Acknowledgements

SmartGov Service Review Manual and Guidelines
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YASS VALLEY COUNCIL

SERVICE REVIEW GUIDELINES – AUGUST 2013
1. 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, eg 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, many 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. The results of a Service Review feed directly into the scenarios that must be developed and tested under the Long Term Financial Plan.

Service reviews mean different things to different organisations. In local government, it is fundamentally about improving service delivery and demonstrating value for money to the community. The key question to be answered is – “are we delivering the right level of service at the right cost?”

Service reviews do not, however, focus entirely on improving Council’s financial position. Emphasis is also placed on improving the quality of services with the process being a useful vehicle for developing an organisational culture that supports innovation and continuous improvement.

A Service Level Review helps to identify the mix of services and funding arrangements that best meet the community’s needs and helps address 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.
2. METHODOLOGY AND FRAMEWORK

Councils approach service reviews in different ways, with some at a very high level and others drilling down into a higher level of detail. Both the scope and processes are usually tailored, to meet the individual circumstances and objectives of each Council to recognise that they are unique in their level of resources (both physical and financial), political climates, demographic profiles, and organisational cultures.

Achieving best value in the delivery of services is not a static state as circumstances are continually changing. This Service Review Project is not a ‘one off’ exercise, but rather part of an ongoing improvement journey. Service Reviews will be undertaken progressively and in a systematic manner, in accordance with identified priorities and will be integrated with other key organisational programs including community strategic planning, asset planning and performance management frameworks.

A comprehensive Service Review will not just look internally, but also at external opportunities to deliver better services more efficiently eg shared services.

The review process can broadly be broken up into the following components.
- Where are we now? – analysis of current direction, service levels and costs.
- Where do we need to be? – analysis of the drivers for changes to service levels, including community expectations.
- Gap analysis – identify the gap between current and proposed service levels and investigate options for closing the gap.
- Stakeholder engagement – Councillors, staff and the community.
- Determine affordable service levels and identify performance measures.

Rather than review all Council services at the same time and stretch resources beyond capacity, Council’s Executive Team has identified 9 services which have the most significant financial or community impact to be prioritised for review in Phase 1 of the Service Review Project. The review of these 9 services alone will provide a sound basis for developing scenarios in the Long Term Financial Plan and will provide the basis for determining whether a Special Rate Variation may be required to ensure that Council is sustainable in the long term.

These priority services for review, in no particular order, are:
- Unsealed rural roads
- Sealed rural roads
- Development Application Assessment
- Roadside Vegetation Control
- Depot Operations
- Yass Swimming Pool
- Sporting Facilities
- Public Amenities
- Library Services
- Ranger Services

The framework for Phase 1 of the Service Review at Yass Valley Council is provided below.
SERVICE REVIEW PROJECT FRAMEWORK (Phase 1 including LTFP)

Determine priority services for review

Establish Service Review Teams (SRT)

SRTs to undertake training

Develop Stakeholder Engagement Strategy

Appoint Project Coordinator

Define the scope of the service review slr 1

Define current level & standard of service, analyse resources & costs – SLR 2

Benchmark with other Councils SLR 3

Identify opportunities for efficiencies SLR 4

Develop service level and delivery options SLR 5

Present Draft Report (with recommendations if appropriate) to the Steering Committee

Consider alternative service delivery models SLR 6

Analyze research results for service under review

Refer back to Service Review Team for further analysis if required

Develop draft scenarios in Long Term Financial Plan

Workshop with Councillors on scenarios

Test community response to proposed service levels and scenarios

Finalise Long Term Financial Plan

Present Service Level Review and Long Term Financial Plan to Council for adoption

Prepare and lodge case for Special Rate Variation if required

Review results of Community Research Program

Community Research Workshop with Councillors

Other Stakeholder Engagement Feedback

Tasks that include a broader range of services than just the one under review, but which either feed into or result from this Service Review

Identify key assets affecting long term financial sustainability

Gap Analysis

Condition Assessment

Determine the acceptable useful life of key assets at different service levels

Community Research Program on all services

SERVICE REVIEW TEAM

REVIEW OF INDIVIDUAL SERVICES
3. RESOURCING

Councils typically undertake service reviews in house, utilising council staff and teams. Apart from avoiding the direct cost implications associated with the use of consultants, the cultural benefit of conducting reviews internally is a significant advantage.

By undertaking the review process internally, staff have a greater sense of ownership and control, not only in the process itself, but in the outcomes that are derived. This is seen as critical to the successful implementation of the review outcomes.

Involving staff enables them to step out of their normal environment and work alongside staff from other departments in work groups, helping them to understand the organisation in a more holistic way. This also opens up opportunities for staff to develop professionally and gain team building and leadership skills.

Below is the team structure for Phase 1 of the Service Review Project.

**STEEERING COMMITTEE**

**MEMBERS**
- General Manager
- Director Corporate & Community Services
- Director Operations
- Director Planning & Environmental Services
- Organisation Development Manager

**KEY RESPONSIBILITIES**
- Overall direction and leadership of the project
- Sets priorities
- Schedules reviews
- Defines the scope and objective of each review
- Establishes and trains Service Review Teams
- Approves Community Engagement Plan
- Reviews and approves Draft Reports
- Considers and recommends Service Delivery Options
- Endorses Final Report and recommendations

**PROJECT COORDINATOR**

**PART TIME ROLE**
Must be independent of the service being reviewed

**KEY RESPONSIBILITIES**
- Assist with development and implementation of Stakeholder Engagement Strategy
- Project Planning and Coordination
- Provide support for Service Review Team
- Prepare Draft Report in conjunction with SRT

**SERVICE REVIEW TEAM**

**MEMBERS**
- Manager of the service being reviewed (TEAM LEADER)
- Peer Member (not from service being reviewed, internal or from another Council)
- Technical Expert (could be internal or from another Council)

**KEY RESPONSIBILITIES**
- Undertake Service Level Review
- Investigate options for Service Delivery and make recommendations
- Develop and Implement Community Engagement Plan
- Project Planning and Coordination
- Prepare Draft Report in conjunction with Project Coordinator
4. **STAKEHOLDER ENGAGEMENT**

It is crucial to the success of the Service Review Project that an effective Stakeholder Engagement Strategy be developed and implemented. An effective engagement process can assist in ensuring that:

- a coordinated and consistent approach is taken;
- the extent of engagement is identified including the limitations and constraints;
- there are appropriate opportunities for people to express their views;
- there is sufficient time and information for stakeholders to meaningfully participate;
- potential issues, impacts, opportunities, options and solutions are identified regarding service delivery;
- the outcomes of stakeholder community engagement are identified to enhance the decision-making process; and
- feedback is provided to stakeholders about the way their participation helped shaped decisions.

Key stakeholder groups include:

- Councillors;
- Staff in the service being reviewed;
- S355, Advisory and Regional Committees
- Community (residents, business, and facility users); and
- Other levels of government.

Some of the engagement tools being considered include:

<table>
<thead>
<tr>
<th></th>
<th>Councillors</th>
<th>Service Staff</th>
<th>Community</th>
<th>Committees</th>
<th>Government</th>
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<tbody>
<tr>
<td>General Manager’s Information Session</td>
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<td>External Community Research Satisfaction Survey</td>
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<td>Workshops</td>
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<td>Newsletters/Fact Sheets</td>
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<td>Feedback and suggestion boxes</td>
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<td>Internal surveys</td>
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<td>Individual interviews</td>
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<td>Team meetings</td>
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<td>Formal Progress Reports</td>
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5. **PROJECT TIMELINE**

A full review of a Council’s services can typically take up to 2 years. The Project Plan for Phase 1 of the Service Review Project is as follows.
<table>
<thead>
<tr>
<th>TASK NAME</th>
<th>RESOURCES</th>
<th>START</th>
<th>FINISH</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Determine priority services for review</td>
<td>Steering Committee</td>
<td>3/07/2013</td>
<td>24/07/2013</td>
</tr>
<tr>
<td>2 Establish Service Review Teams (SRT)</td>
<td>Steering Committee</td>
<td>1/08/2013</td>
<td>20/08/2013</td>
</tr>
<tr>
<td>3 Appoint Project Coordinator</td>
<td>Steering Committee</td>
<td>20/08/2013</td>
<td>20/08/2013</td>
</tr>
<tr>
<td>4 Develop Stakeholder Engagement Strategy</td>
<td>Steering Committee</td>
<td>1/10/2013</td>
<td>8/11/2013</td>
</tr>
<tr>
<td>5 SRTs to undertake training</td>
<td>Steering Committee</td>
<td>30/10/2013</td>
<td>5/11/2013</td>
</tr>
<tr>
<td>6 Undertake Community Research Program on all services</td>
<td>Director CC&amp;S</td>
<td>28/10/2013</td>
<td>4/11/2013</td>
</tr>
<tr>
<td>7 Review results of Community Research Program</td>
<td>Steering Committee</td>
<td>4/12/2013</td>
<td>20/12/2013</td>
</tr>
<tr>
<td>8 Community Research Workshop with Councillors</td>
<td>Steering Committee</td>
<td>18/12/2013</td>
<td>18/12/2013</td>
</tr>
<tr>
<td>9 Define Scope of each Service Review (SLR 1)</td>
<td>Steering Committee</td>
<td>18/12/2013</td>
<td>18/12/2013</td>
</tr>
<tr>
<td>10 Define the current level and standard of service, analyse resources used and costs (SLR 2)</td>
<td>Service Review Teams</td>
<td>5/11/2013</td>
<td>10/02/2014</td>
</tr>
<tr>
<td>11 Analyse research results for service under review</td>
<td>Steering Committee</td>
<td>6/12/2013</td>
<td>31/12/2013</td>
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<tr>
<td>12 Benchmark with other Councils (SLR 3)</td>
<td>Service Review Teams</td>
<td>18/11/2013</td>
<td>28/02/2014</td>
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<tr>
<td>13 Identify opportunities for efficiencies (SLR 4)</td>
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<td>18/11/2013</td>
<td>28/02/2014</td>
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<tr>
<td>14 Develop service level delivery options (SLR 5)</td>
<td>Service Review Teams</td>
<td>18/11/2013</td>
<td>28/02/2014</td>
</tr>
<tr>
<td>15 Present Draft Report to the Steering Committee (incl. Recommendations if appropriate)</td>
<td>Service Review Teams</td>
<td>15/04/2014</td>
<td>15/04/2014</td>
</tr>
<tr>
<td>16 Consider alternative service delivery models (SLR 6)</td>
<td>Steering Committee</td>
<td>2/05/2014</td>
<td>30/05/2014</td>
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<tr>
<td>17 Refer back to Service Review Team for further analysis if required</td>
<td>Steering Committee</td>
<td>12/05/2014</td>
<td>15/05/2014</td>
</tr>
<tr>
<td>18 Identify key assets affecting long term financial sustainability</td>
<td>Director Operations</td>
<td>2/08/2013</td>
<td>30/10/2013</td>
</tr>
<tr>
<td>19 Undertake gap analysis on key assets</td>
<td>Director Operations</td>
<td>1/11/2013</td>
<td>5/03/2014</td>
</tr>
<tr>
<td>20 Undertake condition assessment on key assets</td>
<td>Director Operations</td>
<td>3/02/2014</td>
<td>13/06/2014</td>
</tr>
<tr>
<td>21 Determine acceptable useful life of key assets at different service levels</td>
<td>Director Operations</td>
<td>3/02/2014</td>
<td>13/06/2014</td>
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<tr>
<td>22 Develop draft scenarios in Long Term Financial Plan</td>
<td>Finance Manager</td>
<td>16/06/2014</td>
<td>4/07/2014</td>
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<tr>
<td>23 Workshop with Councillors on scenarios</td>
<td>Steering Committee</td>
<td>9/07/2014</td>
<td>9/07/2014</td>
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<tr>
<td>24 Test community response to proposed service levels and scenarios</td>
<td>Director CC&amp;S</td>
<td>22/07/2014</td>
<td>8/08/2014</td>
</tr>
<tr>
<td>27 Long Term Financial Plan on public exhibition</td>
<td>Director CC&amp;S</td>
<td>1/09/2014</td>
<td>30/09/2014</td>
</tr>
<tr>
<td>28 Present Service Level Review and Long Term Financial Plan to Council for adoption</td>
<td>General Manager</td>
<td>22/10/2014</td>
<td>22/10/2014</td>
</tr>
<tr>
<td>29 Prepare and lodge case for Special Rate Variation if required</td>
<td>GM/DCC&amp;S</td>
<td>22/10/2014</td>
<td>12/12/2014</td>
</tr>
</tbody>
</table>
6. IDENTIFICATION AND DATA GATHERING

6.1 SCOPE OF THE REVIEW - FORM SLR1

The Steering Committee is responsible for scoping the review to identify its purpose, objectives and extent. This may include the following:

- **Council’s role in the provision of the service** - This may be one or more of the following:
  - Service Provider – carries out the service using own resources
  - Regulator – develops and enforces rules governing procedure or behaviour
  - Owner – owns community assets (infrastructure) used to provide service
  - Purchaser – purchases or contracts out service
  - Business operator – undertakes entrepreneurial business activities to generate profit for Council
  - Advocate – expresses support for community teams and makes recommendations to decision-making bodies on behalf of the community
  - Funder – provides funding to others to provide service
  - Educator – educates and informs the community
  - Coordinator – coordinates multiple players (e.g., other levels of government and the private sector), organises or secures financial support, and/or facilitates progress
  - Others – as identified by the Service Review Team

- **Background/History of the service** - What is the history of service development and evolution? For how many years has the service been provided? Have there been recent changes or improvements to the service, e.g., efficiency improvements?

- **Alignment with Community Strategic Plan and Delivery Program** - What information is contained in the Community Strategic Plan, Delivery Program and Operational Plan relating to the service? What strategies, actions, objectives, and key performance targets are relevant to the service? What progress has been made in achieving the identified outcomes and targets?

- **Expected deliverables or outcomes** to be achieved by the review

- **Any identified opportunities** to be explored or focused on in the review

- **Any identified limitations** of the review i.e. what the review is not to cover. This includes identifying any ‘no-go’ areas e.g. for political or industrial reasons

- **Resource requirements** (in addition to the Service Review Teams), e.g., tools, equipment, office space

- **Budgetary requirements** e.g., an allocation may be required for staff involved in the review

- **Linkages with other reviews** that have a close relationship or overlap with the review program. There may be opportunities for cooperation and assistance e.g., during the gathering of information and data, benchmarking and exploring options

- **Identifying key stakeholders and engagement strategies**

6.2 CURRENT STATUS OF THE SERVICE – FORM SLR 2

Information is collected and recorded in the relevant form with the assistance of the key stakeholders and other staff as each service is reviewed. It is recommended that the collection of information is contained so that it does not become too onerous or an unnecessary burden on the process. The main purpose of the information is to adequately define the service, and enable informed consideration of options and recommendations. Where the collection of certain information is not warranted for a particular service, then a comment may be recorded to that effect.

The Service Review Teams should avoid overanalysing and trying to resolve every issue related to the service. Focus is on areas with greatest potential for service improvements,
savings, and/or income generation. The less important issues may be recorded for future investigation.

Early in the information gathering stage, consultation should occur with relevant staff to identify any key issues or opportunities to explore. These may include issues discussed at previous budget and planning meetings and any proposals that are already being considered or underway. The Service Review Team may also visit the workplaces that relate to the service under review. This provides an opportunity for the team members to see firsthand the work environment and to encourage staff to raise new and innovative ideas.

The gathering of information usually includes exploring the various available documents such as strategies, policies, procedures, and service level agreements.

Information to be collected will include:

- **Service relationships** - Is the service or part of the service provided by another part of the organisation? If there is a close relationship or duplication with other services, if so contact should be made with the other Service Review Team Leader(s) so that they can be combined or reviewed together.

- **Minimum requirements** - These include any legislative or contractual requirements, WH&S requirements, political imperatives, State government requirements etc. Is it mandatory for council to provide the service? Are there impediments to reducing or stopping the service, eg a long term contract or an agreement with government agencies to maintain Crown land?

- **Current Outputs** - What are the outputs for the service, what does the service deliver or produce? Examples include grass mowed, gravel roads sealed, burial plots sold, building certificates issues, tourism merchandise sold, bulk waste collected, landuse plan prepared, environmental education provided.

- **Current Outcomes** - What do the service outputs achieve for the customers? What value do the customers extract from the service? Customers expect more than just outputs such as well-maintained parks. They want what the service can do in terms of outcomes, such as a place to relax, exercise, enjoy sports, etc. Examples include a healthy lake, reduced flooding, a low cost option for burials, buildings that comply with legislation and standards, well informed tourists, reduced illegal dumping, increased recycling, safe road network.

- **Current levels of service** - What are the levels of service provided in the outputs, in terms of quantity, quality, timeliness, reliability, responsiveness, accessibility etc? How long does it take to deliver the output and how long do people wait? Existing service level agreements and asset management plans may assist. Examples include frequency of mows in summer and winter, average height of grass, number of sites dredged compared with total, response time for requests, proportion of calls answered in 30 seconds, time to process, number of days open to public, opening times, number of errors, number of repeat requests.

- **Community satisfaction with service** - What is the current level of satisfaction users and non-users have with this service and how important is the service to them? What do the results of the Customer Research Program indicate about current levels of satisfaction?

- **Service utilisation** - What is the current level of usage of the service or council facilities? Is the use of the service expanding or decreasing? Is it becoming more or less popular with the community? Are their changing demands due to population growth, change in community trends etc?

- **Existing constraints** - Is there anything restricting the delivery of the service, such as insufficient office space, lack of technology etc?

- **Policies & procedures applicable to the service** - What policies, procedures or other controlled documents directly apply to the service and how effective and useful are they? What key processes relating to the service have been mapped?

- **Method of service delivery** - How is the service currently delivered, e.g. in-house, outsourced, resource sharing, partnerships, community groups?
Current budget - What are the annual budgeted expenditure and external revenue for the service? Where appropriate, the amounts should be converted to unit rates so that comparisons can be made to everyday costs, eg costs per person per year. Corporate overheads should be included as appropriate.

Funding sources - How is the service currently funded? What proportion is from rates, grants, loans, reserves, user charges, etc?
- What is the funding history? Were there any conditions associated with external funding sources that may limit Council’s ability to alter the service?
- For user charges, refer to the annual Fees & Charges Schedule. On what basis were the existing user charges determined for the service? How were they calculated? Were all costs taken into consideration? Are there any regulatory or other constraints that limit the amount of charges?

Staffing levels - How many people are employed on the service? How many full time equivalent positions? Are there any contractors or volunteers?

Physical resource requirements - What are the main resources used in delivering the service? What assets and infrastructure are associated with the service? Identify if any are not Council owned, eg Crown Land.

Other relevant information - Is there any further information that may assist with reviewing the service? Include additional documentation as attachments to the Service Review Form where appropriate.

6.3 BENCHMARKING – FORM SLR 3
It is recommended that benchmarking is conducted with high performing organisations (both private and public) to compare the council’s services against best practice. A range of areas may be benchmarked including service outputs, levels of service (quality, timeliness, etc), costs, processes, work practices, resource usage, technology, and user charges.

There is considerable variation in the extent of benchmarking conducted across services. As an example, for the operations areas extensive benchmarking of service costs may be carried out, while for other services there may be simple comparisons of measures with other local government teams.

When identifying possible opportunities for improvement, the Service Review Team should explore the areas where performance is low, relative to costs. Benchmarking may initially cover only service levels to inform the next step in the process. Subsequent benchmarking of service delivery methods and internal operations could then be carried out after levels of service have been reviewed.

6.4 OPPORTUNITIES FOR IMPROVEMENT – FORM SLR 4
Once the Service Review Team has assessed the current status of the service and conducted benchmarking against other organisations and Councils, an assessment should be made of the level of efficiency of the internal operations of the service. Consideration should be given to:
- whether the organisational structure is the optimal one for efficient operations
- whether the processes, procedures, work practices and tools used in the service are still appropriate and the most efficient for the service going forward and review as necessary
- other measures designed to optimise or reduce resource usage and staff productivity

6.5 SERVICE DELIVERY OPTIONS – FORM SLR 5
This section describes how alternative levels of service (LOS) are explored and compared with existing levels. LOS are the measures of outputs a customer receives from the service. 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.
Extract from International Infrastructure Management Manual - IPWEA

As covered in the Identification & Data Gathering section, existing LOS should firstly be documented. This may be expressed in terms of quantity, quality, timeliness, reliability, responsiveness, and accessibility. An example is ‘how long does it take to deliver the output and how long do people wait?’

When reviewing LOS, it is important to consider community and customer needs. As an example, services rated by the community as high satisfaction and low importance may be candidates for reducing LOS.

The fundamental question that is being considered under this section is - ‘what level of service should be provided by Council?’ This is separate to the question - ‘how is the service to be delivered?’ which is covered in section 8.

The broad options to consider are:
- Provide no service (i.e. discontinue the service)
- Provide a lower LOS eg reduce frequency of outputs Eg mowing frequencies may drop
- Provide the same LOS
- Provide a higher LOS eg increase quality of outputs

The LOS is expressed under each of these options, to enable a comparison to be made and selection of an optimum LOS for the service.

Research has shown that it is a very difficult exercise for Service Review Teams to consider and justify reductions in service levels. The natural tendency is to retain or increase service levels due to the constant demands on staff for improved services. To help drive the assessment of the lower LOS option, the Steering Committee may require the Service Review Team to explore a target reduction in the service annual expenditure of (say) 20%.

The following are examples of issues and implications to consider for each option.

- What will be the effect on meeting statutory or regulatory requirements? Are there alternative ways of meeting these requirements?
- What will be the effect on community outcomes, eg average grass length may increase and affect sporting events?
- What would be the likely community reaction to the change in LOS? Reference should be made to previous community surveys and feedback to gauge the reaction. Services with a combined rating of low importance and high satisfaction are more likely to be supported by the community for service reduction, compared to other services.
What will be the implications in terms of the Community Strategic Plan and Delivery Program? Will there be long term consequences in relation to the council’s strategic directions, eg environmental, economic, and social wellbeing? What will be the effect on meeting the identified strategies, actions, objectives and targets identified in the plans?

Are there feasible alternative non-council means for meeting the community’s needs. For example:
- Could community members efficiently make their own arrangements, taking into account the cost and complexity involved with private arrangements?
- Are there other agencies authorised to provide the service? Do authorised agencies currently provide the service?
- Are there alternative private providers eg privately owned pools and carparks?

What is the level of capability of the alternative providers in meeting the need? What is the risk of service provision failure if Council did not provide? *Note - This involves transferring responsibility for providing the service to others. It is not related to council retaining ownership of the service and employing alternative means to deliver the service, such as outsourcing.*

Are there commercial reasons for providing the service, eg income generation? Would a reduction in service level and expenditure lead to an adverse effect in terms of income generation?

What will be the effect on council resources? Will there be changes in staff positions and potential industrial relations issues? Will there be a change in asset usage or a need to dispose of assets? Will there be an effect on other support functions eg HR, Finance and Customer Service?

What will be the financial implications? Determine the change in expenditure and income compared with the current service arrangement.

The Service Review Team may be asked to present this analysis to the Steering Committee for input. The latter may request that alternative options be explored eg a lesser reduction in expenditure or they could request information on what service levels would be added back at (say) 5% expenditure increments.
7. ALTERNATIVE SERVICE DELIVERY MODELS

The Steering Committee will consider alternate models for delivering the services to ensure that the most appropriate methods are employed. Similar issues and implications to those covered in ‘6.5 - Service Delivery Options’ are considered when exploring each of the delivery models. Effort should be focused on key opportunities that have the potential to generate significant service improvements, savings or income.

Research has identified that review teams tend to shy away from exploring alternative modes of service delivery. This is possibly influenced by the perceived impacts on job security. For this reason, it is recommended that the Steering Group takes a leading role when considering alternate service delivery models.

The methods to consider include:

- Shared services or resources – typically with other councils or regional organisations of councils (ROCs);
- Strategic relationships – with other levels of government or non-profit organisations;
- Use of ‘arms length entities’ to manage the service e.g. the corporatisation of parts of Council’s operations, or external boards for managing community facilities;
- New entrepreneurial ventures or enterprises – delivering services as an income source;
- 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.

7.1 SHARED SERVICES AND RESOURCES

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

Shared service provision has occurred on a large scale in British local government and to a lesser extent in other advanced nations, including European countries. Many different kinds of shared service arrangements have been implemented across Australia. This includes a regional approach through the use of Regional Organisations of Councils.

Services meeting one or more of the following criteria may be suitable for sharing:

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

Services that are regularly considered under a shared delivery model include corporate or ‘back room’ activities, such as:

- HR functions (recruitment, payroll);
- Call centre operations;
- Finance (budgeting, reporting, etc.);
- Rating (notice production, debt recovery);
- IT Support;
- Communications/Marketing;
- Procurement;
- Legal services;
- Internal audit.
Other service areas that are regular candidates for shared delivery include:

- Library services (e.g. book stocks);
- Asset maintenance and construction (e.g. road maintenance at remote joint boundaries, etc.);
- Shared plant and equipment (where plant utilisation can be maximised).

It is also useful to consider the option of shared services where council is unable to attract or retain staff skills in a particular discipline and another council has spare capacity, such as in engineering design or development assessment.

For a shared service arrangements to be successful there needs to be an identifiable benefit to both parties, whether this is in service improvement, cost savings, income generation, or improved utilisation. The parties should share common values and service levels. It is also desirable for services such as IT support, finance, payroll, etc., that there is a common IT platform between the parties.

7.2 STRATEGIC RELATIONSHIPS WITH GOVERNMENT OR NON-PROFIT BODIES

Research indicates that the consideration of delivering services through a strategic relationship with other government or non-profit bodies is not regularly included in the scope of service reviews. One reason for this may be that candidates for this type of arrangement tend to involve significant pieces of infrastructure, such as regional sporting or cultural facilities. The opportunities for these types of projects tend to be identified outside the service review process.

That said, there are opportunities that are worth exploration, particularly where additional or improved services are being considered. Some examples where strategic relationship have been successful include:

- Health and Community Care Services being provided by a non-profit organisation;
- Use of surplus school or TAFE facilities for community use (where there is capacity due to non-concurrent usage);
- Out of School care services;
- Tourism promotional services by non-profit organisation.

As with shared services, the key to the development of a successful strategic relationship lies in there being an opportunity where both parties are able to extract a benefit.

7.3 ARMS LENGTH ENTITIES

Arms length entities are those that are established with a clear separation from the council. The advantage that they offer is that they are free to operate outside the local government framework and the constraints that are brought by the various pieces of legislation. It is a method of avoiding conflicts of interest between the regulatory and provider roles of a council. It also minimises financial risk to public funds, and enables the engagement of the necessary commercial and corporate expertise that are sometimes inaccessible to councils.

Property leasing and land development are good examples of where the establishment of an arms length entity can deliver an alternate income stream for a council.

In some states and New Zealand, it is common practice for local authorities to place their commercial activities under separate companies that are controlled by external Boards. It is however, much less common in NSW, where Section 358 of the NSW Local Government Act 1993 restricts councils in forming a corporation or other entity without first obtaining the consent of the Minister for Local Government. In applying for the Minister’s consent, the council must demonstrate that the corporation or entity is in the public interest.

When considering opportunities for the establishment of an arms length entity, the focus is generally on obtaining a commercial return on the investment, and does not necessarily rely upon any expertise that may exist within the council.

An arms length entity is free to source the expertise and resources that is required, as distinct from a business enterprise that is established within the council.
7.4 BUSINESS ENTERPRISES WITHIN COUNCIL

The consideration of opportunities to establish a new business enterprise to generate additional income are generally included in the service review process where one of the objectives is to seek alternate sources of income to contribute to the council's financial sustainability.

As distinct from the arms length entity approach, these types of enterprises generally stem from the provision of an existing community service that is provided by the council. Examples of council services that have formed business enterprises include:

- commercial waste collection services;
- commercial printing and graphic arts services;
- civil construction or maintenance services;
- consultant engineering or town planning services;
- landscape maintenance services.

When considering options for a new business enterprise, a preliminary feasibility assessment should be undertaken. Examples of criteria that can be used are provided below:

- 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 such as technical expertise, or economies of scale?
- Is it relatively easy and low cost to establish the business activity and enter the market? For example, are there minimal political barriers, low regulation, low capital outlay?
- Is the business aligned with current council operations? Are there existing available council resources, for example facilities, property, skilled & experienced personnel, plant & 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?
- Where there is a capacity surplus in an area of council’s operations that has the potential to deliver services to the external market, without the need to purchase additional resources, then the risks are low. In these cases, all that would be required is to develop a pricing model that ensures a positive return.

If however, the expansion into the external market requires a capital investment such as the purchase of additional plant, or additional or new staff expertise, then the next step should include the development of a business plan to ensure the viability of the proposal, before proceeding. It may be prudent to have the business plan reviewed using external expertise, particularly where the returns are considered marginal, or the consequence of failure is high.

7.5 JOINT VENTURES OR PUBLIC PRIVATE PARTNERSHIPS (PPP’S)

PPP’s usually involve a partnership between the public sector and private sector for the purpose of designing, planning, financing, constructing and/or operating projects that would traditionally fall within the remit of the public sector (council). Infrastructure projects are prime examples, and much like the ‘strategic relationship’ option, these types of projects tend to be identified outside the service review process.

That said, research has identified examples where service reviews have identified opportunities from PPP’s that are not as reliant upon the delivery of expensive infrastructure. As an example, one council was able to dispose of its sewage effluent through a PPP with an adjoining landowner who committed to reusing the effluent for irrigation.
Opportunities for efficiency improvements can arise from service reviews through exploring a joint venture approach. Viable opportunities tend to be borne from the ability of joint venture arrangements to deliver benefits from economies of scale, and examples have included:

- Regional waste collection contracts (where neighbouring councils partner in a single contract);
- Cooperative, joint tendering contracts.

Like all of the cooperative service delivery models that are described here, PPP’s and joint ventures are reliant on there being a mutual benefit to all parties.

7.6 COMMUNITY RUN SERVICES OR ENTERPRISES

A community enterprise is a business owned, controlled and used by the people who live in a particular geographic area. Many community enterprises in Australia are incorporated as co-operatives. Membership of a community enterprise is voluntary and open to the general public.

Community enterprises have seen a resurgence in recent years. A growing number of rural towns across Australia are turning to community enterprises to provide new services, or to save an existing service that can no longer be supported by the council.

Examples of community run services include community gardens, nurseries, festivals, sports facilities, and cemetery operation. Often there are untapped commercial skills within a community that could be utilised to add value to council activities. Profits from community enterprises may also be ploughed back into the local community or reinvested in the businesses.

7.7 OUTSOURCE TO EXTERNAL PROVIDERS

Research identified that whilst it was typical that the scope of service reviews considered the option of outsourcing the delivery of services, there was little evidence of the option being implemented. There may be a number of 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. It is understandable that staff involved in the service would be unlikely to recommend this option, in the interest of job retention.

There are 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. These factors will determine whether ‘outsourcing’ is an option that can be genuinely considered in a service review.

The following criteria can be used as a guide when assessing the suitability of a service for outsourcing:

- Largely self-contained – services not closely linked to other services or functions;
- High economies of scale – highly standardised services with high production volumes;
- Non-strategic – services that do not have 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 a large pool of potential suppliers or contractors;
- Cost competitiveness of the service.

Before making a decision to commit to outsourcing a service, consideration should be given to any social responsibility the council may have as a major employer in the community, as well as the long-term costs and benefits and any loss of control (over future costs or quality) that may come once assets (plant) have been sold off and the associated staff resources shed.
8. RECOMMENDATIONS

Based on the above analysis, recommendations are formulated regarding future provision and delivery of the service. The Service Review Team may wish to consider making a recommendation in its Draft Report if the best option has become clear from the work it has done. Otherwise, the Steering Committee should make one of the following overarching recommendations in relation to level of service.

- Exit from the service
- Provide a lower level of service
- Provide the same level of service
- Provide a higher level of service

If the service is to be retained, recommendations should identify any significant changes required to ensure value for money for the customers i.e. ensure the service delivers the desired outputs and outcomes in the most efficient manner possible.

The implications associated with the recommendations are also outlined, including

- Financial Implications/savings
- Productivity Implications
- Workforce Implications
- Community Implications
- Environmental Implications
- Risk Implications
- Other Implications

Consideration may be given to the financial and resource impacts in transitioning from the current to the proposed service arrangement. This includes identifying where short term expenditure increases are required to achieve longer term benefits.

Estimates of projected savings should be determined for the key recommendations. The savings may be due to a reduction in expenditure and/or increase in revenue. Where the savings will be achieved over a number of years, the figures may be projected over the subsequent 3 years.

The savings only need to be approximate as they will be subject to further investigation during the implementation phase. As each item is further investigated and implemented the project savings are progressively updated to improve their accuracy. Where recommendations will increase productivity or output but there will be no change in expenditure or revenue, the details should also be recorded.

Any staff changes are best described in terms of full time equivalent positions (FTE).

Opportunities identified during the review process that were not able to be considered due to time constraints or other reasons may be recorded for future investigation.