

*Comparisons are odious*¹: a practitioner's view of why comparing councils is a flawed concept

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Abstract. Recent literature related to aspects of local government has referred extensively to various examples across all states of Australia as well as the United Kingdom and New Zealand, as well as others.² Such exploration of ideas (working or not working) elsewhere in the world is to be commended, provided it remains just that – a search for innovation to inform the enhancement of local government. However if it moves into attempts to identify best practice or into benchmarking best practice, such exercises become problematic, principally because of jurisdictional differences, which themselves have been born of a different culture in a different time and with different political and social agenda. This paper demonstrates how benchmarking should be used only in specific cases. The paper also explores the practice of comparing councils and uses a case study to affirm the proposition that comparisons are ‘odious’.

Concepts for measuring organisational performance – benchmarking

Port Stephens Council refers to ‘good’ practice rather than ‘best’ practice to indicate an emphasis on the search for innovation to inform opportunities for improvement. This follows the view that ‘best’ practice is only ‘best’ for the entity that owns it, and then only until a ‘better’ practice comes along.

As a local government practitioner charged with establishing valid measurements of performance and reporting to Council and the community, the question of validity of data is an important component of accurate, open and transparent communication. This paper is based on the experience of the author with one Council – Port Stephens in NSW.

¹ With apologies to John Lydgate, *Debate between the horse, goose, and sheep*, circa 1440.

² For a good representative sample of such literature, see the Australian Centre of Excellence for Local Government's recent publications <<http://www.acelg.org.au/>>.

The concept of benchmarking is predicated on comparing ‘apples with apples’, which is comparing two or more ‘somethings’ with like characteristics to draw valid comparative conclusions. Port Stephens Council has confined its benchmarking to *in-process measures* and *results measures*, and then only when a number of checkboxes can be reliably ticked – intra-jurisdictional, similarities in quantum, staff experience, budget availability, for example – to be able to extract value in improving processes using the experience of other councils. Port Stephens Council recently completed a sustainability review of all its service packages and employed the technique of benchmarking processes with other councils to inform improvements. The sustainability review achieved ongoing savings of \$2.1 million and further \$100,000 in efficiency savings (Port Stephens Council 2012a, p. 9). It is important to stress that this achievement was accomplished not just with benchmarking against what other councils do or how they do it, but with a complex and disciplined approach and framework – it did not just rely on benchmarking.

Concepts for measuring organisational performance – comparing councils

When not handled well, comparisons are odious and can cause significant damage and misleading conclusions that form a poor platform for decision-making. A study of the *NSW Comparative Information for 2010-2011* with reference to Port Stephens Council demonstrates why comparing councils is an odious practice.

The NSW Division of Local Government (DLG) publish a set of tables under the heading of *Comparative Information on NSW Local Government Councils* which is based on the Australian Classification of Local Government’s (ACLG) 22 categories, with the DLG further classifying councils into 11 groups (*Comparative Information of NSW Local Government Councils 2010/11* 2012, p. 11).

It should be noted that the DLG in its Circular to Councils on 8 November 2012 (12-41) indicated that it intends to revise the contents and format of these *Comparative Information on NSW Councils* before the next iteration.³ For the purposes of this paper the underlying premise that comparing councils is an unreliable exercise – regardless of content and format – still applies.

The DLG placed Port Stephens Council into Group 4, along with 30 other councils.⁴

³ See NSW DLG 2012. The Local Government Review Panel states that a decision has been taken to replace the Comparative Information (Local Government Independent Review Panel 2013, p. 24).

⁴ For the full list of Group 4 councils, see *Comparative Information of NSW Local Government Councils 2010/11* 2012, pp. 14-6.

Figure 1 demonstrates why comparing councils is a flawed concept when Port Stephens is deemed to be validly comparable with Broken Hill in the far west of the State.

Snapshot of Port Stephens local government area (LGA)	
<p>Port Stephens Council is a local government area in the Hunter Region of New South Wales. The area is 168 km Northeast of Sydney and 25.8 km north of Newcastle.</p> <p>The area contains prime agricultural land, valuable natural ecosystems and a high level of species diversity. Its waterway system lies at the junction of the Myall River lakes system, Karuah River and the Pacific Ocean. The western half of the area is geographically dominated by the confluence of the Paterson and Williams Rivers with the Hunter River. The eastern portion of the LGA contains the Stockton Bight dune system, which extends for 32 kilometres.</p> <p>The Council area is bisected and served by the Pacific Highway. The climate is warm year round and cool sea breezes keep the temperature mild in the summer. Port Stephens is a thriving community with great diversity.</p>	
Area	979 square kilometres
Waterways	More than 100 square kilometres
Population	64,807 – estimated to rise to more than 80,000 by 2031
Median age	42
Population density	66.2 per square kilometre
Labour force	28,373
Unemployment	6.2%
Climate	Mean minimum temperature: 13.7 C Mean maximum temperature: 23.0 C Mean Rainfall: Range 1125.6mm – 1348.9mm
Major population centres	Tomaree Peninsula, Tilligerry Peninsula, Medowie, Raymond Terrace.
<p><i>Source: Port Stephens Council 2013, pp. 3-4</i></p>	

The DLG states that this publication is ‘...designed to help both the community and councils assess the performance of their council across a broad range of activities’ (ibid, p. 3).

However, the DLG also makes some qualifying admissions that undermine its stated purpose including:

It is important to remember that the key performance indicators, when used on their own, do not give the full picture of a council’s performance. Although they show the differences between councils across a selection of specific activities, they do not explain why these differences have arisen. The figures are indicators only and conclusions should not be drawn without qualitative assessments being made (ibid).

case could be made for some comparison between councils. For example, both Port Stephens and Kempsey have waterways, ocean and coastal eastern areas and rural hinterland, tourism as an economic driver, with the Pacific Highway passing through both LGAs. However a deeper analysis identifies that the issues they face and how they can resource them are quite different. Port Stephens has been deemed by NSW Treasury as having a 'Moderate' financial sustainability rating and a 'Neutral' outlook (NSW Treasury Corporation 2013, p. 18). That situation is not the same for Kempsey, with ratings of 'Weak' and 'Negative', respectively (NSW Treasury Corporation 2013, p. 17). Port Stephens has a manufacturing sector that is growing, alternative revenue streams,⁵ and an asset base that can be rehabilitated over a relatively short period. The NSW Local Government Independent Review Panel has stated that 'Port Stephens council appears likely to remain sustainable in its present form well into the future...' (Local Government Independent Review Panel 2013, p. 52).

The point is that some superficial geographical similarities do not make for valid comparisons of the operations and performance of the councils that govern them. This point can be further demonstrated by the variability that the DLG has admitted exists within groupings of councils (ibid). It is even more complex than just the 'mix of services', it goes to the definition of services. For example, what does 'recreation, culture and leisure services' (ibid, p. 118) mean in Deniliquin compared to Port Stephens? Recognising there is significant disparity between councils, the DLG has reduced the comparison to expenditure per capita, with a note that for some councils this expenditure does not necessarily equate to services provided (ibid).

So the case for comparing councils against each other based on some geographic and/or demographic profile has not been made and the Division's own warnings – together with its stated intent to revise these data – and its cautions throughout the document seemingly support this position.

What about using the Comparative Information to benchmark specific aspects of councils' performance? This is what the Comparative Information purports to do.⁶ Yet it is at this level that the Comparative Information is at its most problematic, principally because of the inherent flaws in its design are also compounded by how data are used.

⁵ For example, Council is currently accessing revenue from bio-banking, sand extraction, commercial property portfolio, half-share dividends in Newcastle Airport Pty Ltd, commercial enterprises such as Beachside Holiday Parks.

⁶ The *Comparative Information of NSW Local Government Councils 2010/11* report (2012, p. 3) states that 'It is designed to help both the community and councils assess the performance of their council across a broad range of activities.'

There appears to be an assumption that everything is generally the same in council groups (services and facilities, etc.)

Tab. 1. Per capita expenditure on services related to recreation, leisure and cultural services in Group 4 councils

	Group 4 Council	\$	Group 4 Council	\$	
Hero	Dubbo	331.94	Armidale Dumaresq	172.31	
	Broken Hill	327.58	Clarence Valley	169.59	
	Albury	263.70	Great Lakes	169.36	
	Bathurst Regional	229.04	Lithgow	160.85	
	Byron	228.88	Shellharbour	158.56	
	Deniliquin	228.87	Queanbeyan	155.80	
	Lismore	224.58	Port Stephens	149.33	Poor Performance
	Mid-Western Regional	210.41	Richmond Valley	146.44	
	Kiama	208.55	Goulburn Mulwaree	145.74	
	Griffith	203.99	Greater Taree	135.41	
	Orange	197.49	Bega Valley	131.70	
	Eurobodalla	186.72	Wingecarribee	125.19	
	Group average	180.38	Cessnock	122.69	
	Wagga Wagga	179.13	Ballina	122.55	
	Singleton	178.85	Kempsey	109.71	Pilloried
	Tamworth Regional	177.70			

Source: *Comparative Information of NSW Local Government Councils 2010/11 2012*, pp. 121-3.

The first inherent design flaw is that it uses *averages* (mean) which is poor practice because 'outliers' skew the data and hide mediocrity. In each area examined the Comparative Information does provide a median but it is at a State level. Across NSW 152 councils have been grouped by DLG and ACLG into 11 and 22 categories respectively precisely because they are different, making such State median figures largely irrelevant.

Using averages allows an odious comparison to be made, with one council being lauded as a hero because of its perceived effort, whilst others are put in a position to be pilloried for not doing enough. Table 1 below illustrates this effect, using the Comparative Information for 'Recreation, leisure and cultural services' category for Group 4.

In this type of data series a better choice would be to use median and a cluster around a ‘typical’ spend emerges, as shown in figure 1 below.

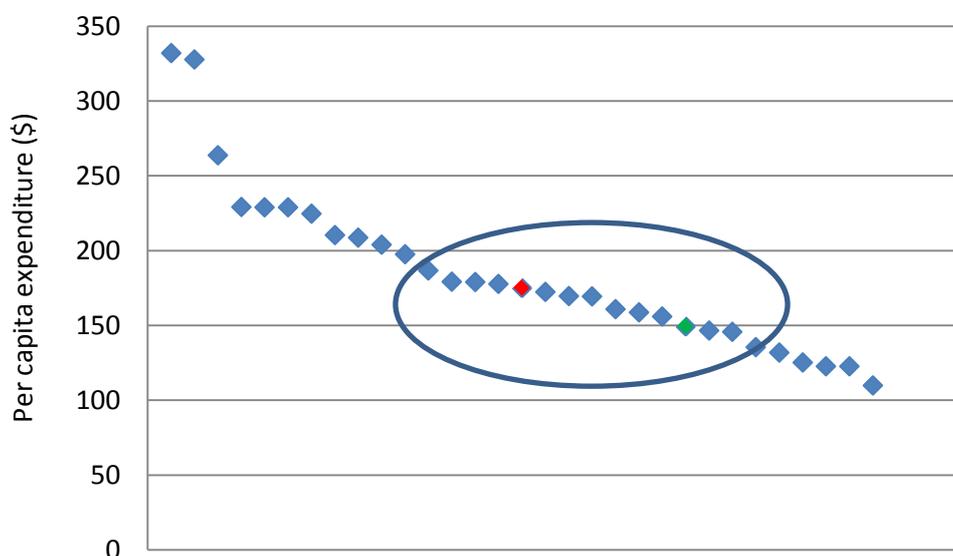


Fig. 1. Per capita expenditure on services related to recreation, leisure and cultural services in Group 4 councils. The group average is shown in red. Port Stephens Council’s data point is shown in green.

Using the median might have been a better choice but it is still largely irrelevant because of the second design flaw, lack of *context*. The document itself acknowledges this when indicating that some factors will affect these data for different councils (*Comparative Information of NSW Local Government Councils 2010/11 2012*, p. 18), but does not place these factors against the council’s individual data. So for a community member or a member of the press who has no detailed knowledge of the situation of an individual council, the data are unreliable for reaching conclusions about that council’s performance in any category.

To further illustrate this point using the figures in Table 1, in Group 4 Dubbo Council has the largest rate of per capita spending (\$331.94). Dubbo is in the west of the State with a population of 41,763 and population density of 12.20 (*ibid*, p. 14). It may have any or all of the services in the ‘Recreation, leisure and cultural services’ category – ‘parks, playing fields, swimming pools, beach patrol, tennis courts and multi-purpose recreation facilities, libraries, museums and a number of other cultural facilities’ (*ibid*, p. 118), although given its location beach patrols are unlikely. Ultimately, one *doesn’t know* what services are provided, what factors compound their costs to provide services, what service levels they have agreed with their community (gold plated or something less) – in

fact, a myriad of intersecting issues mean that Dubbo Council is spending more than other councils in Group 4 in this category.

As well as a statistical design flaw, without context to inform the data the Comparative Information is unreliable to assess a council's performance in an individual category.

These data are also problematic when quoted out of context by time-poor, deadline-driven journalists who are often not in a position to trawl through a 147-page document to identify the pitfalls contained in the way the data are presented and what is lacking. It is easier to grab a headline figure and seek a hero or pillory the performance of a perceived lesser spending council. These data are also a trial for elected officials whose community perceptions contain an assumption that because these are 'official' figures issued by the State, that they are the real story of their council's performance; shifting that perception is very difficult to achieve once 'the genie is out of the bottle'.

Across Australia, local government practitioners need to be aware of, and examine critically all data that purport to provide valid comparisons between councils. As this case study using the *Comparison Information on NSW Local Government Councils 2010-11* data demonstrates, comparisons are odious.

Yet the community (residents and ratepayers) *do* have a right to know how well or how poorly their local council is performing. This right is established in the implied social contract that arises from local elections: 'if you vote for me, I'll do...'

It is also established in the United Nations Educational, Scientific and Cultural Organization Brisbane Declaration (Department of Communities 2005, p. 2), of which Australia is a signatory:

Article 13 – Deliberation – when there is sufficient and credible information for dialogue, choice and decisions, and when there is space [for the community] to weigh options, develop common understandings and to appreciate respective roles and responsibilities.

In NSW the IP&R Framework has changed the landscape for local government – the community is now 'driving the train'. They set the agenda – the goals and priorities for their local area for the next 10+ years (*Local Government Act 1993 No 30*, s. 402).

Council and its partner agencies are required to report on progress towards achieving the community's priorities in an 'End of Term Report' (*Local Government Act 1993 No 30*, s. 428(2)) and, more importantly, to regularly report to the community on a council's own progress and performance – 6 monthly and annually (*Local Government Act 1993 No.30*, s. 404(5), 428).

So the whole focus of the Framework is on what the community thinks is important to them. From the survey of the Port Stephens Council Residents' Panel in April 2013,

comparisons with other councils aren't suitable. Residents Panel members were asked to answer the question:

For assessing Council's performance would you prefer to have a report on Council's performance against targets agreed with its community or comparisons with other councils on the same topic e.g. amount spent on leisure and recreation?

The results are as shown in Table 2 below.

Tab. 2. Survey Response – Port Stephens Council Residents Panel

Answer Options	Response count	Response rate (%)
Report performance against agreed targets	83.3%	50
Report comparing councils	16.7%	10

Comments included:

I think there are dangers in setting targets based on what is happening in another Council, unless there are relevant and common issues shared between the two entities. (12/4/13)

No two councils are the same. There is a danger that councils may be measured a success but they are still not providing the components needed for Gross Domestic Happiness. They might for example have a great balance sheet but have failed to maintain roads or develop and maintain important sectors of their economy. (12/4/13)

Of those who did prefer a report comparing councils, some expressed the desire for a combination of the two options.

Concepts for measuring organisational performance – a community focussed way

At Port Stephens Council, rigorous setting of performance measures that are meaningful to the community still has a way to go. However, Council is increasingly determining measures using the 'Results-Based Accountability' approach originated by Mark Friedman (2009). The diagram (figure 2) illustrates the framework in which Council is moving to measure its performance across key areas of operations, particularly service delivery.

The concept focuses on the 'is anyone better off' question. In Council's operating context, this means that unless something is statutory – that is, required by Council –

then Council needs to examine rigorously if it should still be doing it. It Council adding value or adding cost?

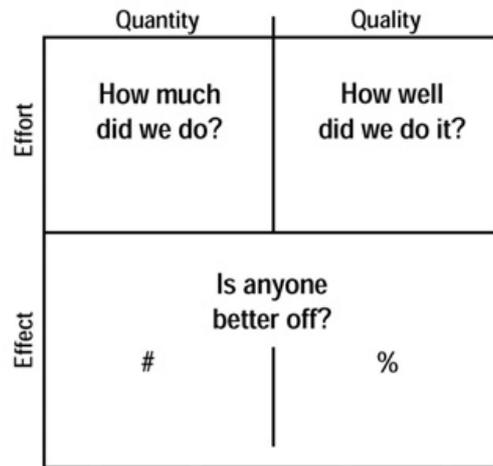


Fig. 2. Results based accountability

Source: Friedman 2009, p. 68

Of course, Council has to account for the budgets and other resources that are employed to deliver the service – did it do what it said it would do and for how much? And, did service delivery customers think that Council did it well? In many instances customers may in fact agree that Council delivered the service well, but that doesn't mean that it added any value to those customers. There is a subtle difference between customer satisfaction and customer value, as the diagram at figure 3 illustrates.

Not All Performance Measures Are Created Equal

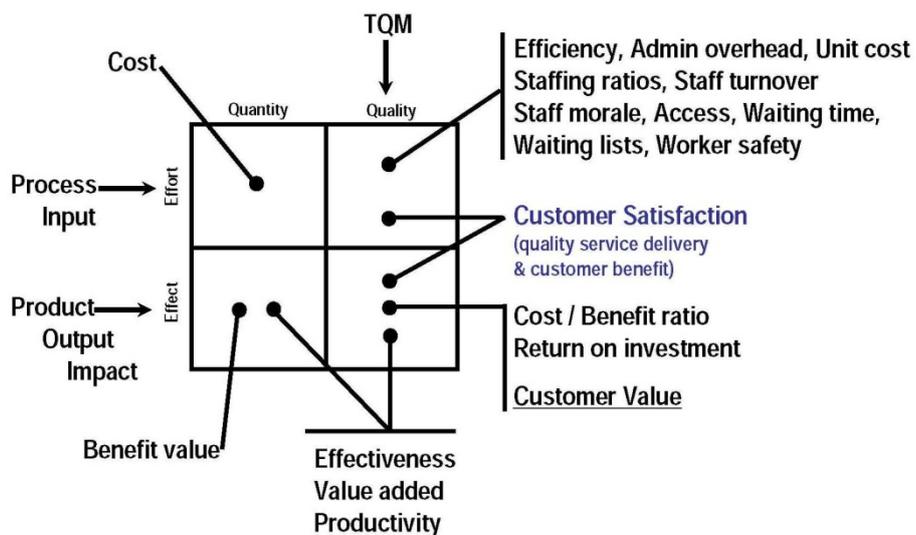


Fig. 3. Not all measures are equal

Source: Friedman 2009, p. 73

Port Stephens Council is moving from just reporting things like budget performance, staff satisfaction or turnover – although these are important and sit in the top quadrant – towards measuring performance against service level agreements with its customers. Council still measures customer satisfaction with the quality of service delivery but it has also moved in this year's customer satisfaction survey to questions that elicit some customer value. For example, in the survey of the long day care service Council asks the reason(s) why the parents need the service, and if it is meeting their needs (i.e. adding value). Of course, the survey also asks questions about the quality of the service (customer satisfaction) as it has done in the past, but the additional dimension of measuring customer value speaks to Council's effectiveness in delivering that service.

Customer satisfaction is important to Port Stephens Council, and customer value is important to the customer.

Conclusion

Port Stephens Council is by no means an expert at using Results-Based Accountability to inform its performance measurement, but it has service levels established with its customers and this approach allows Council to measure the performance of the 'contract' with its community. This is where the relationship lies – between council and its community. There is no 'contract' between Port Stephens Council and the other 30 councils in Group 4 or any other council anywhere.

Therefore, if the community is the focus – and the NSW IP&R legislation mandates that it is – then the only real measure is what the community thinks; is Council adding value or adding cost with little or no benefit? The significant level of community engagement required by the community strategic plan provisions in the NSW Local Government Act means that Council's planning must reflect what its community wants, therefore its performance measurement should be based on that as well.

If communities are okay with Council's performance what does it matter how it is going against an arbitrary group of 'unrelated' councils? This approach removes any need for 'odious comparisons'.

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