council after accounting for this issue.

Geographically, we observe a positive shift in the confidence of NSW (60%, up from 51% in FY19) and SA (80%, up from 74%) councils to deliver self-sustaining

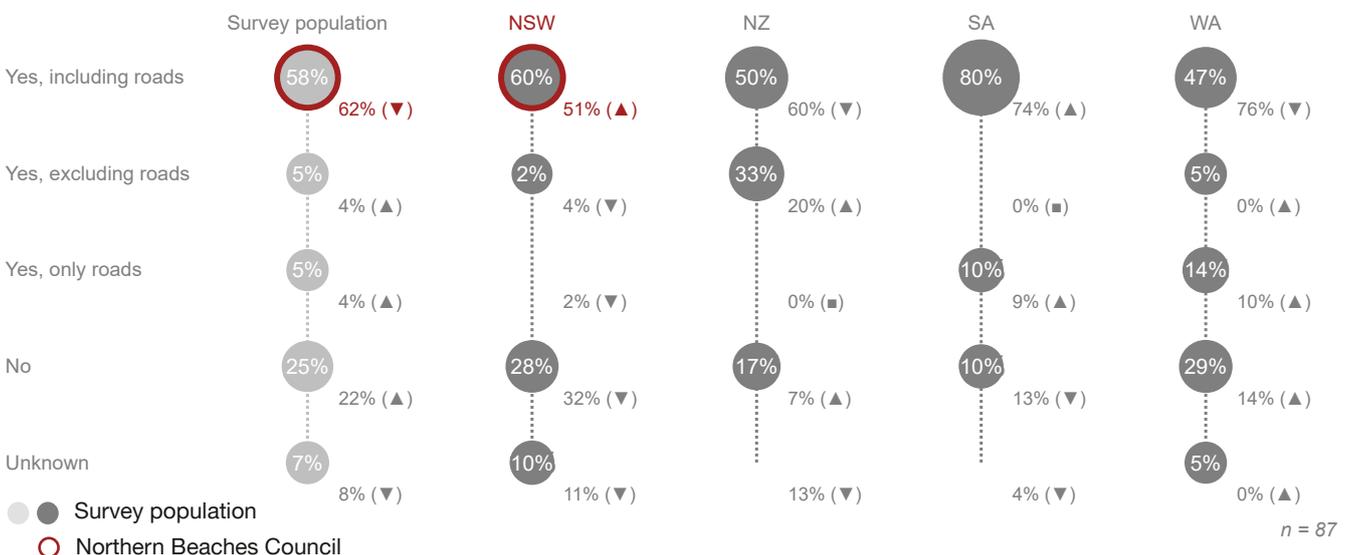
asset renewal. Of concern is the decline in confidence of NZ (50%, down from 60% in FY19) and especially WA (47%, down from 76% in FY19) councils to deliver self-sustaining asset renewal.

We acknowledge that this is a difficult position for any council to sustain and encourage those councils in this category to assess their long term financial circumstances and the impact depleted assets will have on intergenerational equity. This will allow councils to consider whether there is an option for a special rate increase, or for other additional key changes in the management and funding of assets while maintaining councils target service level standards.

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



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





# Participating Councils

# List of participating councils by jurisdiction

The table below shows the list of participating councils in the FY20 LG Performance Excellence Survey Program:



## New South Wales

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



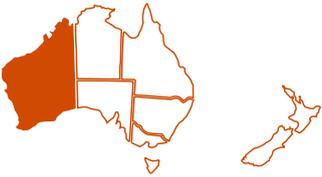
## New Zealand

1. Kapiti Coast District
2. Northland Regional Council
3. Palmerston North City Council
4. Porirua City Council
5. Southland District Council
6. Western Bay of Plenty Council



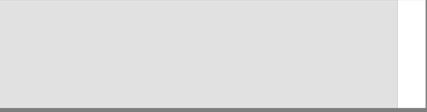
## South Australia

1. City of Holdfast Bay
2. City of Onkaparinga
3. City of Playford
4. City of Salisbury
5. City of Tea Tree Gully
6. Clare and Gilbert Valleys Council
7. District Council of Streaky Bay
8. Port Pirie Regional Council
9. Rural City of Murray Bridge Council
10. Town of Gawler

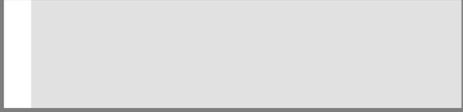


## Western Australia

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



# Contacts



## Contacts

The Local Government Performance Excellence Program FY20 is produced in conjunction with Local Government Professionals Australia, NSW and the results are analysed by PwC.



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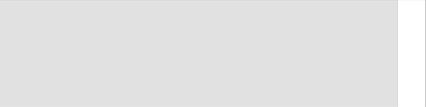
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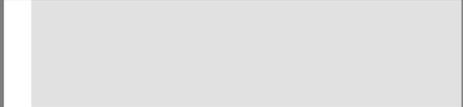


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# Definitions



## 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.

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

### Full time equivalents (FTE)

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

### Calculating headcount or FTE at 1 July 2019

Headcount or FTE employees with the following criteria are included:

- Start date on or before 1 July 2019
- An FTE status greater than zero at 1 July 2019 (FTEs of zero or blank are NOT included)

Headcount or FTE employees with the following are excluded:

- A termination date before 1 July 2019

### Calculating headcount or FTE at 30 June 2020

Headcount or FTE employees with the following criteria are included:

- Start date on or before 30 June 2020
- An FTE status greater than zero at 30 June 2020 (FTEs of zero or blank are NOT included)

Headcount or FTE employees with the following are excluded:

- A termination date before 30 June 2020

### Calculating Service area FTE

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

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

## Definitions

### Staff levels

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

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

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

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

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

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

### Service Areas

For further information on service area definitions, please refer to section Appendix A in the FY20 Participant Guide available on Datapoint.

### Development applications

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

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

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

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



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