SERVICE DELIVERY REVIEWS IN AUSTRALIAN LOCAL GOVERNMENT

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SERVICE DELIVERY REVIEWS IN AUSTRALIAN LOCAL GOVERNMENT

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Preface

One of the most important objectives of the Australian Centre of Excellence for Local Government (ACELG) is to support informed debate on key policy issues. We recognise that many local government organisations are not always able to undertake sufficient background research to underpin and develop sound, evidence-based policy. Local government operates on so many fronts that it is often impossible to keep abreast of all the issues that affect councils and their communities.

ACELG's working paper series helps overcome this deficit. ACELG will never be able to provide off the shelf solutions to all the issues and problems that might face local government, but we aim to clear away some of the misconceptions and myths which can arise without research evidence, and offer insights into the ways in which problems can be effectively addressed.

In that spirit, this paper looks at the findings, recommendations and outcomes of a study of service delivery reviews undertaken in 11 councils across Australia. Local government service provision has transformed significantly over recent decades. Councils have moved beyond a narrow emphasis on 'roads, rates and rubbish' towards broader objectives to promote the social, economic, environmental, and cultural wellbeing of communities. At the same time community expectations of local government have increased while other levels of government have devolved various functions.   The overall effect is that councils must provide a greater range of services while endeavouring to meet higher standards.

Costs for providing services and maintaining infrastructure have been increasing considerably faster than generated income. Given these pressures, councils have embarked on formal reviews to ensure the services they provide are relevant to their communities and are financially sustainable in the long term.

Service reviews mean different things to different organisations. In local government, a common objective is to ensure 'value for money' for their ratepayers. They are usually aimed at identifying opportunities for:

- § Service and activity improvements
- § Cost savings and income generation
- § Service level optimisation
- § Improved efficiency and resource usage

This working paper assesses the level of maturity of formal service review processes used in a variety of councils and the outcomes achieved. It also makes recommendations on how these processes can be supported and enhanced, as a future direction.

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1. Background, Methodology, Observations & Direction

1.1 Introduction

The Australian Centre of Excellence for Local Government (ACELG) has commissioned this research project to profile Service Delivery Reviews within Australian Local Government. In particular, the research examines a number of councils that have successfully undertaken a formal review of the services that they provide, both internally and to their respective communities.

This research report assesses the level of maturity of formal service review processes used and the outcomes achieved. It also identifies how these processes can be supported and enhanced, as a future direction.

1.2 Background

Local government service provision has transformed significantly over recent decades. Australian councils have moved beyond the traditional narrow emphasis on 'roads, rates and rubbish' towards broader objectives to promote the social, economic, environmental, and cultural wellbeing of communities. Over a similar period, community expectations of local government have increased while other levels of government have devolved various functions.

While some council services have experienced higher demand from the community (such as sporting and cultural facilities), others have been subject to increased legislative requirements (such as asset management and strategic planning). The overall effect is that councils must provide a greater range of services while endeavouring to meet higher standards.

These challenges have become increasingly difficult due to the financial pressures placed on councils. Costs for providing services and maintaining infrastructure have been increasing considerably faster than generated income, and in some cases this has been exacerbated by externally imposed constraints and revenue restrictions. Given these increasing pressures, councils have embarked on formal reviews to ensure the services they provide are relevant to their contemporary communities and are financially sustainable in the long term.

Service reviews mean different things to different organisations. In local government, a common objective is to ensure 'value for money' for their ratepayers. The reviews help to identify the mix of services and funding arrangements that best meet the community's needs. Service reviews are often undertaken progressively throughout an organisation in a systematic manner, in accordance with identified priorities.

1.3 Research Methodology

SmartGov conducted an initial search to identify a number of Australian councils that have conducted service reviews or undergone similar review programs. This involved discussions with and input from a wide range of people in the local government industry, including representatives from:

- § ACELG and UTS:CLG
- § Councils
- § Local Government Associations from each state
- § Local Government Business Excellence Network (LGBEN)
- § Consulting organisations

The councils contacted to participate in the project were also asked to identify other councils that had undergone reviews. Through this process, 33 councils across Australia were identified as having undertaken service reviews or similar programs. All were invited to respond to the survey, and 11 agreed to participate.

The authors of this report acknowledge that the search for councils was not an exhaustive process, and recognise that other councils not contacted during this project may have conducted service reviews. It is anticipated that this research project will be a catalyst for councils to share their experiences in this area.

To introduce the project and seek agreement to participate, an initial phone contact was made with the relevant person(s) in each council. An email was then forwarded with a letter of authority from ACELG and a questionnaire.

The questionnaire was designed to guide and encourage councils in providing information on their review methodologies and results. The participants were asked to complete the questionnaire and provide supporting documents/reports. Following the receipt of the questionnaires, the councils were again contacted to clarify responses received and seek additional information if required. Completed questionnaires are included as attachments to this report.

1.4 Observations

It is evident from the research that a significant proportion of progressive local government organisations across Australia have employed, or are considering employing, a formal system for reviewing the services they provide to their communities. The reasons for taking this approach tend to follow the core themes of:

§   delivering long-term financial sustainability, including addressing any infrastructure funding gap
§   ensuring services remain relevant and align with the 'wants and needs' of local communities, and
§   ensuring value for money and operational efficiency in service delivery

The research has confirmed that service reviews should be encouraged and supported within the local government industry. All of the councils that participated in the research project achieved tangible outcomes from their reviews and demonstrated a net benefit for their communities. In general, the reviews identified opportunities for:

§   Service and activity improvements
§   Cost savings
§   Service level adjustments
§   Alternative modes of service delivery
§   Improved resource usage

The research has also identified that, while there is a common theme driving the conduct of service reviews, each council found it necessary to tailor their reviews (both in scope and processes) to meet their individual circumstances and objectives. This is understandable; all councils are unique in their level of resources (both physical and financial), political climates, demographic profiles, and organisational cultures. This precludes a 'one size fits all' approach to the service review process.

Without exception, councils made use of predominantly in-house resources to research and develop their service review process to meet their unique requirements. From an industry-wide perspective, it is clear

that there would be efficiency gains in supporting councils in the formulation and tailoring of their service review methodologies.

In developing their individual service review processes, council staff tended to rely heavily on established peer networks and professional networks such as LGBEN for guidance and support. The use of these networks is essential to achieving best practice through learning from mutual experiences.

1.5 Future Directions

Representatives from ACELG, UTS:CLG and SmartGov have identified a number of options to further assist and encourage councils in undertaking service delivery reviews, based on the findings of this research project. These include the following:

1.5.1 Local Government Service Review Guide

A Service Review Guide could be developed, comprising a suite of service review models, tools and forms, that can be drawn upon by councils to suit their individual requirements. The Guide would promote and support the integration of service reviews into community strategic planning and performance management frameworks. Given the strong emphasis on defining and reviewing levels of service in strategic asset planning, the Guide would also complement the International Infrastructure Management Manual (IIMM).

1.5.2 Service Review Training Program

Once the guide is developed, it could be promoted across the local government industry and supported by a comprehensive training program. This is expected to receive strong support from councils, as demonstrated by the level of interest in similar courses run by the UTS:CLG. Service review methodologies and case studies have recently been incorporated into two of the UTS:CLG courses, which were well received by the participants.

1.5.3 Online Forum and Library

Service reviews could also be supported through online facilities. Councils participating in service reviews would be encouraged to collaborate and share information through forums and discussions groups. An online library of reference material relevant to service reviews would also be utilised, including information on resource sharing, benchmarking, business enterprises, community engagement, outsourcing, and partnerships.

2. Research Findings

2.1 Service Review Background

Service reviews covered by this research project were carried out between 2008 and 2011. The timeframe for conducting a program of reviews across an organisation ranged between 6 months and 2.5 years. Individual service reviews lasted from as little as 6 weeks up to 2 years. The implementation of review recommendations extended beyond that period and some are continuing.

Overwhelmingly, the primary driver or motivation to undertake a formal review of services was the need for councils to secure their long-term financial sustainability. Some councils faced the prospect of unmanageable operating deficits that needed to be addressed.

This was particularly the case amongst NSW councils where the compounding effects of 'rate pegging' had limited the opportunities to increase revenue to keep pace with operating costs.   There were concerns amongst NSW councils regarding constraints and decisions of other levels of government that affected their long-term sustainability. These included operational revenue constraints, and cost shifting of services from the state to councils. Councils from other states have not been restricted by rate pegging and were motivated to contain the growth in rates through efficiency improvements.

With restricted income and increasing operating costs, councils identified that a formal service review was a practical step toward addressing the 'funding gap'. More specifically, councils aimed to identify opportunities for rationalisation of services, increased efficiency, cost savings, and income generation.

Service reviews did not focus entirely on improving the financial position of councils. A strong emphasis was placed on improving the quality of services. The process was seen by many as a useful vehicle for developing an organisational culture that supports innovation and continuous improvement. To these councils the review was not designed to be a 'one off' exercise, but rather the beginning of an ongoing improvement journey. Other more specific reasons for the decision to undertake a formal service review included the desire to:

- § respond to changing customer priorities and needs
- § determine the right mix of services
- § align the services with the council's vision
- § review and optimise service levels
- § build staff capacity and skills
- § help in determining the role of local government and what is core business
- § define statutory and non-statutory services, and to assess need for the non-statutory services
- § consider alternative service delivery mechanisms
- § consider the potential for divestment of services
- § identify new business opportunities
- § share the provision of services with other organisations

Service reviews were initiated from a variety of sources. As an example, Newcastle's review was prompted by a Councillor's Notice of Motion. In Tumby Bay's case, the new CEO initiated the review.

Typically, the councils adopted a 'whole of council' approach, presumably to maximise the opportunities that could be identified in the process. Both internal and external services were covered, although a greater focus was placed on discretionary or non-statutory activities. One council reviewed the

operational departments where the majority of the budget was allocated. Other councils included selected 'cross-functional' processes that cut across a number of services. This had the added benefit of preventing departments from simply shifting problems to other areas.

2.2 Management and Resources

There were various approaches for managing and resourcing service reviews. Generally, the reviews were undertaken using internal resources rather than external consultants. Apart from the direct cost implications associated with the use of consultants, the cultural benefit of conducting reviews internally was seen as a significant advantage. By undertaking the review process themselves, councils felt that there was a greater sense of ownership and control by staff; not only in the process itself, but in the outcomes that were derived. This was seen as being critical to the successful implementation of the review outcomes.

Despite this, three councils did engage consultants to provide guidance and support. This had the advantage of independence and use of specialist knowledge and experience. Examples of activities conducted by consultants included team facilitation, training in proprietary business improvement tools, such as Lean Six Sigma, cross functional mapping, and development of service unit costs.

In some cases, a steering team was responsible for providing overall direction and leadership for the service review program. This team usually comprised members of the senior leadership team of the council. Other members included councillors, staff representatives, union delegates, the chairperson of the Consultative Committee, and managers responsible for human resources, financial management and operations.

In most cases, a project or business improvement team was established to coordinate the service review program. These consisted of between two and five staff members. One person (for example a Director) was assigned the responsibility for the overall management of the service reviews. This included providing guidance and support, and reporting on progress.

There were various approaches to resourcing the individual reviews. In some cases, line managers or teams were responsible for reviewing their own services under the guidance of the project team. This was generally efficient, however some concern was expressed regarding the lack of independence and objectivity. Coffs Harbour and Parramatta addressed this issue by having the managers report their findings to independent review panels. These panels challenged the service information provided, and identified opportunities for improvement and levels of service options.

Melville utilised the director and managers from the Community Development directorate to conduct the reviews. An ex-finance manager was also engaged for the development of full unit costs for services. Tumby's review was managed by the CEO and compliance officer. The Executive Team formed a reporting and consultative group.

Another approach was to establish separate teams for each review, consisting of staff from all levels within the organisation. This was generally more difficult to coordinate and required a higher commitment to training. However, it tended to share the load and appeared to gain a higher level of staff involvement and ownership.

Lake Macquarie established a comprehensive team based structure to manage the service review program as presented in Figure 1 below. It reported having over 180 staff (representing nearly 20% of the

organisation) voluntarily participate in the review teams, with many other staff assisting the teams as 'subject experts' and 'key stakeholders'. This enabled staff to 'step out' of their normal work environment and learn more about other areas of the organisation. It also opened up opportunities for staff to develop professionally, and gain team building and leadership skills. A notable feature of this structure was the inclusion of an External Reference Panel to provide independent, professional input and advice to staff. The role of the panel included participating in the development of the review process, assisting with generating new ideas and innovative solutions, reviewing the work undertaken by staff, and challenging the thinking and views of staff.

Figure 1 – Lake Macquarie City Council Service Review Team Structure
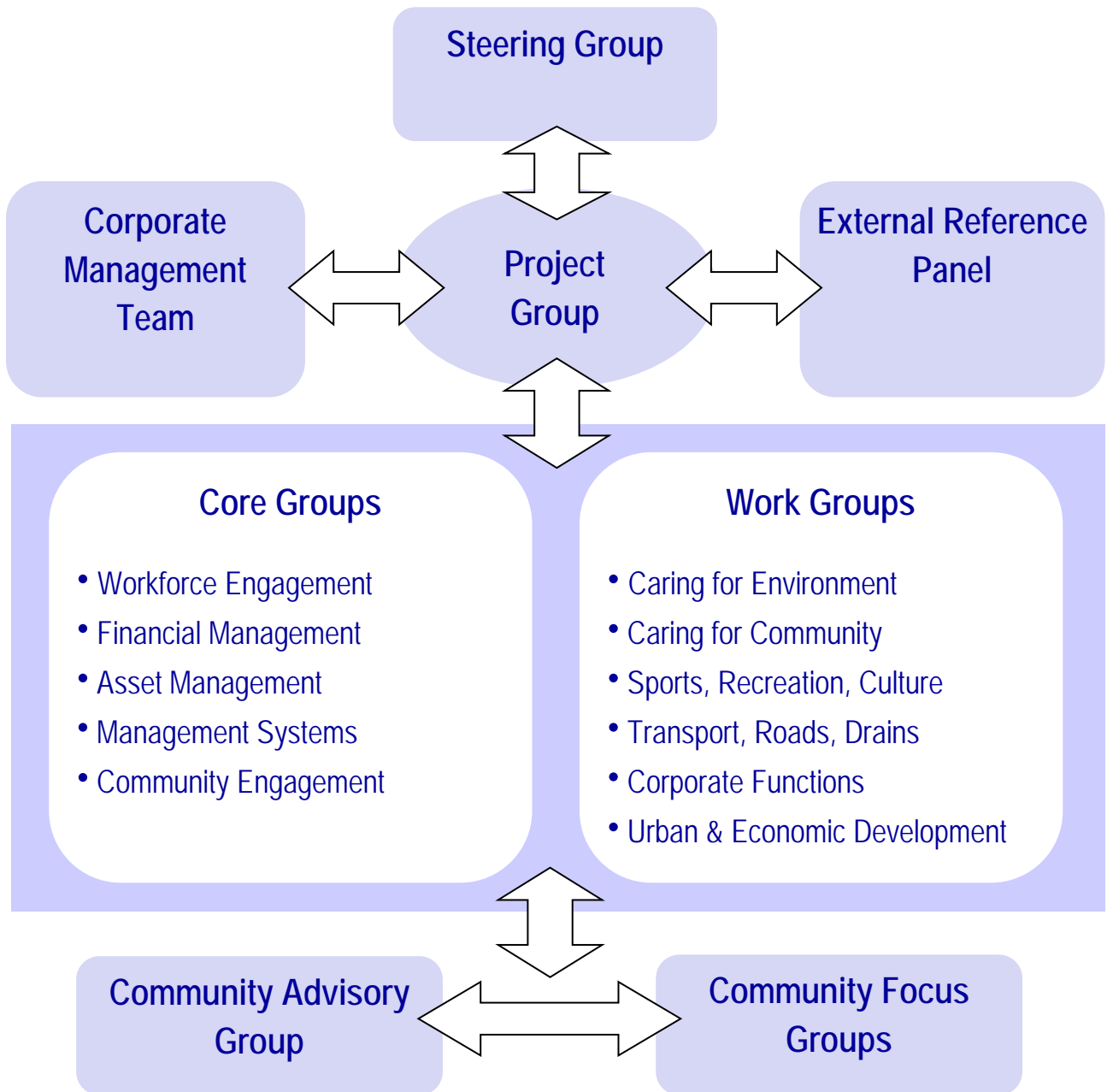
2.3 Service Review Process

Without exception, the councils developed their own service review process or methodology; typically through individual research, and networking with other councils that have experience in the area. The amount of background information used and adapted by councils varied, with at least two councils conducting comprehensive international research. Some councils were guided by the principles of Business Excellence and sought information from member councils of the Local Government Business Excellence Network (LGBEN).

Most councils designed standard forms or templates for recording information relating to each step in the service review process. Coffs Harbour defined the services in terms of '3Rs': Reason for the service, Resources used and Results gained. Melville established a comprehensive process for conducting service needs and community benefit assessments. Rockdale developed a 'Best Value Service Delivery Model' as a high-level service review tool. Playford reported conducting a pilot service review to determine the effectiveness of its process before commencing a full review program.

In some cases the processes were designed to complement existing improvement methodology. As examples, Melville utilised the Business Excellence ADRI model (Approach, Deployment, Results, Improvement), and Newcastle related their reviews to the Lean Six Sigma (DMAIC).

Some of the areas covered in service review processes included:

- § Prioritising services for review
- § Establishing and training review teams
- § Defining the scope and objectives of service reviews
- § Engaging with internal and external stakeholders
- § Researching and documenting service information
- § Benchmarking with other organisations
- § Defining the reasons for services
- § Determining the resources used to deliver services
- § Assessing the results gained from services
- § Analysing the cost of delivering services
- § Identifying and ranking opportunities for improvement
- § Reviewing levels and standards of service
- § Exploring modes of service delivery including shared services and outsourcing
- § Examining organisational structure
- § Examining key cross-functional processes
- § Reviewing funding arrangements including fees and charges

Councils adopted a wide range of process steps or stages, as outlined in the attachments to this report. Three examples are summarised below to demonstrate the variety of approaches taken:

Parramatta

- § Managers were coached in the review process and Lean Six Sigma
- § Managers completed an initial template of questions for each service
- § The initial templates were discussed at a first round of panel meetings (2 ½ hours each)
- § The Executive Team was briefed on shared themes and proposals to map cross-functional processes

§ Managers completed a second round of templates
§ The templates and initial assessment of proposals were discussed at a second round of panel meetings
§ A workshop was held with the Executive Team to discuss findings and potential report structure
§ A workshop was held with Councillors to discuss findings
§ A final report with recommendations was adopted
§ A framework for implementing projects and reporting results was established
§ Monthly progress meetings were arranged

Port Stephens

§ The Service Review was split into a number of stages
§ Stage 1 was carried out in a holistic manner and involved each section asking a number of questions around the services provided, gaining clarity around where the service linked to the council's vision in the Community Strategic Plan, and asking questions as to whether the council should legally or financially control the service
§ At the end of Stage 1, the Executive Leadership Team prioritised the list of services packages to be reviewed over the next two years
§ From this point the reviews were 'service' specific
§ Stage 2 was aimed at determining if the council should deliver the service and if so, at what cost
§ At this point there was stakeholder consultation with both the direct customer of the service and associated stakeholders of the council
§ At the end of Stage 2, each service had a clear and agreed service strategy in place
§ Stage 3 allowed staff to determine how the council should deliver the service so that they were confident that the organisation delivered the service in the best way to meet the agreed service strategy
§ At the end of Stage 3 the recommendation was presented to the council

The 3 stage process adopted by Port Stephens Council is detailed in a Service Strategy Template – refer to Attachments, page 116.

Lake Macquarie

All services were identified, categorised and rated for review. The following steps were then followed for each service review:

§ A work group was established and trained to conduct the review
§ An 'icebreaker' meeting was held with relevant staff
§ Community engagement requirements were determined for the service
§ A community focus group was established if relevant
§ Service information was collected using a template
§ Options for the service were identified and analysed, including implications for each option
§ Options were presented to the Steering Group for input
§ Recommendations were formulated in consultation with Directors and Managers
§ A closeout meeting was held with staff and stakeholders involved in the review
§ For external services, the report was referred to a Community Advisory Group
§ Final report was considered by the Executive (and councillors where required)
§ Final decisions were communicated and follow-up actions taken

2.4 Service Identification and Prioritisation

Participants were asked to indicate how services were identified for review and categorised. Information was also sought on the criteria used to prioritise and rank the services for review.

The research confirmed that the interpretation of the term 'service' for the purpose of reviews varied considerably between councils. Some defined services at a broad level and selected about 40 service groups or packages. Others broke them down into as many as 200 to audit and analyse their services at a detailed level.

Councils tended to initially identify discrete services by consulting with their departmental managers on the basis that services tended to align with organisational structures. Other councils referred to existing strategic documents to identify their services, including:

- § Strategic plans
- § Operational plans
- § Policies and procedures
- § Service specifications and service agreements

Services were typically separated into those that existed to serve internal customers, such as human resources and finance, and those that provided direct outputs for external customers, such as road maintenance and development application processing.

Some councils found it useful to further categorise their services into those that were required to be provided due to a legislative or statutory obligation (non-discretionary), and those where there was some discretion over their provision. This method of categorisation was helpful where the scope of a service review included the rationalisation of service provision.

Parramatta considered excluding statutory services from the review process but decided against this. The main reason for including the statutory services was that legislation requiring an activity does not preclude efficiency improvements or a change in approach. Rockdale utilised its Best Value Service Delivery Model to identify and categorise services, and group them under 'Principal Activities'. Services were also aligned to council management plan outcomes and strategic directions.

The means for prioritising each service for review varied significantly, depending largely on the aims of the review being undertaken. Where financial savings was a primary focus of a review, services tended to be prioritised based on a 'high-level' assessment of saving or income generation potential. This approach was attractive if there was a desire to take some 'quick wins' during the review process. Often the size of the opportunity for savings was aligned with the size of the budget for a service, and this was used as a simple means of prioritisation.

Councils with a broad scope to their reviews often applied a range of objective criteria to each service in order to develop a prioritised listing. These criteria included:

- § Overall budget or cost of service
- § Degree of discretion over the service (statutory / non-statutory)
- § Internal or external customers
- § Service alignment to corporate objectives
- § Potential to generate expenditure savings

§ Potential to generate additional revenue
§ Potential to adjust level of service
§ Potential to improve efficiencies
§ Alternative methods of service delivery available
§ Potential to improve environmental / social outcomes
§ Potential to reduce duplication of services
§ Potential to grow or commercialise the service

For external services, community surveys and other forms of community input were used when ranking services. Coffs Harbour and Port Stephens used a risk type matrix to rate services by plotting the difficulty to implement changes against the perceived benefits to be gained. An example is shown in Figure 2 below.

Figure 2 – Service Prioritisation Matrix
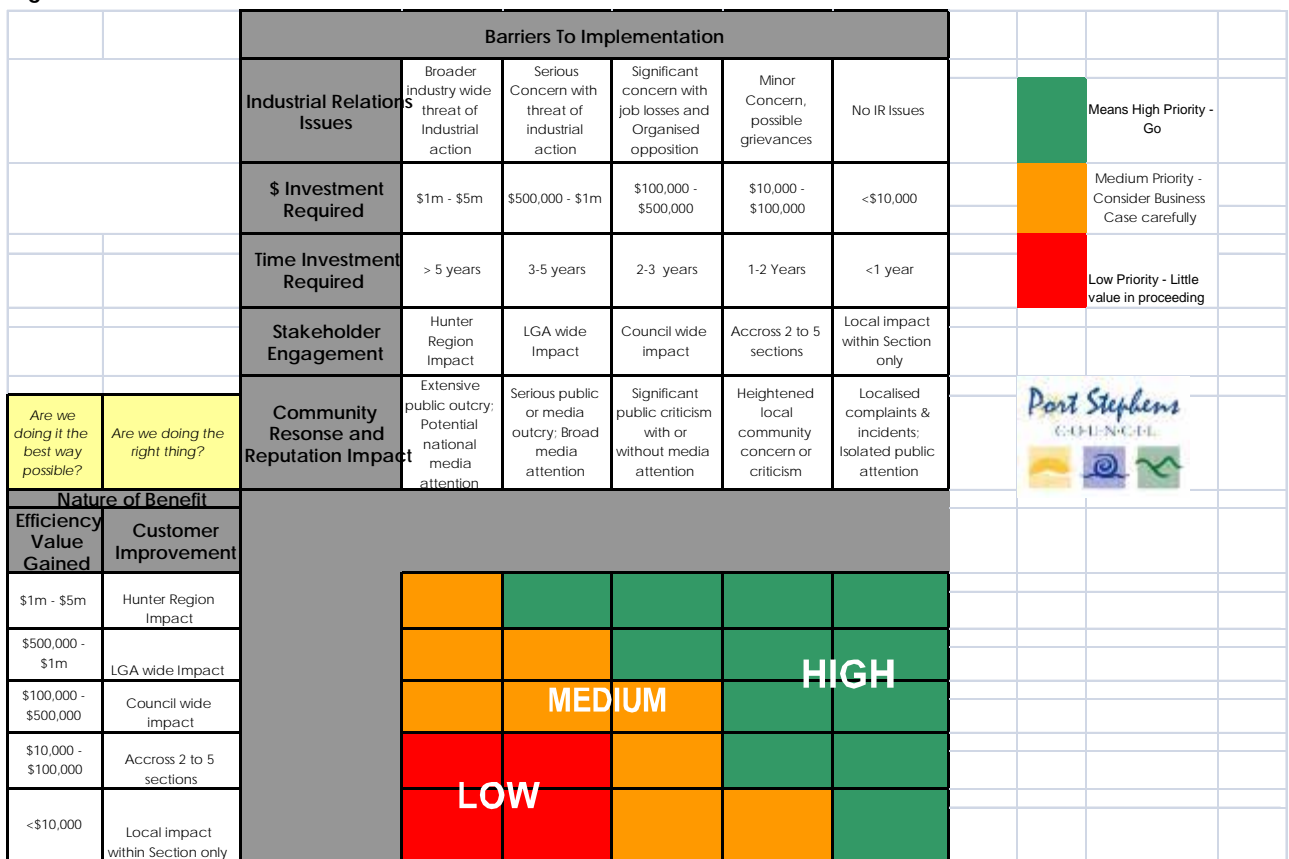
Another approach used to assist with packaging and prioritising services was to broadly consider all services at a strategic level through workshops with senior management. This involved thinking about the 'big picture' issues that the organisation was facing, such as:

§ Climate change
§ Ageing population
§ Vandalism
§ Infrastructure gap
§ Youth social problems

This strategic analysis helped to identify the relative significance of the services and provided direction and guidance when later examining individual services.

Parramatta found that it was not constructive to prioritise the services. This was partly because of difficulties experienced with separating them into contestable and core services. The observation was that all businesses subsequently made improvements in a range of ways – in customer value or efficiency, with some making a much larger financial contribution. While conducting the review across all services created a greater workload, it led to a more positive engagement.

2.5 Stakeholder Engagement

All councils recognised the importance of including internal stakeholders (staff) in the review of their services. Those councils that actively facilitated the engagement of ideas from staff, and promoted staff ownership of the process and outcomes, saw their service review as an effective staff culture-building activity.

The various methods that were used to facilitate staff engagement depended largely on the size of the council and the number of staff involved with each particular service. In each case, all staff were informed of the service review process being undertaken, including its aims and objectives. From there, staff were engaged through a variety of means, including surveys and facilitated workshop groups that focussed on each service.

Lake Macquarie established a 'workforce engagement team' to assist with the internal communication and consultation for the service review program. Members were selected based on their communication and facilitation skills, and were generally highly regarded by their peers. A human resources specialist was assigned to the team to provide information and advice as required.

Workforce engagement covered a range of information sharing and consultation activities such as presentations, communication forums, road shows, breakfast meetings, lunchtime briefings, workshops, internal surveys, individual interviews, staff feedback boxes, brainstorming sessions, and individual team meetings.

A successful way of communicating to all staff was through written updates in staff newsletters and/or fact sheets, outlining progress and providing key messages on how staff can be involved in the process. Councils also utilised their intranet and blog space. Port Stephens included as an integral part of the service review process the requirement for each service review team to prepare a stakeholder consultation plan.

There was a relatively consistent approach to councillor involvement and engagement in the service reviews. The importance of involving the elected council, in not only the decision to undertake a service review, but also in the process to be followed, was generally acknowledged as essential to a successful outcome.

In most cases, the elected council endorsed or was informed of the review program prior to commencing. Councillors were also updated on progress through briefings or reports.

One council reported holding a workshop for the elected members, to help identify key opportunities for a number of key services. Councillors were encouraged to think 'outside the square' and consider

alternative options. The workshop outcome provided the service review teams an indication of what the elected members would support in terms of reduced service levels.

The outcomes of the service reviews were mostly reported to councillors for endorsement. In some cases, this was incorporated in the budget or management plan approval processes. One council considered their review to be an operational matter and did not report findings to the councillors. Examples of reports to councillors that communicate and seek endorsement to review outcomes are included in the Attachments to this document.

Community engagement was conducted by four of the councils surveyed. This assisted the councils to incorporate community needs in the reviews and to promote community understanding of the outcomes. A range of methods was used for consulting with the community including contact with key stakeholders, user groups, interest groups, and online surveys.

Councils that engaged with the community generally viewed this as integral to the entire process. The engagement did not replace, but rather complemented, other forms of consultation with the local community. Lake Macquarie established a community advisory group specifically to consult with a broad cross-section of the community during the service reviews. The group covered a broad range of ages, backgrounds and locations of residence. It considered all draft service review reports, and provided feedback on recommendations to the council.

In some cases existing community panels, focus groups and user groups were utilised to engage with the stakeholders of particular services. These groups assisted with information and examination of various options in relation to each service reviewed.

Although a number of councils had not directly engaged with the community during the service reviews, most reported taking community needs into consideration when formulating recommendations. They relied on staff experience, daily interactions with members of the public, past customer satisfaction surveys, and previous consultation when developing strategic plans. Some councils also proposed to conduct further community consultation when setting service levels and during the implementation phase of the review process.

2.6 Information Gathering and Benchmarking

The type of information that was collated about each service was reasonably consistent amongst councils, and was recognised as a key step in providing a focus for ideas and seeking opportunities for improvement.

Typical service background information included:

- Resources involved in the service delivery (budget, staff, assets, contractors)
- Current levels of service (including outputs)
- Stakeholder identification (internal/external)
- Reasons for service e.g. statutory, community desires, risk control
- Service delivery method (outsourced, in-house, etc.)
- Relationship with other services including any duplications
- Mandatory or minimum requirements
- Current level of satisfaction with service
- Service utilisation

- § History of service e.g. previous changes
- § Existing constraints
- § Current proposals for changing the service
- § Link or alignment to Community Strategic Plan
- § Quadruple bottom line benefit
- § Current KPI's
- § Partners and competitors

One council stressed the importance of limiting the collection of information so that it did not become too onerous or an unnecessary burden for staff. The main purpose of the information was to enable informed consideration of options and recommendations. Teams avoided overanalysing and trying to resolve every issue related to the service. Time and effort were focused on areas with greatest potential for savings or increase in revenue.

The benchmarking of services against other councils or external providers was conducted by approximately half of the councils surveyed. A range of areas was benchmarked including service outputs, levels of service (quality, timeliness, etc.), costs, processes, and resources. Those reviews that were undertaken in a short timeframe tended to not include the benchmarking of the service, although some identified the need to conduct this in the future. Melville prepared unit costs in preparation for future benchmarking.

There was considerable variation in the extent of benchmarking conducted across services. As an example, the operations area of a council undertook extensive benchmarking of prices including engaging private contractors to undertake certain services to achieve comparisons of costs. Others simply compared measures with other local government teams. Newcastle benchmarked its services amongst 11 councils that were members of the Local Government Business Excellence Network.

Councils that critically considered alternative modes of service delivery, such as outsourcing, shared services and joint ventures, appropriately relied on the benchmarking of their services as a means to assess the viability of the available options.

Parramatta observed that benchmarking worked best when teams had firstly spent significant time defining their purpose and how they would practically measure outputs. The council found that benchmarking too early in the process created confusion, and benchmarking too late did not provide sufficient learning opportunities.

2.7 Levels of Service

Levels of service (LOS) are the outputs a customer receives from an organisation. Defining and measuring LOS are integral to councils' performance management and strategic asset planning processes. This topic is covered comprehensively in the International Infrastructure Management Manual (IIMM), which is the recognised standard for asset management practice.

A review of LOS is considered fundamental to any service review, and this is reflected in the council responses received. Irrespective of the primary objective of undertaking reviews, most councils identified that changes in LOS should be considered. However, a number of councils did not alter LOS as a result of their reviews, and focused primarily on efficiency improvements and methods of service delivery. Several councils highlighted the need to review LOS further in the future.

Some councils defined current LOS as a part of the review process, i.e. what is the adopted LOS and what is being delivered? Lake Macquarie expressed current LOS in terms of quantity, quality, timeliness, reliability, responsiveness, and accessibility. An example given was 'how long does it take to deliver the output and how long do people wait?'

Councils highlighted the importance of considering community and customer needs when reviewing LOS. As an example a council identified that services with high satisfaction and low importance ratings had potential for reduced LOS.

In broad terms, the following options were explored when reviewing LOS:

- § Provide no service (i.e. discontinue service)
- § Provide a lower level of service
- § Provide the same level of service
- § Provide a higher level of service

Coffs Harbour formulated three options for LOS, i.e. low / medium / high. The LOS for each service was expressed under each of these options, to enable a comparison to be made and selection of an optimum LOS for each service.

Examples of issues considered when reviewing LOS included.

- § the effect on meeting statutory or regulatory requirements
- § the effect on users of the services and the likely community reaction
- § long-term consequences in relation to the council's strategic directions
- § alternative non-council means for meeting the community's needs
- § the effect on council resources including financial implications

The following Process Flow outlines the method that was used to review the levels of service at Port Stephens.

Figure 3 – Determining Levels of Service

Process Name: Stage 2 Sustainability Review - Determining Levels of Service
Purpose: Determine required service and appropriate level

Section Manager	Service Delivery Review Team	Group Manager/ General Manager	Executive Leadership Team	Council	Stakeholders	Sustainability Review Facilitation Team (Zoe Pattison & Philip Crowe)	Timing	Comments / Document Links

Legend:
- Process flow
- Process
- Decision
- Terminator
- Added Support may be involved in step.
- Subprocess
- Document

A number of councils reported changes in service levels. Mackay reduced hours in the public pools and 'Artspace'. Melville changed service levels for podiatry services, immunisation, and bin hire for community groups. Rockdale's food inspections and mowing services were increased.

Other examples where councils altered LOS included:

- § Reduction in the provision of rodent baits
- § Discontinuation of Road Safety Officer
- § Closure of some community halls and enhancement of others
- § Changes to residential parking permits
- § Closure of one occasional childcare service
- § Increased service for community mowing assistance program

2.8 Modes of Service Delivery

The scope of service reviews tended to include the assessment of a range of alternative modes or methods of service delivery. Effort was mainly focused on opportunities to generate significant service improvements, savings, or income.

An observation of one council was that review teams tended to shy away from exploring alternative modes of service delivery. This was possibly influenced by the perceived impacts on job security. This highlighted the importance of the senior level of the organisation taking a leading role in this area.

The range of methods that councils considered included:

- § Shared services or resources – typically with other councils
- § Strategic relationships – with other councils or regional organisations of councils (ROCs)
- § Joint ventures or public/private partnerships – with external enterprises
- § Community run enterprises – including social enterprises such as charities
- § Outsourcing - through the use of external contractors
- § New entrepreneurial ventures or enterprises – delivering services as an income source
- § Use of 'arm's length entities' to manage the service e.g. the corporatisation of parts of council's operations, or external boards for managing community facilities

Examples of services where alternative modes of delivery were explored or introduced included:

- § External Home and Community Care (HACC) provider
- § External Vacation Care provider
- § A recreational centre
- § Childcare service
- § Out of School Care Services

The following Process Flow outlines the method that was used by Port Stephens to review the method of service delivery.

Figure 4 – Port Stephens Shire Council – Determining How to Deliver Service
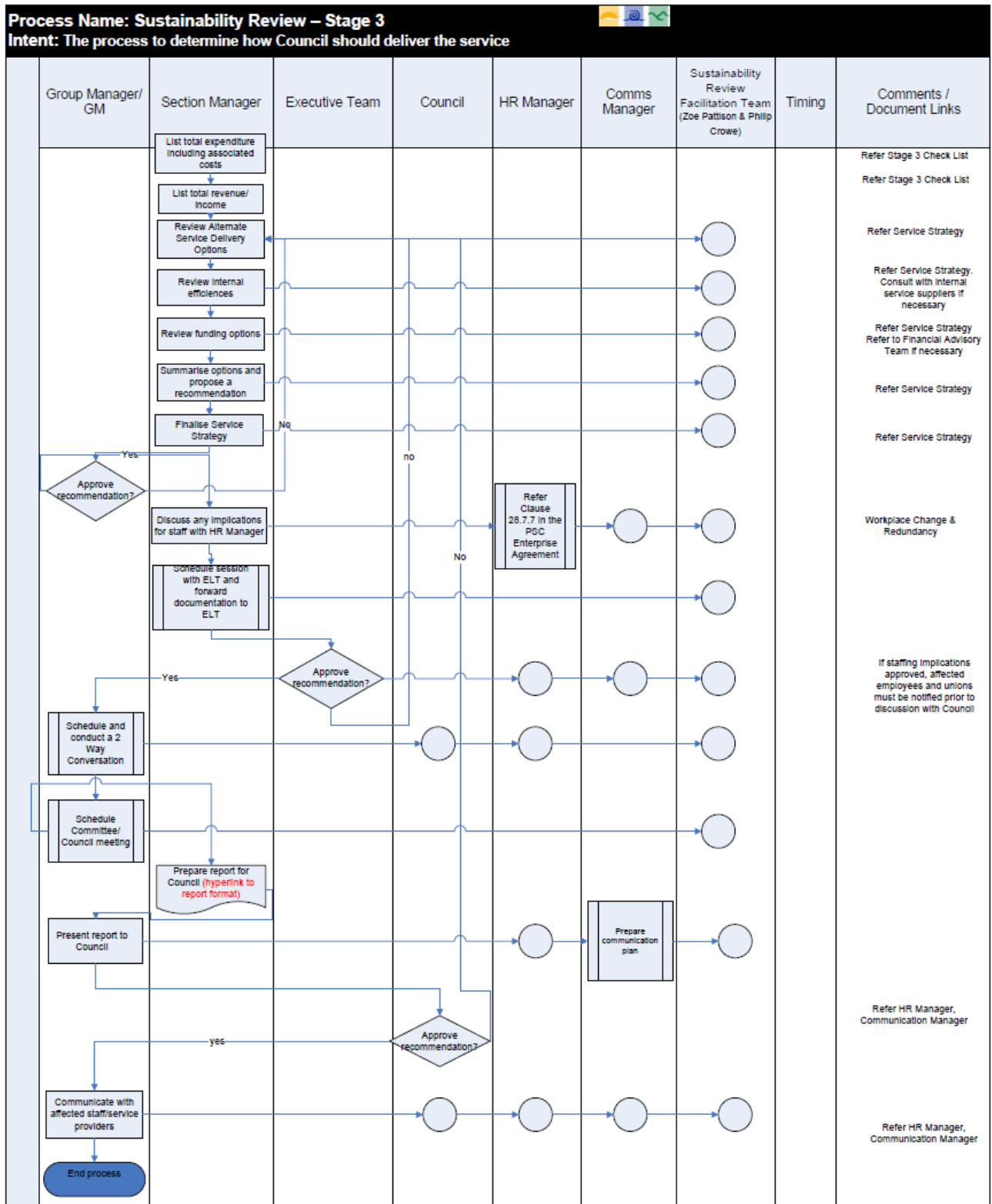
2.8.1 Shared Services

The potential use of shared services has been considered in most of the recent national and state inquiries into local government. All agree that shared service models could play a useful role in improving financial sustainability in local government. They can be a cost-effective way for councils to share resources, tackle common tasks, or take advantage of economies of scale.

The option of sharing service delivery with other councils was included in most of the reviews that were assessed. Generally, there was little progress made with implementing shared services, however options were being considered including a regional approach through Regional Organisations of Councils.

Lake Macquarie identified a range of criteria for assessing the suitability of services for sharing, which included:

- § Requires high degree of expertise
- § Largely self-contained
- § Can realise economies of scale
- § Non-strategic, low risk, rule-based services
- § High volume transaction processing
- § Requires access to the latest technology

Examples of services that councils were targeting for delivery on a shared basis included:

- § Indigenous Home and Community Care (HACC) services
- § Procurement
- § Library services
- § Legal services under a ROC contract
- § Customer service centre operations
- § Development assessment
- § Printing services

One council noted that a number of service reviews detailed where sharing resources with other local councils was already occurring. Parramatta made an interesting observation that it was moving from a shared service arrangement for computer and business services into an in-house solution.

Readers interested in a more detailed investigation of shared service arrangements are encouraged to read the ACELG paper 'Legal and Governance Models for Shared Services in Local Government, Interim Report, May 2012'.[1]

2.8.2 Strategic Relationships

The opportunity to deliver services through a strategic relationship with other levels of government or non-profit organisations was broadly considered by some councils, with only a small number of specific recommendations being made. The reason for this was not apparent, however it may be that candidates for this type of arrangement tend to involve significant pieces of infrastructure, such as regional sporting or cultural facilities, or cooperative arrangements such as joint purchasing, or staff training. On this basis,

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[1] _http://www.acelg.org.au/upload/documents/1337646438_Legal_and_Governance_Models_for_Shared_Services_3.pdf_

candidates for these relationships may be considered 'out of scope' for many of the reviews that were being undertaken.

The following examples were given where strategic relationships were being formed:

- § New external HACC provider (non profit organisation)
- § Out of School Care services
- § Tourism promotion (non profit organisation)

Lake Macquarie advised that it was considering a number of options for collaborating with other facility owners to increase access and use of their sites, for example schools and TAFEs. Other councils also highlighted possibilities for future consideration. Parramatta noted that a number of agencies had expressed an interest in working together.

2.8.3 Joint Ventures

The opportunity to deliver services through a joint venture arrangement with private enterprise or other external party was not broadly considered during the service reviews that were assessed.

A notable exception was Rockdale, which identified an opportunity to enter into a regional waste collection contract with neighbouring councils as a result of their service review, delivering an expected benefit of $24 million over 10 years. Tumby Bay was also considering a joint venture opportunity to re-use treated effluent, as an outcome of their service review.

Rockdale had also recently embarked on a Strategic Service-delivery Alliance (SSA). This was a mechanism used to formalise a range of alliances between the council and other organisations, for the purpose of 'rethinking' service delivery. In essence, the SSA was an 'innovation platform' where alliance partners continuously explored ideas and ways of better using resources to improve services, as well as identifying value-added business opportunities.

2.8.4 Community Run Enterprises

A community enterprise is a business owned, controlled and used by the people who live in an area. Profits or surpluses are usually ploughed back into the community or reinvested in the business. There are often high levels of commercial skills within communities that can be utilised to add value to council activities. Many community enterprises in Australia are incorporated as co-operatives. Community enterprises have seen a resurgence in recent years. Examples include social housing, education and training, aged care, social support, child care and health services.

The option of transferring the delivery of services to a community-run enterprise was considered by some councils surveyed. The most common approach involved providing the opportunity for social enterprises or other not-for-profits to run services.

Playford identified that a social enterprise was operating the local cafeteria in the civic centre. Coffs Harbour was utilising community groups to maintain parks, and Lake Macquarie was investigating introducing community banking into the council area. Other examples where the community was involved in delivering services included cemetery mowing and community events.

2.8.5 Outsourcing

While all of the respondent councils indicated that they considered the option of outsourcing the delivery of services, there was little evidence of the option being implemented. There may be a number of

potential reasons for this. As with the service sharing option, it is unlikely that in-house service reviews would recommend outsourcing as they rely significantly on the input and expertise of the staff involved in the delivery of a service. For this to occur, there would perhaps need to be a strong influence over the process by senior management, or potentially the involvement of an external consultant, who could bring some independence to the process.

Tumby Bay identified sewerage operations (re-use of water) as a service under investigation for contracting out. Other examples given by councils were covered in the above sections.

There were a number of internal and external influences when considering a viable outsourcing option, and these included: the senior management and political appetite for outsourcing, whether the council was the major employer in the community, the availability and competitiveness of external service providers, and the level of control that was required over the service, amongst others.

Lake Macquarie indicated that it considered the following criteria as a guide, when assessing the suitability of services for outsourcing:

§ Largely self-contained – services not closely linked to other services or functions
§ High economies of scale – services with high production volumes and highly standardised
§ Non-strategic or 'non-steering' – services that do not have a high impact on strategic direction
§ Low complexity and rule based – services that are easy to specify and monitor
§ Changing or specialised technology – services involving high capital and ongoing technology costs
§ High supplier availability – services with large numbers of potential suppliers or contractors

2.8.6 New Enterprises

The exploration of entrepreneurial opportunities was not in the scope of all the reviews that were assessed. These options were most likely included where a primary aim of the review included the need to seek alternative sources of income to contribute to the council's financial sustainability.

Examples of new entrepreneurial opportunities that were being considered or established as a result of service reviews included:

§ Commercialisation of printing and graphic design functions
§ Council-operated tourist attractions
§ Expansion of commercial waste collection service
§ Access to facilities within a natural reserve
§ Development assessment services
§ Strategic land use planning

As a result of its service review program, Lake Macquarie established a business support framework called Lakemac Enterprises (LME), to generate additional income. This was achieved by using existing resources and capacity within the council during normal workload fluctuations and outsourcing services to other local councils, government agencies, and business entities. The council conducted a preliminary feasibility assessment of possible business opportunities based on the following criteria:

§ Is there a niche or emerging market with limited competition? For example, is the service different and easy to distinguish from what others provide? Does the council have a significant competitive advantage over other businesses e.g. technical expertise, economies of scale?

§ Is it relatively easy and low cost to establish the business activity and enter the market e.g. minimal political barriers, low regulation, low capital outlay?

§ Is the business aligned with current council operations? Are there existing available council resources e.g. facilities, property, skilled and experienced personnel, plant and equipment, systems?

§ Is the business likely to be financially sustainable? What are the long-term prospects of the business, taking into account future market potential and the impact of external factors?

§ Does the business provide an overall community benefit for the local government area (economic, social, environmental, wellbeing)? Does it support the area's strategic objectives? Does it add value to services the council provides (expansion/improvement)?

§ Is there a relatively favourable level of risk exposure in entering or trading within a market e.g. technological, insurance, and legislative?

2.9 Implementation and Outcomes

The level of implementation of the recommendations or outcomes from the service review process varied significantly across the respondent councils. Many of those surveyed were still finalising, or had only recently completed their reviews, and had not commenced their implementation programs.

Those that had completed their reviews a considerable period of time before the survey reported that the outcomes had been fully implemented, with the most significant outcomes (in broad terms) being:

§ Process improvements that led to an increase in LOS at no added cost
§ Efficiency gains that led to direct savings, without adversely impacting LOS
§ Improved work practices and productivity
§ Improved knowledge and awareness among staff and councillors of the range of services that councils provide
§ the development of the service review process itself, that will be used for ongoing continuous improvement, and to facilitate input to the council's long term financial planning activities

One council observed that although many recommendations were minor by themselves, the cumulative effect would result in significant benefits to the organisation, and ensure value for money in delivering services for the community. Some councils had identified processes for actioning and reporting on implementation progress.

The following Quadrant Scattergram by Melville was a useful visual tool for prioritising implementation activities:

Figure 5 – City of Melville Prioritisation of Implementation Activities

Quadrant Scattergram – Attachment 3
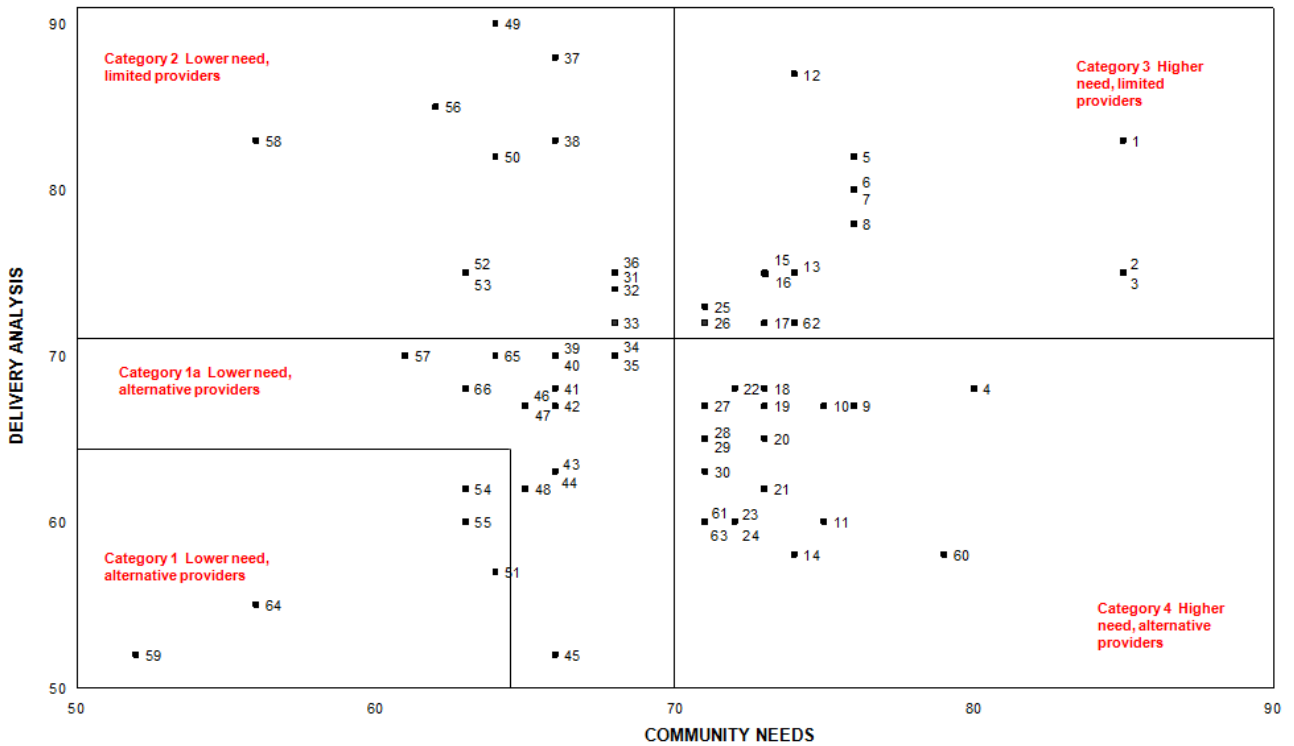
Legend – Product or Service
Community Needs Score / Delivery Analysis Score

#	Product or Service	Score	#	Product or Service	Score	#	Product or Service	Score
1	Development/planning of sport & physical activity	85 / 83	23	Coord Youth Programs	72 / 60	45	Immunisation (infant)	66 / 52
2	Club/group & sports	85 / 75	24	PHAZE urban art project	72 / 60		Local History Service	65 / 67
3	Club/Volunteer development	85 / 75	25	Gymbakids	71 / 73	47	Collections Management	65 / 67
4	Volunteer Recognition	80 / 68	26	Neighborhood Watch	71 / 72	48	Seniors -advice, information	65 / 62
5	Events Package	76 / 82	27	Health promotion	71 / 67	49	Living Library Program	64 / 90
6	Event bookings	76 / 80	28	Group Fitness Programs	71 / 65	50	Support for East Timor Friendship	64 / 82
7	Community Event Management	76 / 80	29	Gym Circuit, LLLS	71 / 65	51	Calendar of Festivals and Events	64 /57
8	Ethnic Melville Active Seniors	76 / 78	30	Gallery Exhibitions	71 / 63	52	Midge control/treatment	63 / 75
9	Sports Coaching & Competitions	76 / 67	31	Seniors Information Directory	68 / 75	53	Support Senior Citizen Centres	63 / 75
10	Mgt Community Centres	75 / 67	32	Melville Family Support Program	68 / 74	54	Libraries - Children's programs	63 / 62
11	Mgt of Grants	75 / 60	33	Mgt Comm & Public Art Projects	68 / 72	55	Podiatry	63 / 60
12	Bus shelter painting project	74 / 87	34	Food safety & hygiene	68 / 70	56	Teenvac	62 / 89
13	Provision of "Activelink" program	74 / 76	35	Art Awards	68 / 70	57	3 x Museums	61 / 70
14	Community Transport Services	74 / 58	36	Emergency relief	68 / 75	58	HACC - Meals to Music	56 / 83
15	Learn to Swim Programs	73 / 75	37	Melville Youth Advisory Council	66 / 88	59	Resident rat bait program	52 / 52
16	Mgt Senior Assistance Fund	73 / 75	38	Banners – Canning Highway	66 / 83	60	Travelsmart	79 / 58
17	Youth activities	73 / 72	39	Youth Sport Scholarships	66 / 70	61	Environmental Education Programs	71 / 60
18	Aquatic Facilities	73 / 68	40	Youth Sport Grants	66 / 70	62	Environ Sustainability Programs	74 / 72
19	Meals on Wheels	73 / 67	41	Seniors Forums	66 / 68	63	ICLEI	71 / 60
20	Gymnasium	73 / 65	42	Social English classes	66 / 67	64	Sand supply schools	56 / 55
21	EMAS (non HACC)	73 / 62	43	Libraries -Adult Programs	66 / 63	65	Bin Hire -community gps	64 / 70
22	Aboriginal liaison	72 / 78	44	Art Collection	66 / 63	66	Collection of Commercial waste	63 / 68

2.9.1 Financial Benefits

Where the objectives of councils in conducting a service review included the need to identify direct financial savings, the bulk of councils reported that savings were realised. Some councils had not yet determined the anticipated or realised financial benefit.

In some cases, estimates of projected savings were determined for the key recommendations. The savings were due to a reduction in expenditure and/or increase in revenue. The projected savings were usually approximate estimates and were subject to further investigation during implementation. As would be expected, the scale of the saving potential was largely dependent upon the size of the budget for the range of services being reviewed.

The reported savings from the majority of surveyed councils ranged between $1.7 million and $4.0 million per year, with some predicting further savings. One council forecast its total financial benefit from the service review at $10 to $14 million per year, after taking into account initiatives such as property development and entrepreneurial businesses. Another council reported its financial benefit in terms of containing annual rate increases below CPI.

Examples of specific savings and income identified by councils included:

- Savings in purchasing area ($2.4 million)
- Efficiencies in small plant hire ($400,000)
- Fuel savings ($60,000)
- Workshop efficiencies ($23,000)
- Increased income within sewage management ($50,000)
- Savings through a reduction in staff ($170,000)
- Reduction in maintenance costs for community facilities ($167,000)
- Increased income within cemeteries ($50,000)
- Saving in landfill airspace consumption ($780,000)
- Reduction in cost of environmental health unit ($40,000)
- Increased income from parking enforcement unit ($400 to $1.5 million)
- Financial improvement in commercial waste collection business ($450,000)
- Reduced cost in unsealed road maintenance ($3,000/km)

The following graph demonstrates the expected cumulative savings (by service) for Port Stephens at the time of preparing this report. This graph was progressively updated by the council as service reviews were completed.

Figure 6 – Port Stephens Shire Council Expected Cumulative Savings
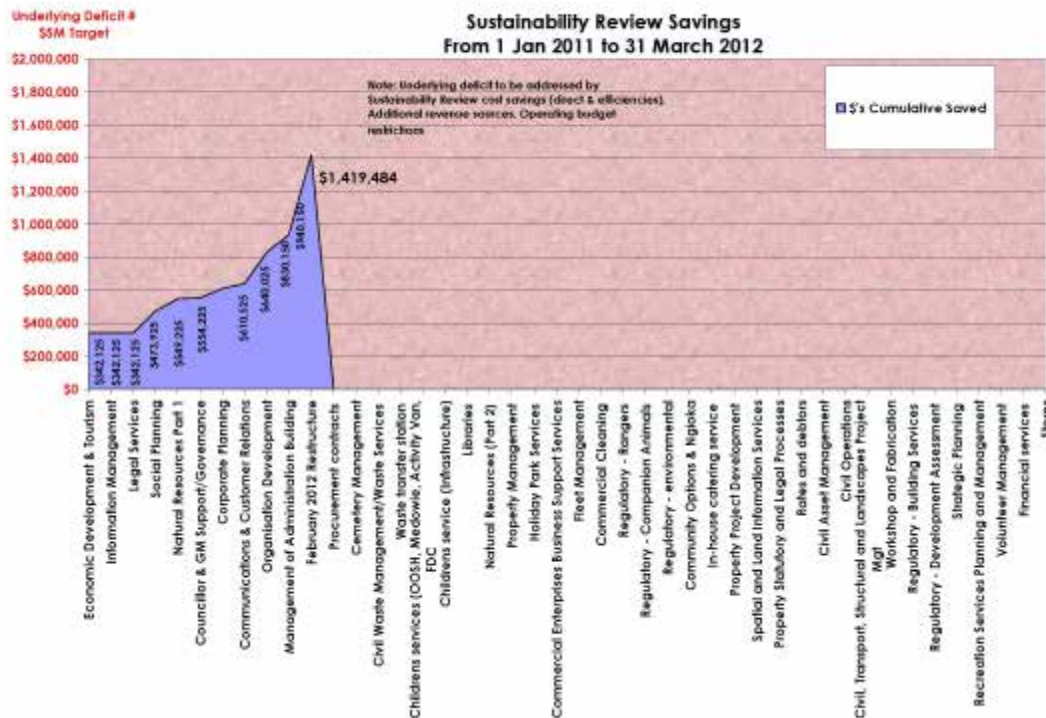
2.9.2 Other Benefits

Apart from 'bankable' savings, other benefits that councils reported as a result of undertaking a formal service review included:

- § The contribution that was made to the council's financial sustainability through new efficiencies
- § Improvement in staff culture, through increased knowledge, ownership, cross-unit cooperation, and development of an 'efficiency' mindset
- § Alignment of service delivery with community needs
- § Increased customer awareness and service
- § Development of networks with other 'like minded' councils, either locally or through established networks such as the Local Government Business Excellence Network
- § The development of 'unit costs' for service activities to demonstrate competitiveness and for ongoing measurement of continuous improvement
- § Establishment of a framework to support and drive continuous improvement
- § Improvement in public perception and reputation through the demonstration of sound governance and efficient management
- § Improved quality of services
- § Defined service levels and developed service specifications
- § Improved internal efficiencies
- § Optimisation of resource usage
- § Improved customer satisfaction
- § Improved staff engagement and involvement in improving the business
- § Preparation for the future

- § Increased focus on core business
- § Greater understanding of how services are provided
- § Rationalisation of services and service levels

Several councils expressed significant benefits from conducting reviews internally, not only in the overall cost of the project, but the ownership of outcomes it provided for staff. This also exposed staff to professional development opportunities, and the chance to gain knowledge and a better understanding of services outside their normal area of work. The use of an external panel by one council also increased transparency, and constantly challenged the council to consider less palatable options.

Other perceived advantages in the service review approaches used by councils included the following:

- § Evidence based frameworks were able to be developed
- § There were opportunities to work 'on the business', to make business improvements that delivered savings and efficiencies
- § Having councillors, union representatives, executive managers and staff on the project steering committee meant all stakeholders were continually kept up-to-date
- § The reviews were managed as projects, using documents such as project plans, Gantt charts, process maps, mind maps, system views, and project status reports
- § Including councils' continuous improvement methodologies meant a consistent approach was applied to the overall process
- § Utilising the Local Government Business Excellence Network gave councils the opportunity of building relationships and sharing/benchmarking services with others
- § There was extensive buy in and commitment from leadership
- § A whole of council approach was taken

2.9.3 Lessons Learnt

Respondent councils were asked to reflect on their experience with conducting a service review to determine if they would modify their approach in the future. A relatively common theme emerged around the time and resources that were used in the process. Some felt they undertook their review too quickly, causing a major disruption to existing staff workloads. The speed of the review also resulted in some aspects not extracting the potential full benefit. Others felt their reviews went on too long without tangible outcomes, and this resulted in staff tension.

Finding a balance between the length of time taken to undertake a review through to implementation, the amount of resources used in the process, and the quality of the outcomes as a result, is something that needs to be individually assessed based on the council's circumstances and organisational drivers at the time.

Other opportunities for improvement identified by councils included:

- § Increased focus on cost savings and efficiency gains
- § Increased involvement of department managers as some were detached from the process
- § Improvements in quantifying impacts of recommendations
- § More scrutiny in the definition of discretionary services
- § Improved method for reviewing the levels of service
- § Increased collaboration with other councils
- § Greater involvement of staff throughout the process

§ Clear and concise communication of the purpose and objectives of the project
§ Greater involvement of councillors
§ Increased training and preparation
§ An adaptive approach for each workplace
§ More time for report compilation
§ A less expensive and more efficient process
§ Use of external resources for a more detailed review and to a greater depth

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