Service Delivery Review

A how to manual for local government

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Executive summary

In both Australia and overseas, service delivery reviews are vital processes to ensure local government services are:

- **appropriate** – that is, services meet current community needs and wants, and can be adapted to meet future needs and wants

- **effective** – that is, councils deliver targeted, better quality services in new ways

- **efficient** – that is, councils improve resource use (people, materials, plant and equipment, infrastructure, buildings) and redirect savings to finance new or improved services.

The key benefits of service delivery reviews include:

- alignment of services with community needs and a more engaged community

- higher quality service provision

- cost savings and sometimes income generation

- increased efficiency of often limited resources

- partnerships and networks with other local governments and service providers

- increased capacity of staff to respond to the changing needs of the community

- staff who work cooperatively across departments

- a more systematic approach to understanding future community needs.

Reviews should be seen as part of 'business as usual' – a continuous improvement process – which is integrated with local government corporate and strategic planning, asset management and community engagement.

The services and the levels of service provided vary between local governments because of differences in location and community characteristics. Therefore, the methodology in this manual needs to be adapted to suit local circumstances. Whilst the high-level review process described in this manual is relevant for all local governments, the specifics of the service delivery review will be different in terms of team structure, timeframe, objectives, scope and community needs.

In addition, having conversations internally and with the community will help users of this manual to understand where to adapt its approach and enable greater ownership and involvement with the service delivery review.

Any recommendations or suggestions for changes to service delivery should be reviewed internally to tailor both the approach and the specific tools to use. Local governments should also network with other organisations to understand best practice and develop targets and benchmarks. They may also need to consider how to report the results of the service delivery review, depending on their stakeholders and their internal and external communications processes.

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About this manual

What is this manual about?

Service delivery reviews help local government:

- understand the service needs of their communities

- determine how to efficiently and effectively deliver those services

- work internally or with partners to deliver services

- continuously improve these services.

This manual will help readers understand:

- why service delivery reviews are an important part of local government operations

- what service delivery reviews can achieve

- how service delivery reviews help create a culture of continuous improvement and why this is important

- how to plan and undertake a service delivery review.

Who is this manual for?

This manual is primarily aimed at local governments wishing to undertake a service delivery review. Organisations already using a framework for reviewing business processes or who already have a plan of service delivery review may find this manual less relevant.

This manual can be used by:

- **department managers**: to learn how to plan and undertake a service delivery review

as well as:

- **elected members**: to understand the benefits of a service delivery review and how to provide support and input into the process
- **CEOs and general managers**: to drive support for a service delivery review and a create a culture of continuous improvement
- **community engagement staff**: to understand the importance of community input into service delivery.
- **other council staff**: to learn about what service delivery reviews are and how to get involved.

What is service delivery?

Local governments deliver a range of services to meet the needs and wants of their communities. This is called *service delivery* and covers:

- internal services such as strategic planning, HR, finance

- external services such as waste collection, childcare services, parks maintenance and development application processing.

What is a service delivery review?

A service delivery review aims to drive more efficient use of resources whilst providing services to meet the needs of the community. In the context of this manual, a service delivery review can take a 'whole of organisation' approach or just cover one department, service or strategic focus area.

Why conduct a service delivery review?

Local governments are under increasing financial pressure, and there is often a widening gap between revenue and expenditure. At the same time, they are expected to be environmentally and socially responsible and provide a wide range of quality services.

Service delivery reviews help local government clarify the needs of their communities and use an evidence-based approach to assess how efficiently and effectively it is meeting those needs. Using this information, local governments can determine what changes to make to service delivery which will provide benefits to all stakeholders whilst being financially sustainable.

Service delivery reviews are an ongoing process to ensure local government is delivering what the community needs in the best possible way, especially with changing community needs and emerging external factors such as the need to respond to climate change. Establishing a review process builds the capacity of both staff and the community to think critically and systematically about current and future service needs. It also leads to innovation in service provision and helps build a culture of continuous improvement within local government.

The framework for a service delivery review

There are seven steps in a service delivery review with a constant process of evaluation during all steps. The service delivery review framework is shown in Figure 1.

Figure 1: Service delivery review framework

As the review process unfolds, it is not as linear as Figure 1 suggests. It is more usual for the review process to get started and then loop around Steps 3, 4 and 5 before continuing to implementation. From a process perspective, the review process is more likely to occur in the manner described in Figure 2.
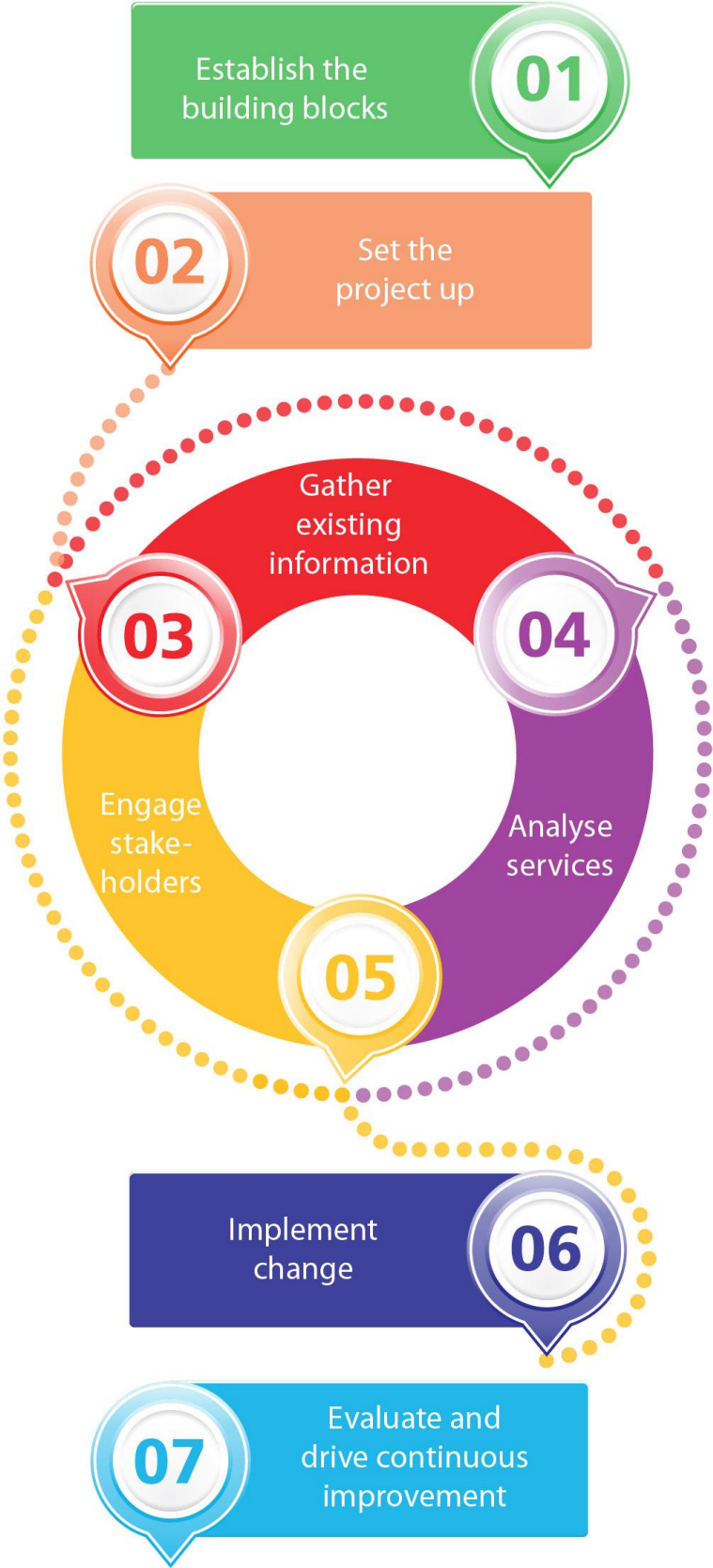
Figure 2: Dynamic of the service delivery review process

How to use this manual

This 2nd edition reflects changes based on feedback from a number of organisations who have used the manual to conduct service delivery reviews. The changes were also informed by our own experience working with the sector. Three key changes, in the form of additional material, have been made. They include:

- an extended and strengthened Step 4

- clearer guidance about how and when to engage stakeholders. Stakeholder engagement is now a separate step – Step 5

- a reduction in the number of suggested reporting points and templates.

The manual can be read from start to finish or by dipping in to the relevant step. However, it does follow a sequential process that moves through the service delivery framework. It can be used for a 'whole of organisation' review or individual service delivery reviews.

This manual is divided into seven steps, as shown in Table 1.

Table 1: Overview of manual and the seven steps

Step	Description	What it covers
Step 1:	Establish the building blocks	Elements of a strong foundation for service delivery review
Step 2:	Set the project up	Guiding principles, team structures, objectives and scope, stakeholder identification, templates/tools, evaluation frameworks
Step 3:	Gather existing information	Existing information such as services and sub-services, community views, levels of service and priority setting
Step 4:	Analyse services	Conducting an analysis of alternative service delivery models, consolidation options, improvements and funding arrangements
Step 5:	Engage stakeholders	Drafting and reviewing recommendations with stakeholders
Step 6:	Implement change	Making change, documenting new processes, benefit realisation
Step 7:	Evaluate and drive continuous improvement	Evaluating the changes made and the process, sharing learnings and planning the next review
Appendix A	Templates and tools	Templates and tools to use for service delivery reviews
Appendix B	Detailed analysis	Detailed analysis of services and workflows
Appendix C	Alternative service delivery models	Examples of different ways to provide services

At the start of each step there is a summary, taken from Figure 1, which describes the step, the activities involved and the reporting outputs.

In addition, throughout the manual, there are the following markers:

Tools and templates to use

Examples from local government

At the end of each step there is a checklist to help the user tick off whether everything is in place before moving on to the next step.

Step 1: Establish the building blocks

01 ESTABLISH THE BUILDING BLOCKS	Activities	Outputs
	▶ Understand the building blocks required as a foundation for an effective service review project	▶ Assessment of readiness

1.1   Introduction

It is helpful to establish some building blocks to create a strong foundation for integrated thinking about services and to ensure that staff, elected members and the community understand the principles which underpin the review. The building blocks are shown in Figure 3. They are:

- commitment to stakeholder engagement (Step 1.2)

- commitment to continuous improvement (Step 1.3)

- a whole of organisation approach (Step 1.4)

- strong organisational support (Step 1.5)

- understanding the resource requirements (Step 1.6).
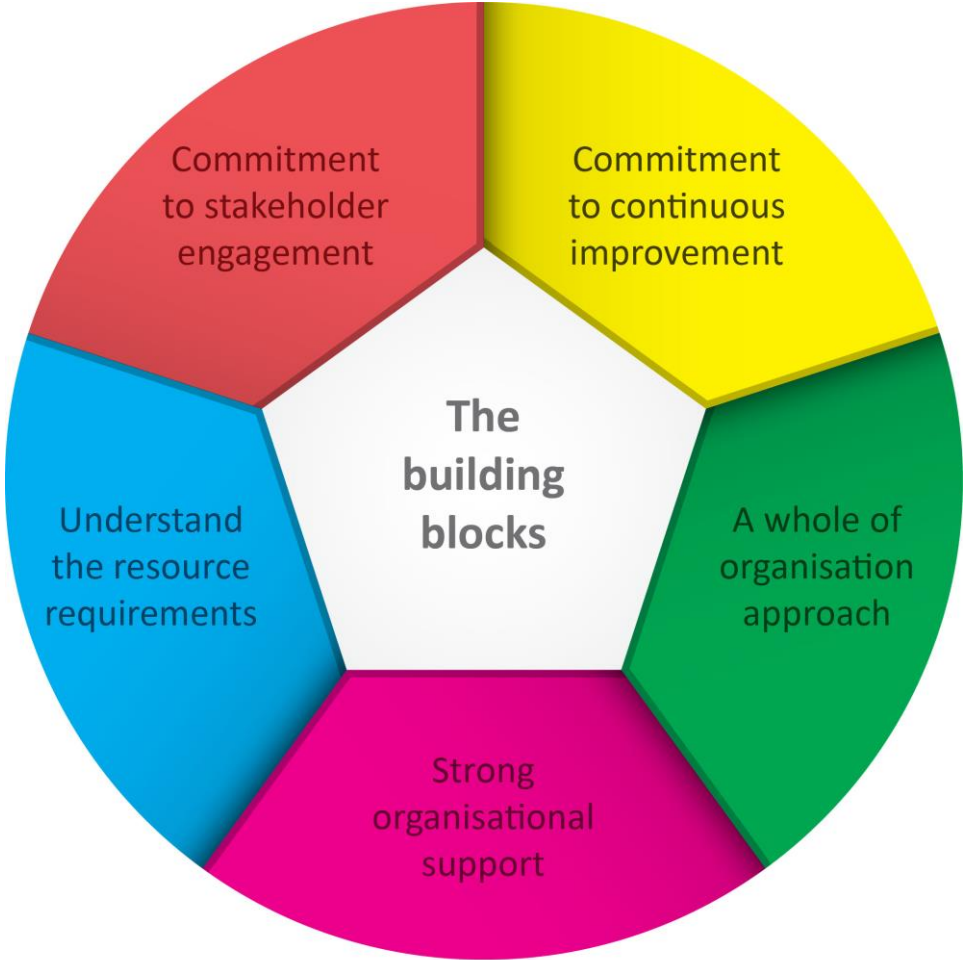
Figure 3: The building blocks for service delivery review

1.2 Commitment to stakeholder engagement

Local governments need to involve internal and external stakeholders in service delivery reviews. Committing to stakeholder engagement is about working with a broad range of government, business and community stakeholders to determine preferred futures and facilitating shared decisions and joint actions to achieve agreed outcomes. These outcomes include safeguarding the quality of the local environment and decisions about how communities are to access the services they need.[1] For service delivery, this means involving the community in making decisions about services, service levels, how the service is provided, and how the annual budget is allocated to specific services.

External stakeholders should be involved in decisions about changes to service delivery which might affect them. Internal stakeholders should be involved in decisions about process and organisational changes which might affect them. Internal stakeholders are also a great source of knowledge about what might work more efficiently or effectively.

A commitment to engagement requires a formal communications strategy. This is covered in more detail in Step 2.5.

1.3 Commitment to continuous improvement

A commitment to continuous improvement demonstrates an ongoing effort to change services or processes for the better and is the key driver for service delivery reviews. Continuous improvement needs to be part of the organisational culture in order to produce incremental improvements or more substantial one-off change. In order to achieve continuous improvement, local governments need:

- an improvement framework

- an improvement process

- improvement methods and tools

- a performance measurement system

- a culture of improvement.[2]

Some organisations use formal improvement frameworks[3] which require staff training. These frameworks include:

- Australian Business Excellence Framework

- Balanced Scorecard

- Six Sigma/Lean Six Sigma

- Investors in People

- Human Synergistics.

Even without a formal improvement framework, local governments can still document how services are delivered as a starting point to determining what could be done differently.

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[1] McKinlay P., Pillora, S., Tan, S.F., Von Tunzelmann, A. (2011) *Evolution in community governance: building on what works*. Australian Centre of Excellence for Local Government, University of Technology Sydney. Available at: 1335499377_Vol1_Community_Governance_20_April_2012.pdf

[2] Department of Planning and Community Development Victoria (2006) *A guide to achieving a whole of organisation approach to best value*. Available at: http://www.mav.asn.au/policy-services/procurement/Documents/Victorian%20Local%20Government%20Best%20Practice%20Procurement%20Guidelines%202013.pdf

[3] These and other examples are analysed in Australian Centre for Excellence in Local Government (2010) *Overview of 14 excellence frameworks and tools.* Available at http://www.acelg.org.au/sites/default/files/Frameworks%20Review.pdf

Bass Coast Shire Council, VIC, Hobart City Council, TAS and Yarra Ranges Council, VIC use The Australian .[4]

The Hills Shire, NSW uses Six Sigma to reduce errors and costs

Manningham and Cardinia Shire, VIC and Manly City Council, NSW use Investors in People

Fairfield City Council, NSW, City of Mandurah, WA and City of Marion, SA use Human Synergistics.[5]

1.4 A whole of organisation approach

Although local governments can undertake individual service delivery reviews, because of the integrated nature of many services (especially in regard to staff, processes and budgets), taking a 'whole of organisation' approach from the start may deliver better results. This approach will ensure that the net cost is calculated for each service upfront, and helps identify areas to focus on, either in terms of quick wins or priority need.

Taking this approach also embeds a culture of continuous improvement across the organisation, and staff and elected members start to think more broadly about efficiency and effectiveness rather than looking at individual services in isolation.

Initially, the City of Hamilton, Ontario took a one-off approach to service delivery review. The reviews focused on known problem areas and were less costly and time consuming to implement. However, this approach:

- missed other services and opportunities for improvement
- did not develop cost and performance measures for all services
- did not build a culture for customer-focused service delivery or continuous improvement
- did not build a foundation or mechanism for improving the budget process or the quality/type of management information needed for decision-making.

The city then considered whether it should only review its internal services or undertake a complete and in-depth review of all services. Both these approaches were rejected in favour of a 'whole of council' approach which prioritised key areas.[6]

1.5 Strong organisational support

Organisational support needs to come from:

- **CEOs/general managers and the senior executive team** – who often drive reviews as they typically manage the long-term financial, environmental and social performance of local governments and need to ensure that the appropriate services are planned and delivered in an efficient and effective manner. These people are the review champions and their support is vital for proper planning and resourcing.

- **elected members and mayors/presidents** – who often instigate reviews and get involved in planning, setting priorities, approving budgets and acting as change agents.

Examples of how service delivery reviews are initiated:

- City of Newcastle, NSW – by a Councillor's Notice of Motion
- City of Rockdale, NSW – by the General Manager (CEO)
- District Council of Tumby Bay, SA – by the new CEO.[7]

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[4] See: http://www.acelg.org.au/system/files/publication-documents/1313456945_BEF_Case_Studies_Low_Res.pdf

[5] See: http://www.acelg.org.au/sites/default/files/Frameworks%20Review.pdf

[6] City of Hamilton, Ontario (2011) *Service delivery review* plan. Available at: www.hamilton.ca/NR/rdonlyres/8355D146-48F7-4C07-90B7-9ACA8A5E6116/0/Jun13EDRMS_n180483_v1_8_5__CM110009_FCS11056.pdf

[7] See: ACELG (2012) *Service delivery reviews In Australian local government*. Available at:
http://www.acelg.org.au/file/2140/download

1.6   Understand the resource requirements

Service delivery reviews can be resource intensive in terms of staff time and budget. This is why some local governments hire external experts to assist with or perform the review. However, the advantages of conducting in-house reviews are:

- It involves fewer direct costs than engaging external experts.

- Staff have a deep understanding of current processes and can provide suggestions for improvements.

- Knowledge gained in the process is kept in-house.

- Staff take greater ownership of results and recommendations.

- Change is more likely to 'stick'.

- The review process develops a culture of continuous improvement.

With in-house reviews, be aware that:

- Vested interests may lead to a lack of objectivity and independence.

- Staff may be diverted from their usual duties.

- It may be hard to set up review teams across departments.

- Organisations may miss out on specialist knowledge and tools from external experts.

Resourcing is also not just about undertaking the review. It is about analysing the results, making recommendations and being able to implement changes, either in a staffing, process or financial sense. Given the extended timeframes of some review processes, resources have to be allocated over the short and longer terms for effective change to occur.

Checklist: Step 1	✓
Are we committed to stakeholder engagement?	
Do we have existing systems, or can we implement new systems, to drive continuous improvement?	
Are we taking a whole of organisation approach?	
Is there strong organisational support?	
Do we understand the short- and long-term resource requirements?	
Are we ready to start the service delivery review?	

Step 2:   Set the project up

Activities	**Outputs**
▶ Decide on guiding principles ▶ Agree objectives, scope and resources ▶ Establish a review team structure ▶ Identify stakeholders ▶ Draft an evaluation framework ▶ Create templates and tools ▶ Draft the project plan	▶ Draft project plan ▶ Evaluation framework

02

SET THE PROJECT UP

2.1   Introduction

When ready, the organisation can move to the project set-up stage. Many local governments already have well-developed project management processes and systems they can use, but some may have to establish them. Either way, in this step, local governments should:

- decide on a set of guiding principles (Step 2.2)

- agree objectives, scope and allocate resources (Step 2.3)

- establish a review team structure (Step 2.4)

- identify stakeholders (Step 2.5)

- draft an evaluation framework (Step 2.6)

- create templates and tools (Step 2.7)

- draft a project plan (Step 2.8).

2.2   Decide on a set of guiding principles

The steering group (Step 2.4.1) should establish a set of principles to underpin the review and consideration of these principles is likely to be partly informed by the discussion of building blocks in Step 1. Guiding principles may also be similar to existing principles such as those in strategic planning documents. They could include one or more of:

- engaging and consulting with a wide range of stakeholders throughout the review

- responding to the needs and wants of both the current and future community

- being transparent with all stakeholders about the proposed outcomes

- focusing not just on economy and efficiency but also effective provision of services

- setting targets for quality and costs and benchmarking these against other organisations or standards

- measuring and reporting regularly.

2.3   Agree objectives, scope and allocate resources

The steering group (Step 2.4.1) should also determine the review objectives, in conjunction with a range of key stakeholders, so everyone is clear about the purpose and potential outcomes. A workshop can help define the objectives, the guiding principles and the drivers behind the review.

Potential objectives could be to:

- better understand what the community wants

- reduce or increase the range of services

- improve the quality of some or all services

- make savings

- generate income

- respond to the challenges of climate change

- explore opportunities to provide services in partnership with other organisations.

The objectives can then be used consistently in all messaging with stakeholders. The objectives will also determine the scope of the review, such as whether local government should:

- take a 'whole of organisation' approach

- focus on specific services over others

- explore different opportunities

- not review some areas

- include services which extend over a range of functions

- pilot a review first before rolling out a more extensive review

- reuse existing information on community needs, processes or policies.

Scoping can also help identify potential priority areas for review such as services where quick wins could be made, or where there is a clear need for change. This is discussed in Step 3.7.

Parramatta City Council, NSW initially limited its review to selected services but after lengthy discussions, the steering group amended the process to capture all services.

The purpose of the review was to establish whether council was providing the right mix of services to their customers and achieving value for money. The review did not just focus on improving the financial position of the council but placed a heavy emphasis on improving the quality of services and building a culture of innovation and continuous improvement.[8]

City of Newcastle, NSW categorised services as statutory and non-statutory and reviewed all non-statutory services first.[9]

In addition to setting objectives and examining the scope of the review, the steering group should determine what resources are required in terms of staff, budget, time or office space. These resources should then be approved and allocated to the service delivery review. This also demonstrates strong organisational support.

[8] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[9] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

2.4   Establish a review team structure

Most local governments conduct service delivery reviews in-house using existing staff. This brings knowledge into the process, builds organisational capacity and helps make implementation more effective. Figure 4 shows a suggested team structure for an in-house service delivery review in a medium to large size organisation.
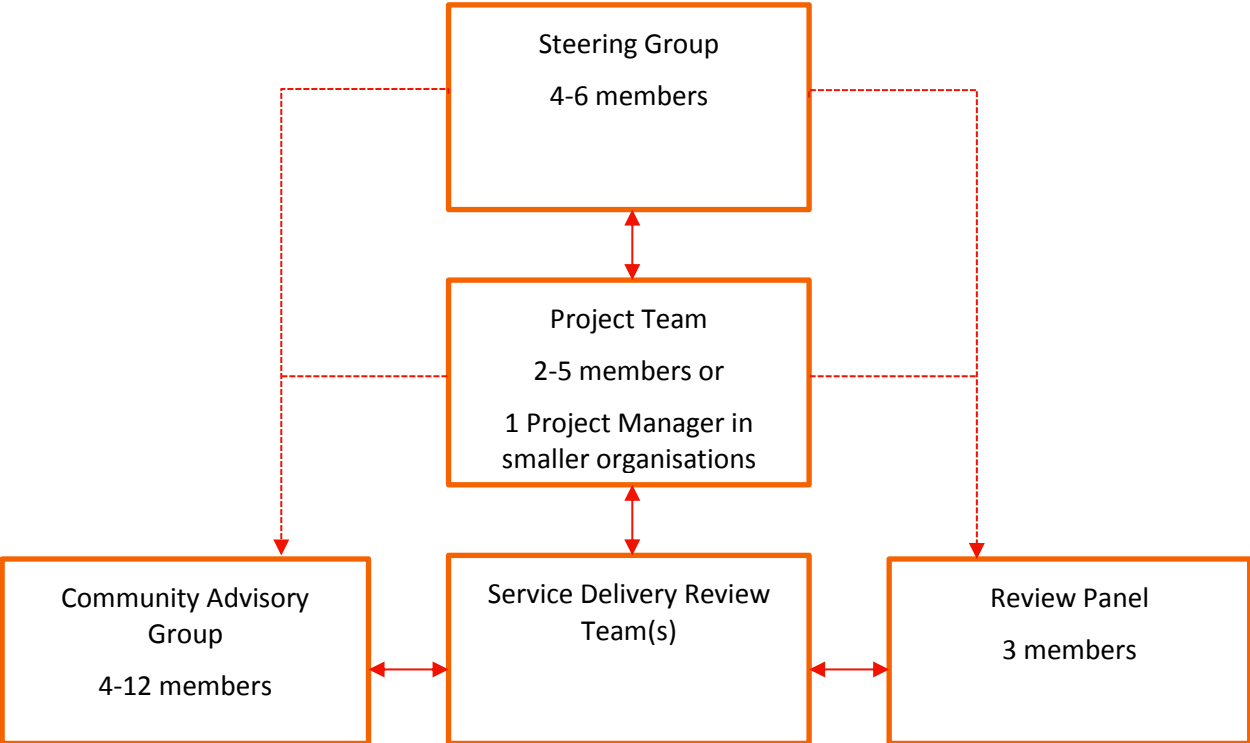
Figure 4: Example review structure

The team structure and roles will differ depending on the size of the organisation. However, it is always important to have a steering group with overall responsibility for decision-making. This ensures stakeholders are engaged and communication is open and transparent.

If external experts are engaged to conduct the review the structure may vary but it should include an overall steering group, a vehicle for community and staff input, and a review process.

2.4.1   Steering group

The steering group provides overall direction and leadership for the review, approves priorities and schedules, gives strategic input, and endorses recommendations and final reports. It also reviews risks and outcomes (for individual services and across the whole organisation) based on the evaluation framework. Members of the steering group should include some members of the senior leadership team and potentially an elected member, a community representative and senior staff from core services such as HR, corporate planning, finance and asset management.

The steering group should be led by a project director who is responsible for ensuring key stakeholders (especially elected members) are engaged and involved in making decisions about any changes to services. The project director is also responsible for ensuring sufficient resources are allocated to the review and that the review progresses as planned and within budget.

The steering group should also be clear on what information it needs to make decisions and when this information is needed. These details should be recorded in the project plan (see Step 2.8)

2.4.2   Project team or project manager

The project team or project manager (in smaller local governments) coordinates the service delivery review across the organisation and:

- schedules the reviews in accordance with the priorities set by the steering group

- sets up service delivery review teams for each area under review

- provides guidance and support for the service delivery review teams

- checks service delivery review reports

- monitors and reports on progress.

The project team consists of two to five staff, depending on the number and scope of reviews planned and is usually led by a manager or director. As with the steering group, it may be useful to have staff from finance in this team.

> The Wyong Shire Council, NSW service delivery review was coordinated by a project control group consisting of:
>
> - Chair of Consultative Committee
> - Director, Corporate Services
> - Manager, Human Resources
> - Director, Shire Planning
> - Director, Shire Services.[10]

2.4.3   Service delivery review team(s)

The service delivery review team(s) consist of the staff who will conduct the service delivery reviews. The team engages with stakeholders, gathers information, benchmarks and analyses options, and prepares recommendations. The team(s) also investigate ideas and issues as they arise. Each team is usually assigned one or more services to review and they work closely with the service owner to conduct the review.

There are various forms of service delivery review teams. They include:

- **One team which reviews all services:** This approach ensures consistency of method and efficient use of resources but requires a high level of commitment from the team and the outcomes may be less well-received if the team is not from the department under review.

- **Line managers and their existing teams:** This approach can be effective but lacks independence and objectivity because the members of the review cover their areas of responsibility.

- **Cross-organisation teams.** This approach achieves greater staff involvement and ownership but can be more difficult to coordinate and requires a higher commitment to capacity building.

Each project team has a team leader who organises resources and administrative support, schedules and runs team meetings, ensures effective staff communication and prepares reports.

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[10] Wyong Shire Council (2010) *Service delivery review*. Available at: www.wyong.nsw.gov.au/about-council/plans-publications-strategies/plans-and-strategies/service-delivery-review/

2.4.4   Review panel

It can be useful to set up, or use an existing, review panel to bring independence and help to ensure a consistent approach across service delivery reviews. The panel analyses the information from the service delivery review teams and identifies other options and opportunities for improvement. The review panel can be:

- **internal** – chaired by a member of the steering group from outside the area being reviewed and in can include two other senior staff

- **external** – engaged from outside to provide a different perspective, for example, staff from another organisation.

In smaller local governments, an internal or external person could perform this role. It is important to have this independent check and balance as part of the review process.

2.4.5   Community advisory group

Community advisory groups are often already part of local government processes. They provide useful input into a range of projects and, like a review panel, can be an independent check for local governments. For a service delivery review, this group would provide input into the types and levels of services required, review and provide feedback on recommendations and comment on draft reports.

The community advisory group may also:

- attend information sessions to get up to speed on the services delivered

- undertake site visits for a first-hand view of certain services

- participate in strategic workshops and online forums to broadly consider services, the community's needs and opportunities for cost savings and income generation.

This group can be a relatively inexpensive way to test ideas and involve the community in decision-making, especially when resources are limited.

2.5   Identify stakeholders

Internal and external stakeholders should be involved throughout the review to provide information, analyse data, make decisions and evaluate success. Key stakeholders include elected members, staff, the community, current service providers and other organisations.

The starting point is to identify all the stakeholders and draft a plan to engage them. This documentation may take the form of a spreadsheet or diagram listing the stakeholders, their roles and point at which they will be engaged. On the other hand, it may be a more formal stakeholder engagement/communications plan, depending on the type of review and the size of the organisation.

A good guide to thinking about how to engage stakeholders and examples of stakeholder engagement tools is at:

Community engagement handbook: *a model framework for leading practice in local government in South Australia*. Available at:
www.lga.sa.gov.au/webdata/resources/files/Community_Engagement_Handbook_March_2008_-_PDF.pdf

A stakeholder engagement/communications plan template is in Appendix A

Effective engagement provides the evidence base for decision-making and helps the review to:

- understand stakeholders and their priorities

- scope and identify service requirements

- test new ideas and strategies

- set long-term priorities and resource allocation

- measure service user satisfaction.

The form of engagement will depend on the information required.

The steering group should detail when and how the various stakeholders will participate in the review and what information will be shared with whom, how the information will be shared, and at what point in the process. The service delivery review teams or stakeholder engagement staff (which may already exist in larger local governments) should run the participation activities and record the outcomes to provide a valuable information source.

2.5.1 Elected members

As instigators or endorsers of the review, elected members can provide important input into scoping, community views, decision-making. They can also review recommendations and implementations of change. Holding workshops and feedback sessions with elected members at key points during the review helps identify opportunities, assess alternative options and helps the review team to understand what elected members might support in terms of changed service levels.

City of Melville, WA briefed councillors on the methodology and changes to service provision. They were kept informed via elected member information sessions. In addition, the audit committee oversaw the recurrent savings expected from the review (approximately $1.7m) and reports were presented at council meetings.[11]

2.5.2 Staff

Whether reviews are conducted internally or by external experts, staff are often taken away from their normal tasks and asked to take on new roles and responsibilities. This requires:

- individual staff being comfortable about taking on different roles

- having other staff support them

- ensuring all staff have the appropriate skills

- clear understanding of new structures, roles and responsibilities

- potential changes to performance measurement and assessment.

Effective staff engagement gains support for the review, builds trust and ensures effective participation. Methods of engagement will depend on the size of the organisation and the number of staff involved with each particular service. For a 'whole of organisation' review, having a workforce engagement team, including staff from HR to help with internal communication, may be effective.

Methods of staff engagement

- forums and presentations, breakfast/lunchtime briefings
- Workshops, team meetings
- general manager/CEO updates
- newsletter articles, online blogs and wikis
- feedback and suggestion boxes
- brainstorming sessions
- internal surveys
- one-on-one interviews.

One of the initial tasks for the steering committee is to address any concerns staff may have about the impact on their jobs. For example, one approach

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[11] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

could be to guarantee no forced redundancies. Staff union representatives should also be briefed throughout the review and any staff likely to be significantly impacted by any proposed changes should be identified.

It is important to highlight key internal staff who have specific expertise or an interest in a particular service. The people on the ground doing the job are often one of the best sources of ideas for improvement.

2.5.3 Community

Knowing the community's needs and wants is a prerequisite to service provision. A community includes individuals, community groups and businesses who are locals or who live outside the area but use local government services or own property in the area. The needs of underrepresented and hard to reach people should be included, as well as potential needs of future communities.

Understanding the community is also about evaluating whether the community has sufficient capacity to understand and articulate what services it needs. It may be that not all communities or community members understand the range and levels of services provided and it is possible that not be in a position to be able to think about the future, and so the community may require some initial additional information, knowledge and training to be able to contribute effectively.

Service delivery reviews should involve the community in making decisions about services, service levels, how the service is provided and how the annual budget is allocated to specific services. It requires local governments to work with a broad range of community (and other) stakeholders to determine preferred futures and to facilitate shared decisions and joint actions to achieve agreed outcomes. This includes the quality of the local environment and how communities access the services they need.[12]

Most local governments will have already undertaken some community engagement. It is important to find out whether there is sufficient information about community needs and wants and their expectations of service quality and range. Start with establishing what is already known and double check that the information is still relevant. This ensures knowledge about the community is up to date and that any assumptions are tested.

The District Council of Tumby Bay, SA used:
- a confidential survey of the whole community – 2,800 people
- public meetings
- meetings with community groups, such as progress associations.[13]

City of Melville, WA used existing information about community aspirations and priorities from the Strategic Community Plan and its neighbourhood plans to align service priorities.[14]

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[12] McKinlay P., Pillora, S., Tan, S.F., Von Tunzelmann, A. (2011) *Evolution in community governance: building on what works*. Australian Centre of Excellence for Local Government, University of Technology Sydney. Available at:
www.acelg.org.au/file/1570/download?token=JsPVybcWi69h4sqAxsSaT4mlWgX0Ma_pcpqavsqtphw
[13] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[14] See: ACELG (2012) *Service delivery reviews In Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

Good guides to community engagement processes are:

Community Engagement Resources for Local Government.

Available at:

1320191471_Community_Engagement_web.pdf

Community Engagement in Rural-Remote and Indigenous Local Government.

Available at:

1349924506_RRI_Local_Government_Community_Engagement_Final.pdf

2.5.4   Current service providers

Current service providers should be engaged so they:

- are aware a review is being planned

- can respond effectively to suggested changes

- can provide their views of whether their service is valued by the community

- have an opportunity to provide input where required.

2.5.5   Other organisations

Engage with other organisations that may:

- **be a source of inspiration and information** – some local governments have already completed service delivery reviews and published their processes and results online. Researching these could help tailor the approach.

- **offer similar services** – they may be keen to partner on service provision using a 'shared services' model (see Step 4.3.2).

Hunter Councils has eleven member councils who share procurement, records storage and training services. This arrangement has generated cost reductions and greater efficiencies because of economies of scale. In addition, by selling training and procurement services to the private sector, Hunter Councils generates a significant income stream.[15]

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[15] See: ACELG (2011) *Consolidation in Local Government: A fresh Look*. Available at:
1320885947_Consolidation_Final_Report_Vol_2_web1.pdf

2.6   Draft an evaluation framework

Evaluation is an integral part of service delivery review and many local governments already use evaluation frameworks to monitor projects and assess their success.

2.6.1   What is evaluation?

Evaluation is the systematic, planned collection of information about the activities and outcomes of a service delivery review to:

- track progress

- make judgements and decisions

- improve effectiveness.

2.6.2   What is the purpose of evaluation?

Evaluation is important to:

- inform planning, implementation and future directions for service delivery reviews as part of continuous improvement

- engage stakeholders

- judge the benefit or value of change (especially whose benefit or value)

- improve the way current reviews or future reviews are conducted

- generate knowledge/understanding internally, within the community and among other stakeholders

- report to key internal or external stakeholders, such as elected members, to gain support.

2.6.3   What should be evaluated?

Local governments should evaluate each individual service delivery review (or at least a sample) and the review process as a whole. The steering group should be actively involved in evaluation.

Since reviews can be resource intensive and the recommendations far-reaching, local governments need to be sure that the review process is effective and efficient and that any changes to services or levels of service result in the objectives being achieved. Depending on the focus of the whole or individual service delivery reviews, evaluations should cover:

- *appropriateness* (Does the review make sense?)
  - Does the review address the right issues, and is there a need for the review?
  - Do the objectives/outcomes of the review directly address the need?

- *effectiveness (*Did it work?)
  - Did the review achieve the desired objectives/outcomes?

- *efficiency* (was it cost effective?)
  - Could the review have made better use of resources?

- *process* (Was it well managed?)
  - Did the decision-making and project management process deliver the objectives/outcomes?

2.6.4   Tools for evaluation

Some local governments may already use an evaluation framework or methodology as part of their project management system. Using an evaluation framework and referring back to it at the end of each step ensures the review stays on track and that resources contribute to the review objectives. Local governments should create an evaluation framework (or something similar) for individual service delivery reviews and for the project as a whole, in collaboration with key stakeholders.

A good guide to evaluation is: *Does your project make a difference? A guide to evaluating education projects and programs*. Available at: www.environment.nsw.gov.au/community/projecteval.htm

An evaluation framework template is included in Appendix A

2.7   Create templates and tools

Service delivery reviews create a huge amount of information, so good record keeping is vital. Each local government should tailor templates and tools to use in the review. In addition, a dictionary or list of terms and assumptions may be useful so that both internal and external stakeholders understand the terminology used in the review. As noted throughout this manual, potential templates and tools are in Appendix A.

2.8 Draft a project plan

There should now be sufficient information to develop a project plan. Again, some local governments may already have a project plan template as part of their project management systems. This plan should provide internal and external stakeholders with details about:

- background to the review

- objectives and scope of the review

- timing, key milestones and length of review

- team structure, resource requirements and resource allocation

- details of stakeholders

- evaluation framework.

The project plan is a working document which should be reviewed regularly and revised if necessary, particularly after Step 3 when more information about the current services and levels of service is known and priorities for reviews are being discussed. Depending on the size of the organisation, this plan can be documented as a stand-alone two- to four-page report or in sections in the steering group minutes.

A Project Plan template is included in Appendix A

Checklist: Step 2	✓
Do we have a set of guiding principles for service delivery?	
Are we clear about the objectives, scope and resource needed for the review?	
Have we set up the right team structure with defined roles and responsibilities?	
Have we set a review timetable and key milestones?	
Have we identified our stakeholders and drafted a plan to engage and communicate with them?	
Do we have an evaluation framework and good reporting processes?	
Do we have a selection of templates/tools to use?	
Have we drafted a project plan?	

Step 3: Gather existing information

03

GATHER EXISTING INFORMATION

Activities	Outputs
▶ Design a service statement template ▶ Identify and strategically group services and sub-services ▶ Gather and record information about services ▶ Set review priorities	▶ Service set ▶ Service statements ▶ List of review priorities ▶ Final project plan

3.1 Introduction

Information gathering needs to be both systemic and thorough as it is the backbone of the whole review. Do not underestimate the time it will take to first develop a format to record service information and then gather the information required from a range of sources if it is not already readily available.

Sometimes, sourcing the information takes a couple of iterations. Time spent getting this step right is a good investment for the rest of the process. As far as possible, adapt existing service information for the review.

At the end of this step, local governments will have a list of services and sub-services and they will have gathered key pieces of information about them. There are several parts to this step:

- Design a service statement template to record information (Step 3.2).

- Identify all the services and sub-services (Step 3.3).

- Gather and record information about the services and sub-services (Step 3.4).

- Gather and record other information (Step 3.5).

- Finalise the service statements (Step 3.6).

- Set service delivery review priorities (Step 3.7).

3.2 Design a service statement template

If the services are not already documented in detail, develop a template to record:

- the service category and name

- key department/division with the main responsibility for delivering the service

- key person responsible for delivery

- details of what the service does

- how the service links into the strategic plan

- whether it is an internal or external service

- whether it is a legislated service and the relevant legislation

- the sub-services.

For each sub-service the template is used to record:

- the outputs

- the service standard

- the community's view of the quality and importance of the service (if known)

- income/expenditure

- net cost of the sub-service

- the ratio of fixed costs to variable costs for the service

- staff (full-time equivalents) involved in delivering the service

- any key issues for the sub-service.

Each service statement should be concise (up to three pages long) with the key audience being elected members and the community. Each statement should be easy to follow and not full of so much information that it is unwieldy.

A service statement template is included in Appendix A

3.3   Identify all the services and sub-services

Next, identify *all* the services and sub-services delivered. It may be easy to identify services only by department or function based on organisational structure, but this is too simplistic. A appropriate much more informative approach is to define services based on how they are experienced by the community and then link the services back into the key strategic directions of the council.

An example of where services are identified based on key strategic directions is:

Strategic Direction 1 – Community wellbeing

Service – Children and family services

Sub-service 1 – Long day care

Sub-service 2 – Mobile child care programs

Sub-service 3 – Family day care support

Service – Library services

Sub-service 1 – General public learning resources

Sub-service 2 – Primary and secondary study support programs

Sub-service 3 – Community information programs

Sub-service 4 – Holiday activity programs.

Strategic Direction 2 – Shaping and building the city for now and the future

Service – Strategic land use planning

Sub-service 1 – Development of land use plans

Sub-service 2 – Heritage protection

Sub-service 3 – Land information and mapping services (and so on).

When completed, the service set should detail the key strategic directions from the organisation's main strategic plan (usually five to seven), with the corresponding services (about 30–35), each of which will have four to five sub-services. This creates a manageable framework for ongoing review and improvement. This process may take several iterations until all the services and sub-services are described from the community's point of view and correctly categorised.

> **How many services do we have?**
>
> The number of 'services' varies considerably between local governments and there is no industry standard list of services.
>
> Some councils define services at a broad level and select about 30-35 service groups and associated sub-services. Others start with a finer level of detail and document as many as 200 services. Listing this many services individually rather than developing an integrated service set under key themes will result in a very high maintenance model which will be a handicap in subsequent reviews.

3.4 Gather and record information about the services and sub-services

The next step is to gather specific information about each service and its associated sub-services by working closely with other departments, especially the finance department. For example, the development application service may be delivered to the customer via the front office customer service desk but also via the planners in the back office. Collaboration between departments is vital to ensure the right information is recorded.

All information should be recorded on the service statement.

Much of the data will probably be readily available, but the following sections provide guidance on how to source some of the potentially more challenging pieces of information.

3.4.1 Outputs and service standards

For each service/sub-service it is important to record the scale of the activities in terms of outputs and the service standards. The starting point for this information might be the service owner's best understanding of the service, or it may be a level of service provision agreed between council staff and elected members, or by council staff, informed by consultation with the community.

Also record (where the information is available, for example, from recent survey results) the community's views on the quality and importance of the service (see also Step 3.4.4).

3.4.2 Net cost of service

The net cost of service is the difference between all revenue and all expenditure for a service in a financial year. This includes capital revenue and expenditure. The key focus of the service statement is the financial status of each service in terms of income, expenditure and net cost of service. This focus is important because it:

- provides information on how resources are allocated

- helps determine what the council can do more of or less of

- helps the council in its decision-making with the community i.e. providing more of a particular service may require more money. If funding is limited, this might mean taking away from funds allocated to another service.

The finance department plays a key role in capturing and providing this information and extracting data from the financial management system. It is therefore a good approach to engage finance staff from the start of the review process.

> **Calculating net cost of service**
>
> Net cost of service = Income from running a service (capital and operating) – expenditure to run the service (capital and operating and the allocation of costs of internal services as far as possible)

Calculating the expenditure required to run the service is relatively easy, but deciding how much of the overheads for functions such as IT, HR, finance and legal advice should be allocated to a particular service may be more complicated. Local governments should allocate the costs of internal services on an agreed basis or ignore them if the impact of the costs of internal services is too small to make a difference. Including the elected members and/or the community in these decisions may be valuable.

Where overheads are allocated, the basis for allocation should be documented and the formulae recorded in the finance system. This helps when revisiting the basis for allocations in the future.

Working out the net cost for each service/sub-service may take a few iterations but this part of data gathering is vital as a starting point for decision-making. Importantly, it can help staff and elected members understand the true cost of services as well as the funding allocations.

3.4.3 Fixed and variable costs

If the key reason for the service delivery review is to test the appropriateness of current service levels, it is vital to understand the financial implications of increasing or decreasing them. To do this with sufficient accuracy, it is important to understand the fixed to variable cost ratio for each service/sub-service. This knowledge provides the necessary confidence to have informed and useful discussions with elected members and the community about service levels and service trade-offs.

For example, the net cost of providing a program of seniors' fitness activities in a local government-owned and operated leisure centre would, if a true costing approach is used, include a proportion of overheads such as electricity, general facility maintenance, depreciation (building, plant and equipment) and other managerial and administrative costs. If this service was to be discontinued, these overhead costs would be unlikely to change significantly. There may be some variable costs which solely relate to the program such as the additional labour costs of a fitness instructor.

3.4.4 Existing stakeholder views

As discussed in Step 3.3, services should always be considered from the point of view of the customer or community. This means local governments should:

- gather and record existing background information about stakeholder views of services from places such as local government papers, staff, previous engagement processes, service providers, other organisations and elected members

- identify key issues early on and develop response strategies.

Local governments may already have a lot of information about stakeholders and how they view the service provision from other processes such as strategic planning, community engagement or community satisfaction surveys. Speak to other staff to find out what is available and reuse the data where relevant.

3.4.5 Identify the existing levels of service

Local governments sometimes provide services with no formal understanding or agreement (internally or externally) of the levels of service required. The existing levels of service for each service should be documented, even if they are not all agreed or approved.

Then, as part of Steps 4 and 5, local governments can adjust, where necessary, the levels of service. Those linked to legislative requirements or strategic objectives are generally easier to identify and define. Those linked to community expectations require engagement and consultation with the community.

The existing and future levels of service may depend on:

- **legislative requirements** – knowing what is mandated and thinking about what might have to be provided in the future

- **strategic objectives** – knowing organisational priorities and linking existing and future levels of services to strategic directions, asset planning and risk management

- **community demographics and expectations** – knowing the community and understanding what it needs now and in the future.

In addition, collate information about whether existing requirements of service levels are being met by council.

3.5   Gather and record other information

Other types of information may be relevant for the service delivery review and should be gathered and stored in a structured way. Examples of the types of information could include:

- the type of assets used to provide the service

- the value (depreciated and replacement) of these assets

- details of how service levels are currently set

- the impact of climate change on the service.

Even though the exact depth and breadth of data required to review a service will vary, some information is likely to be common to most reviews.

Clarence City Council, TAS has developed a planning framework for assessing development applications in the face of current and future coastal climate change impacts. The framework uses a set of guiding principles to create a coastal erosion hazard overlay and has now become a requirement in all hazard zone development applications.[16]

A template for gathering data (with explanatory notes) is provided in Appendix A

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[16] See: Inglis, J., Whittaker, S., Dimitriadis, A. and Pillora, S. (2014) *Climate adaptation manual for local government – embedding resilience to climate change Vol.1*. Australian Centre of Excellence for Local Government, University of Technology, Sydney. Available at: www.acelg.org.au/file/2109/download?token=VXHiCdkDOfBC17FVCpntKLbDj3anhdhH-TlZ8I9eR4M

3.6　Finalise the service statements

The service statements become the 'source of truth'. They can be used at various stages in the review, for example to:

- highlight to elected members where there are differences between community expectations and actual levels of service

- help the steering committee review where staff or budget resources are allocated

- identify where a service has a particularly high/low fixed/variable cost.

The check and balance at the end of this process is that when all the net costs for services are added up (plus any unallocated costs of internal services), in conjunction with the net costs for special projects, they equal the council's total surplus or deficit for the year. This can be the budgeted surplus or deficit, or the actual amount.

The service statements then become a set of foundation documents which can be readily reviewed each year as part of the planning and delivery process.

3.7　Set service delivery review priorities

Many local governments may not have sufficient resources (especially staff) to conduct a service delivery review for all their services and may need to decide which services to review first and set the timeframe for reviewing the others. Prioritisation helps with scheduling and resource use, and should be determined by the steering group in consultation with the departmental managers.

In addition, some local governments may feel more comfortable starting with a review of a few services to trial their templates and approach before rolling out the service delivery review more broadly.

One simple method to prioritise services for review is based on the assumption that services which use a large proportion of the annual budget can potentially offer a higher proportion of financial savings. This approach is appropriate where cost-reduction or 'quick wins' are the primary objective. Other factors to consider could include:

- services with a high proportion of staff or costs

- where the service statements show there is a gap between satisfaction with the service and the importance of that service to the community

- whether the service is statutory (especially if it is non-compliant) or non-statutory

- the impact of the service on the organisation or the community

- whether the service is of particular focus for elected members.

District Council of Tumby Bay, SA undertook a whole of council review of all operational services apart from administrative and governance services. The review focused heavily on those areas using a large percentage of the annual budget.[17]

One of the strategic priorities for Ipswich City Council, QLD is *excellence in customer service*. As part of the action to deliver this, the council listed all its services and identified those most likely to benefit from business process improvement. An 18-month program of review started in July 2012 with the objective of reducing the cost and improving the effectiveness of delivery.[18]

A more comprehensive approach considers a range of factors and assigns a weighting to each.

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[17] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[18] Ipswich City Council (2012) *Annual report 2011-2012*.

Coffs Harbour City Council, NSW ranked their external services based on responses to a community survey about the importance of each of its services and levels of satisfaction with them. Internal services were ranked based on the level of difficulty of implementing change and the benefits gained.[19]

The City of Playford, SA asked staff to use the following categories to rank services: essential, important, needed, desirable, optional.[20]

Using factors (whether weighted or not) helps identify which services should be prioritised and included in a report for review by the steering group. This report summarises what services are being provided, what resources are being used to provide them, what stakeholders think and an assessment of the review priorities.

Checklist: Step 3	✓
Do we have an agreed set of services and sub-services?	
Have we gathered and recorded enough detailed information about them?	
Do we understand the current levels of service?	
Are the service statements complete?	
Have we set priority services for review?	
Have we finalised the project plan?	

[19] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[20] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

Step 4: Analyse services

04 ANALYSE SERVICES	Activities ► Develop an order of analysis ► Examine service levels ► Review service delivery models ► Consider service consolidation ► Conduct financial and other relevant analyses ► Undertake initial risk assessment ► Summarise change options	Outputs ► Summary Report ► List of approved options for stakeholder engagement
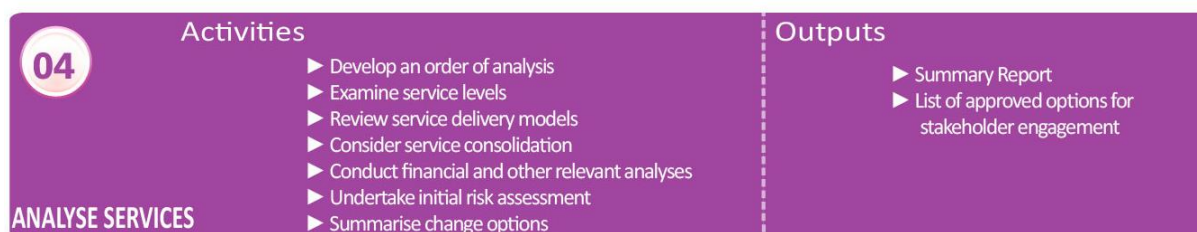
4.1 Introduction

Ideas for improvement and change start to emerge during the information gathering phase. Then they become more concrete with further analysis. This step uses the information gathered in Step 3 to analyse each service in order to suggest changes and improvements consistent with the overall objectives (Step 2.3). The options for change are then tested in consultation with stakeholders in Step 5 before a final review by the steering group.

During this step it is important to identify not only the possible benefits of changes and improvements but also the risks. As such, part of the analysis phase involves an initial risk assessment of proposed changes.

Any analysis is likely to reveal a need to gather further data. Typically, the review process loops around Steps 3, 4 and 5 as shown earlier in Figure 2.

There are a number of parts to this step:

- decide when to analyse each service (Step 4.2).

- decide what to analyse (Step 4.3).

- perform initial risk assessment (Step 4.4).

- summarise the results (Step 4.5).

4.2 Decide when to analyse each service

Before starting any specific analysis, it is important to spend time planning the order of analysis to ensure an efficient review process. The rule-of-thumb for the order of analysis is *most profound* to *least profound* in terms of potential degree of change. For example, if during the information gathering phase it is clear that a major decrease in service level could be an option, this option should be analysed first before examining less significant matters. Other examples of significant change could include consideration of a different service delivery model such as outsourcing or consolidating the service with one or more similar services.

4.3 Decide how to analyse

There are a variety of different types of analysis. The type of analysis used will depend on the type and scale of service being reviewed, and each service will require a different approach. For example, an analysis of asset utilisation may be relevant when reviewing an infrastructure maintenance service because of the significant plant and equipment required. However, asset utilisation may be less relevant when reviewing a more labour-intensive service such as economic development.

There are various approaches to analysis which are shown below and described in more detail in Appendix B. They are:

- levels of service
- service delivery models
- service consolidation
- financial analysis
- asset utilisation
- procurement processes
- labour provisions
- scenario analysis
- governance, process and technology
- benchmarking
- funding arrangements
- climate change risk .

4.4   Perform initial risk assessment

When considering which services or levels of service could be changed, local governments should also think about the associated political, financial, environmental or social risks. In addition, local governments should consider the longer term consequences for strategic planning. This initial risk assessment may influence the decision-making process and should be finalised after stakeholder engagement (Step 5.5).

Key questions about risks, some of which apply only to external services, are shown in Table 2.

Table 2: Some key questions about risk

Type of risk	Questions
Staff	What is the likely reaction from staff? What is the likelihood of low levels of staff engagement or contribution? Do the staff assigned to conducting the reviews have the necessary workload capacity and skill levels? How do others view these staff? Are senior people able to lead staff through change? Could changes in staff positions mean industrial relations issues?
Elected members	Do the elected members need support to analyse the information arising from the review process? Do they understand the benefits of continuous improvement and change? Are they committed to and/or driving change? How can they best support the community through the changes to service provision?
Community	How are the proposed changes likely to affect the community? Does the community have the capacity to understand and communicate their needs as they relate to service delivery functions and/or service delivery levels What is the likelihood of low levels of community engagement in the service delivery review process? Will the community have to pay more and what could be the reaction to this? What will be the community reaction to a change in level of service?
Asset management	Could there be changes in asset usage? Will the council need to dispose of assets? Are the future asset requirements known? Do the right asset management skills exist?
Environment	What could be the effect on the environment? Are the potential effects in line with environmental planning?

Type of risk	Questions
Financial	What could be the financial implications? Does council have the necessary funds to pay for the changes? Is external expertise required? Is there capability to negotiate with third parties on alternative service provision? Where could the required funds come from if the review highlights services which need extra resources?
Systems	Can current technology provide the appropriate data and analytical capability? How easy is it to change the system? Can staff get the best out of our technology? How easy is it to change the documentation of the services provided? What could be the effects on other support functions?
Regulatory	Can our statutory or regulatory requirements still be met? Will there be any changes to the regulatory environment in the future which might impact on decision-making? Are there any legislative or best practice approaches to service delivery which may influence the changes recommended?

City of Onkaparinga, SA Strategic Directions Committee undertook a review of its Small Business Support service. The aim of the review was to determine the best model to support small to medium-sized businesses, given that 95% of businesses in the city were of this type.

In reviewing the five options available, the committee considered:

- political risk
- financial risk
- financial benefit.[21]

4.5   Summarise the results

The results of the analysis should documented and tested using the review process established in Step 2. The reviewers should challenge the evidence, assumptions and conclusions and ensure the options for change are relevant and appropriate and will meet the review objectives.

The information on each service should be collated and summarised in a format which helps identify the key opportunities for change, such as process efficiencies, cost savings and income generation.

This summary of change/improvement options can help reveal what changes could be made and identify if there are any knowledge gaps. The summary could include:

- the service/sub-service name

- changes/improvements suggested

- financial/community/environmental benefits

- staff impacts

- comparison to benchmarks

- risks

- barriers to change

- ease of implementation.

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[21] See: City of Onkaparinga (2012) *Strategic directions committee*
www.onkaparingacity.com/events/2012/04/10/strategic_directions_committee_meeting_10_april_2012.jsp?display_expired=t

The steering committee should endorse the summary of change/improvement options before engaging stakeholders in the next step.

City of Melville, WA used a matrix which weighted community, environmental and economic wellbeing with governance outcomes, funding requirements and political, environmental, social/cultural, technological, economic and legal risks.[22]

Checklist: Step 4	✓
Have we examined the impact of changed service levels where relevant?	
Have we looked at options for using other service delivery models?	
Have we examined possibilities for service consolidation?	
Have we used other analyses where relevant (financial, asset utilisation, procurement processes, labour provisions, governance/processes/technology and benchmarking)?	
Have we identified any opportunities to change the funding arrangements?	
Have we done an initial assessment of all the potential risks?	
Have the results of the analysis been reviewed and challenged?	
Do we have all the information we need?	
Have we summarised the results of the analysis and formulated options for change/improvement for the steering group to consider?	

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[22] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

Step 5:   Engage stakeholders

05 ENGAGE STAKEHOLDERS	Activities	Outputs
	▶ Document change options in plain English ▶ Undertake stakeholder engagement ▶ Produce final change recommendations ▶ Finalise risk assessment	▶ Recommendations Plan
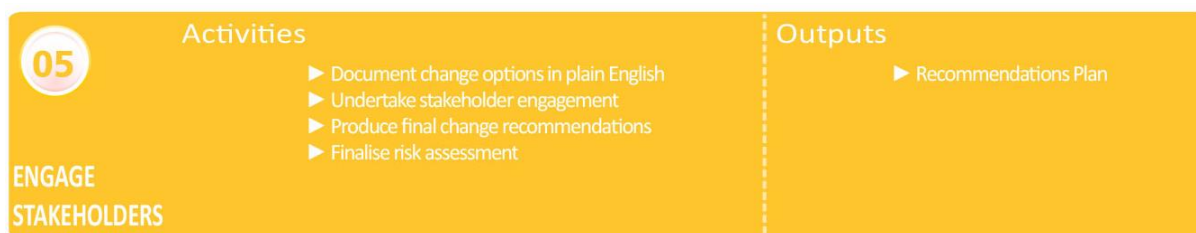
5.1   Introduction

Once they have completed Step 4, local governments will be in a position to confidently identify options for change, aligned with the objectives of the review, as a basis for stakeholder engagement. Step 5 includes:

- document change options (Step 5.2)

- engage and seek feedback from stakeholders (Step 5.3)

- test options with stakeholders (Step 5.4)

- produce a final recommendations plan and risk assessment (Step 5.5).

5.2   Document change options

Using the information contained in the summary report from Step 4, a clear and concise document which details the draft recommendations for change needs to be prepared for stakeholder engagement.

All stakeholders identified in Step 2.5 should be given the opportunity to review the draft recommendations plan and give feedback, suggestions and ideas. The feedback should be assessed and the project team should communicate back to the relevant stakeholders if it makes any adjustments to the recommendations.

When developing specific engagement activities, local governments should ensure they are thoroughly planned so everyone is clear on the purpose of the activities and what information is being sought. It is also important to manage community expectations and in this context council should provide clear guidance in relation to the process for inputting into the review, and clear information about how inputs to the review process are considered. The council should also explain to the community the outputs arising from the service delivery review process – particularly if it relates to a change in the mode of service delivery or a change in the service level previously established.

5.3   Engage with stakeholders and seek feedback from them

5.3.1   Internal stakeholders

Seek feedback from key internal stakeholders such as:

- **The steering group** – the draft plan should be presented to this group, especially to get feedback on particular areas of focus, such as where services are to be reduced, spending cuts or alternative models of service provision.

- **Staff from the departments/services under review** – this may include speaking at team meetings or one on one with staff members to explain the rationale for the recommendations and get feedback.

- **All staff** – a summary of the key draft recommendations should be presented to staff for information and feedback.

At City of Newcastle, NSW all staff were invited to attend a continuous improvement workshop and were given the opportunity to provide feedback on previous reviews in terms of what worked and what did not work.[23]

- **Elected members** – the draft plan should be presented to elected members. Sensitive areas or ones with high impacts for the community should be highlighted for discussion. In addition, elected members may have a different view about what needs to be provided and why. These views will usually be linked to a potential political risk or a particular viewpoint. Their knowledge and understanding of broader community views can be invaluable.

City of Playford, SA did not implement all the draft recommendations. About half were implemented, with variations, following review by councillors.[24]

Councillors from Port Stephens Council, NSW amended the recommendations put to council for two of the nine services reviewed.[25]

5.3.2 External stakeholders

Seek feedback from key external stakeholders such as:

- **Independent reviewers** – should challenge the assumptions and recommendations to ensure they are robust and will deliver the services required in an appropriate, effective and efficient way.

- **Current service providers** – any proposals to alter the contract terms should be discussed with service providers to establish whether they are able to make the changes required.

- **The community** – communicate the key findings of the review and the draft plan and ensure the rationale for any changes is clearly explained. Make sure there are a variety of ways for the community to provide feedback.

Engaging the community will help reveal what the community values because it may value a variety of aspects of service delivery. Examples of differing values are shown in Table 3.

Table 3: Examples of what the community values

What does the community value?	Example
Quality (high service standards)	Maintenance of parks and reserves
Low (or lowest) cost	Child care costs in line with those in similar organisations
Number of times the service is provided	Grass mowing in open spaces every week/fortnight/month
Services that save time	Being able to lodge development applications online
Streamlining/simplicity of process	Paying rates by direct debit/credit
Reliability	Knowing that street sweepers will clean once a week
Responsiveness	Time taken to respond to complaints about illegal dumping
Accessibility	People from CALD communities or those who have a physical or intellectual disability can access all services

[23] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[24] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[25] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

What does the community value?	Example
Sustainability	Support for composting programs
Social benefit	Events such as the annual carol service or sustainability fair

At the City of Melville WA, the community was involved with suggested changes. For example, all health and community care services were recommended to be transferred to a not-for-profit provider. To manage this change, an extensive engagement and communication plan was developed and deployed after consultation with both users of these services and also with volunteers.[26]

Port Stephens Council, NSW used a wide variety of community consultation methods including focus groups, targeted surveys and meetings with identified customer segments. Some members from an existing residents' panel were included in the focus groups. In addition, the review process was informed by the annual council-wide customer satisfaction survey.[27]

5.4   Test options with stakeholders

Where significant changes to services or levels of services are proposed, it may be useful to take the community, or the community advisory group as a proxy (Step 2.4.5), through a process of deliberation to help them understand potential trade-offs.

Engaging the community in this way also builds its capacity to understand the balance between financial constraints and service provision, and what happens to the overall budget if local government 'dials up' or 'dials down' a service. Involving the community in decision-making around the recommendations may help make any changes to levels of service more acceptable.

The City of Tea Tree Gully, SA used a modelling technique known as *SIMALTO* to identify which services residents would like improved and which services they were most prepared to reduce in order to fund the improvements. The various 'dial-up' and 'dial-down' options for each service were presented in a grid form to a representative sample of 300 residents who reviewed the grid and made recommendations. This model allowed the community to determine their preferred combination of services within the city's defined budget.[28]

Fairfield City Council, NSW also used a *SIMALTO* grid to compare incremental increases/decreases to services and the impact on the annual budget. The grid was just one tool that helped council review its current services and identify the mix of services and service levels to incorporate into the 2013-2017 Delivery Program.[29]

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[26] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[27] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[28] City of Tea Tree Gully and LGMA SA (2008) *Service choice modelling – community engagement model*. Available at:
www.lga.sa.gov.au/webdata/resources/files/Service_Choice_Modelling_-_Community_Engagement_Model_-_Case_Study_Summary_Version.pdf
[29] Fairfield City Council (2013) *Delivery program 2013-2017*. Available at:
www.fairfieldcity.nsw.gov.au/upload/wcrwa72592/2013_2017_Delivery_Programweb.pdf

Table 4 provides some examples of other questions to ask about levels of service if this information is not already known. Engaging the community with these high level questions may help reveal the potential trade-offs between levels of service and cost.

Table 4: Useful questions to ask the community[30]

Question from local government	What this tells local government	What this means for service levels
What do we not do so well?	Where to improve	Provide a high level of service
What else should we be doing? What problems are not we addressing?	What to start doing	Provide a high level of service
What do we do well?	What to keep doing	Provide the same level of service
What do we do that you do not value?	Where to reduce services	Provide a lower level of service
What do we do that you do not use?	What to stop doing	Provide no service

A comprehensive guide to levels of service and community consultation is:

***IPWEA asset management practice note 8** – levels of service & community engagement*

Available at: www.ipwea.org/pn8

5.5   Produce a final recommendations plan and risk assessment

Input from stakeholders should be analysed and the draft plan adjusted accordingly. An important part of this process is to let stakeholders know whether and how their comments and suggestions were incorporated in the final plan. This is especially important with the community stakeholders.

The final recommendations plan should then be referred to the steering group for endorsement. The steering group may refer it to elected members for review and approval. The plan should then communicated to all stakeholders. These recommendations should include an analysis which provides projects for the next one to five years for:

- process/policy/contractual changes
- financial and resource impacts, especially where the service provider is changing
- forecast savings
- forecast increases or decreases in revenue
- proposed staff changes in terms of full time equivalent positions
- risks and risk mitigation.

A Recommendations Plan template is included in Appendix A

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[30] Adapted from: Institute of public works engineering Australia (2011) *IPWEA international infrastructure management manual* , IPWEA.

When reviewing the final recommendations, the steering group should not only examine the specific recommendations but also consider the broader impacts of the changes overall. This can be done by asking some high-level key questions such as:

- Are the proposed changes consistent with the organisation's service charter and values?

- What will be the impact of the changes on the opportunity for community involvement in decisions and activities?

- What will be the impact on the community's self-reliance and resilience if most of the changes proceed?

- How much cumulative risk is involved for the local government and community when all the changes are considered together?

- What will be the impact of the changes on the community's vision for where they live?

- Is there a net increase or reduction in red tape?

- How do we prepare the organisation, the workforce and service stakeholders for the changes?

Checklist: Step 5	✓
Did we ensure all relevant stakeholders could review and comment on the options for change?	
Did the method we used to ask for feedback work?	
Have we effectively analysed all the feedback and modified the draft recommendations accordingly?	
Have we provided feedback as to whether and how stakeholder comments were incorporated into the final plan?	
Have we analysed the risks of change and identified ways to mitigate them?	
Have we produced a final recommendations plan?	
Have we included a final risk assessment in the recommendations plan?	

Step 6:   Implement change
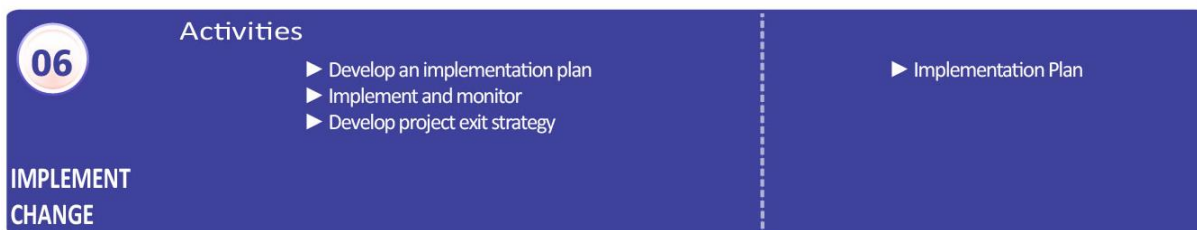
6.1   Introduction

After the recommendations plan is finalised and communicated, local governments need to plan, carefully manage and actually implement the changes required to improve service delivery based on the agreed recommendations. This step includes:

- develop an implementation plan (Step 6.2)

- make changes (Step 6.3)

- document the changes (Step 6.3)

- summarise the benefits realised (Step 6.4)

- develop strategies to exit the review (Step 6.5).

6.2   Develop an implementation plan

All the recommendations should be converted into realistic actions and detailed in an implementation plan. This plan records and tracks the changes to each service. As the actions are planned and implemented progress should be reported to the steering committee.

In developing this plan it is important to check whether elected members need to sign off on key changes, particularly if the changes are sensitive or require different service models and/or resources.

At the City of Melville, WA, an implementation plan was prepared based on recommendations adopted by councillors. The recommendations were prioritised based on community needs and how the service could be provided. Progress was reported each month to the executive and reported through quarterly reviews to council.[31]

At Parramatta City Council, NSW the 120 recommendations from the review were categorised and prioritised based on a matrix of business needs and ease of implementation. All recommendations were assigned a responsible officer, a business case was developed for each and key information was summarised in a spread sheet. Progress on change is reported quarterly.[32]

For each recommendation, the implementation plan should include:

- what changes to policy, process and resources are required

- who is responsible, for example, individual managers, cross departmental teams

- who is affected

- costings for the changes

- timing of changes

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[31] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[32] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

- expected outcomes

- impact on annual budgets/financial plan

- impact on fees and charges

- how the changes in terms of process and outcomes will be evaluated.

Any changes to staff positions should be managed in accordance with the state award/enterprise agreement in consultation with staff union representatives/HR.

An Implementation Plan template is included in Appendix A

6.3 Make change

Local governments need to take a structured approach to transitioning stakeholders and their organisation from the current situation to the new situation.

To fully implement the recommendations, a major change management process may be required. In larger local governments, a change manager could work closely with an implementation coordinator to run the implementation phase. In smaller organisations the department head or staff may make the changes required and report to the project team/steering committee.

Implementation activities should be prioritised based on the needs of local government and the resources available. Sometimes it is important to deliver some quick wins in the early stages of implementation to drive support for the change process and demonstrate progress. Quick wins energise staff and demonstrate the value of the process to stakeholders, especially to the community and elected members.

6.4 Document the changes

Any changes to services need to be documented to build organisational knowledge and ensure all staff understand the changes made. Depending on the degree of change, this documentation may include adjustments to operations manuals, service provider agreements, service standards and other organisational processes to record:

- new and changed services

- new and changed levels of service

- changes to existing policies and processes

- changes to organisational structure

- new and changed agreements with service providers

- new and changed relationships with other organisations.

6.5 Summarise the benefits realised

Benefits to local government and the various stakeholders will be realised over time. For quick wins, there may be more or less immediate benefits, but for more involved changes, such as using an alternative delivery model to deliver a service, the benefits may take longer to realise. Where assets need to be disposed, this may take a more medium term timeframe. Either way, keeping track of the benefits realised over time is vital to ensure there is a clear link between the change and the short, medium and longer term outcomes being achieved.

Some local governments may have a benefits realisation component within their existing project management methodology. This should be used as part of ongoing reporting to the steering group/council about progress. Examples of benefits/outcomes are shown in Table 5.

Table 5: Examples of benefits/outcomes to include[33]

Benefits	Examples
Benefits to local government	Operational savings e.g. in procurement, plant hire, fuel use and maintenance costs
	Increased income e.g. from sewage management, cemeteries, parking enforcement
	Increased awareness of community needs
	Alignment of service delivery with community needs
	Higher levels of ongoing staff participation
	Increased financial stability
	Strengthening a culture of continuous improvement
	Better cross-department cooperation
	Links with other organisations for benchmarking and sharing information and services
	Definition of an evidence based continuous improvement framework
	Improved public perception and reputation by demonstrating strong governance and efficient management
	Better defined services and service levels
	Increased focus on core business
Benefits to service providers	Commercial partnerships formed with other organisations
	Better understanding of what the community wants
Benefits to community	Greater understanding of how services are provided
	Higher levels of customer service
	Improved quality of services
	Improved customer satisfaction

6.6   Develop strategies to exit the review

At the end of the change process there needs to be a clear strategy to exit the review and return to a new business-as-usual phase. Formally exiting the service delivery review sends a strong message to both internal and external stakeholders that the review has been completed and the relevant changes made. This is especially important for staff to reduce any further uncertainty and to allow them to return to their 'normal' or changed roles. It is also important for the community when there has been significant change to service delivery.

Checklist: Step 6	✓
Did we develop a detailed implementation plan?	
Have we allocated staff and other resources to make change?	
Have we documented the new and changed processes?	
Are we keeping stakeholders informed of progress?	
Are we keeping track of the benefits as they are realised over time?	
Have we developed an exit strategy for the review?	

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[33] Based on information in ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

Step 7: Evaluate and drive continuous improvement

07 **EVALUATE AND DRIVE CONTINUOUS IMPROVEMENTS**	Activities ▶ Evaluate review process and changes ▶ Report outcomes and share learnings ▶ Drive continuous improvement ▶ Evaluation report	Outputs ▶ Service Delivery Report

7.1 Introduction

Local governments should evaluate and communicate how effective the review was – that is, whether it achieved its objectives, and how efficient the process was in its use of available resources. In addition, service delivery reviews should be incorporated into ongoing operations with a commitment to reviewing services on a regular basis.

This section covers how to:

- evaluate the review process and the changes (Step 7.2)

- report outcomes and share key learnings (Step 7.3)

- drive continuous improvement (Step 7.4)

- plan the next review (Step 7.5).

7.2 Evaluate the review process and the changes

Local governments should use the evaluation framework (Step 2.6; Appendix A; or existing evaluation processes) to determine whether the service delivery review process was effective and efficient, and whether it achieved the project outcomes. Evaluation should occur at two levels:

- for each individual service delivery reviews (or at least a sample of them)

- for the whole service delivery review at the end of the project.

7.2.1 Evaluate individual service delivery reviews

Evaluating individual services as the whole of organisation review progresses will help inform future reviews and allow the service delivery review teams to adjust their methodologies where appropriate. Not all service delivery reviews need to be evaluated but those which focus on areas of large expenditure, high capital costs or are important to stakeholders should be a priority.

The steering group should review the findings from the evaluation.

7.2.2 Evaluate whole review

At the end of the service delivery review project the whole review process should be evaluated, with a focus on:

- how effective the changes have been at delivering expected outcomes

- how effective the process of change has been

- how well the objectives of the review were met

- how key stakeholders view the process of change and the changes implemented.

Depending on the benefit realisation period (Step 6.5) there may be a delay in achieving some outcomes and this should be recognised.

The outcomes from the evaluation should be summarised in a separate section in the final service delivery review report (Step 7.3.1).

7.3 Report outcomes and share key learnings

Reporting outcomes and sharing learnings engages stakeholders, sustains the outcomes of the change and gets people involved in the debate about what constitutes an effective service delivery review.

Local governments should ask key questions such as:

- How can our experiences best be documented and shared to ensure we continue to engage with stakeholders during the service delivery review and at the end of the review?

- What is the most appropriate and effective way of doing this?

- How can our service delivery review contribute to those planned at other organisations?

7.3.1 Report results to stakeholders

The purpose of reporting is to communicate with stakeholders about the outcomes and benefits (immediate and longer term) achieved as a result of the service delivery review. Local governments should prepare a service delivery review report which can be a stand-alone document or included as a section in their annual report.

A Service Delivery Review Report template is included in Appendix A

In addition to including a summary of the evaluation, the service delivery review report should include:

- **an executive summary** – key changes made, benefits and outcomes from the review

- **background** – the objectives, scope and resourcing (Step 2)

- **the review process** – the process of information gathering and analysis (Steps 3 and 4)

- **recommendations** – what the recommendations were and why (Step 5)

- **implementation of change** – how and what change was made (Step 6)

- **evaluation of change** – evaluation of the process of change as well as the outcomes (Step 7.2)

- **conclusions** – summary of benefits and outcomes

- **recommendations for the future** – how the review experience can help others.

This report can also be circulated in other internal and external communications such as summary documents, web content, community newsletters, media releases, local radio releases, presentations and conference papers.

Golden Plains Shire Council, VIC reports annually against the following objectives:
- Deliver the best possible services within the limits of Council's resources.
- Engage with communities and service users.
- Provide transparent and accountable processes.
- Develop and maintain a relationship of trust between council and residents.[34]

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[34] Golden Plains Shire Council (2013) *The 19th Golden Plains Shire Council annual report 2012-13*. Available at https://goldenplains.vic.gov.au/webdata/resources/files/Annual Report_webFINAL 16_9_13.pdf

Bayside City Council, VIC produced a *Youth Services Review* following benchmarking and review of the youth services provision.

The report was included:

- a summary of recommendations
- an executive summary
- background and context, including benchmarking
- a service profile
- key issues
- detailed recommendations, including rationale, resources needed, performance measures and timeframe.[35]

7.3.2 Share learnings

Although every local government is different, sharing experiences:

- ensures that other individuals and local governments can benefit from other service delivery reviews

- broadens the discussion with other local governments about what constitutes an effective review process and builds evidence-based change

- promotes debate and reflection which is informed by evidence and improved professional practice, supports other organisations and provides an opportunity for networking.

Examples of learnings which have been shared by other organisations:[36]

- Think about using a proprietary business improvement tool.
- Better balance the need for a speedy review with existing staff workloads.
- Build in quick wins as some reviews go on for a long time with no tangible outcomes.
- Conduct the review methodically to get the full benefit.
- Better balance resources and outcomes.
- Make good use of internal knowledge and go to where staff work.
- Better quantify the impacts of recommendations.
- Collaborate with and learn more from other councils.
- Ensure clarity of objectives and processes.
- Build staff and community capacity to participate effectively.
- Allocate more time to developing and assessing recommendations.

Rockdale City Council, NSW identified key learnings as:

- Service delivery review encourages key decision-makers in their respective services to share their perceptions on opportunities for improvement.
- Staff involvement builds their capacity and they become more business-minded in approaching service delivery.
- The model for review which was developed in-house is an effective review tool.[37]

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[35] Bayside City Council (2004) *Youth services review*. Available at: www.bayside.vic.gov.au/youth_services_bv_review.pdf
[36] Based on information in ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[37] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

7.3.3   Knowledge management

In addition to ensuring the service delivery review contributes to organisational knowledge, local governments should also consider using various forums to share and promote their experiences, for example:

- the Local Government and Municipal (LGAM) Knowledge Base. See: lgam.wikidot.com

- the Innovation and Knowledge Exchange Network run by the Australian Centre of Excellence for Local Government. See: http://www.acelg.org.au/exchange

- the relevant state-based local government managers' member services, conferences, training and excellence awards

- the Local Government Business Excellence Network.

- any local government collaborations.

7.4   Drive continuous improvement

The first service delivery review is resource heavy but this means that for subsequent reviews, the bulk of the work needed to identify services and sub-services, determine service levels and cost them has already been done. Subsequent effort can be targeted at updating and confirming, rather than establishing, the service information. Also, any large scale changes will (hopefully) have been implemented and staff capacity will have been built to plan and run the review.

Service delivery reviews should then be incorporated into the local government's continuous review cycle, rather than being a stand-alone project. Service delivery reviews will then form part of the strategic planning framework and also the ongoing annual review of operations, delivery programs, financial and asset management plans.

7.5　Plan the next review

As with any continuous improvement process, service delivery reviews are iterative, so after completing one review cycle, the next one should be planned. Usually, organisations review all their services over a two- to five-year timeframe because of changes in:

- financial, environmental, social or governance pressures

- community characteristics

- community needs and wants.

Using the work already completed, local governments will be in a strong position for subsequent reviews.

In the meantime, local governments should establish a process to capture any further opportunities for service delivery improvements or efficiencies from their stakeholders and service owners. Recording suggestions and planning to address them is all part of continuous delivery.

Local governments are trialling a range of options for scheduling reviews. Some include:
- reviewing all services on an annual basis, in line with the business planning process. This process already includes a high level review of services and highlights where service managers may need to take a more in-depth or targeted review.
- developing a schedule of service delivery reviews on a service by service basis
- reviewing services as part of the strategic planning cycle and linking the results back to the development of the strategic plan.[38]

"All good businesses should undertake annual reviews of certain services but undertake an overall organisational review each 3-5 years. That is my belief and something I have practised in the past 20 years."
CEO District Council of Tumby Bay, SA.[39]

Checklist: Step 7	✓
Have we evaluated the review process (for the project as a whole and for each individual review) and the changes implemented?	
Have we produced a service delivery review report?	
Have we shared our results with others?	
Are service delivery reviews incorporated as part of continuous improvement?	
Have we scheduled the next service delivery review(s)?	

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[38] Department of Planning and Community Development Victoria (2006) A guide to achieving a whole of organisation approach to Best Value. Available at: http://www.dtpli.vic.gov.au/__data/assets/pdf_file/0016/225070/Best-Value-August-2006.pdf
[39] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

Appendix A.   Templates and tools

Section	Template/tool	Purpose
A	Stakeholder engagement/communications plan	To identify the stakeholders in the review, how they will participate and what information will be shared with whom and when
B	Evaluation framework	To evaluate the process of the review and determine if and how the objectives of the review are being met
C	Project plan	To summarise the objectives of the review and team structure
D	Service statement	To document information about existing services
E	Information gathering template	To record other information about a service that will inform the analysis phase
F	Recommendations plan	To detail and discuss and recommendations towards existing and future services
G	Implementation plan	To detail how changes will be implemented, the cost and expected outcomes
H	Service delivery review report	To communicate the outcomes of the review to stakeholders

A. STAKEHOLDER ENGAGEMENT/COMMUNICATIONS PLAN

	Example activity [to complete]	Stakeholders [to complete]	Level of engagement	Objectives [to complete]	Actions [to complete]	Responsibility [to complete]	Timing [to complete]
1.	Elected member reports	Elected members	Empower	• to inform elected members of proposed methodology • to provide in-principle support of review process and approach • to provide input into the scope of review • to provide input into draft plans/reports.			
2.	Executive management team meetings	Executive management team	Empower	• to provide direction and give approval to steering group on direction and methodology of service delivery review process			
3.	Change management workshop	Executive management team	Consult	• to provide executive management team with tools and techniques to support staff undertaking service delivery reviews.			
4.	Steering group meetings	Steering group members	Empower	• to develop, maintain and drive implementation of the service delivery review • to monitor and approve progress and completion of service delivery reviews • to ensure service delivery reviews are integrated with workforce planning, asset management and long term financial strategy requirements.			
5.	Review panel meetings	Review panel	Collaborate	• to test review findings with role as critical friend to provide rigour to the process.			
6.	Managers group meetings	Managers whose services are being reviewed	Collaborate	• to support each other and share learnings.			

7.	Coordinator group meetings	Coordinators whose services are being reviewed	Collaborate
			Consult
				• to work directly with coordinators to:
				  – inform them of the process
				  – listen to their concerns
				  – workshop the best methodology
				• provide clarity and support around process.			

8.	Management meetings – regular agenda item	Directors All managers	Inform	• to be transparent of process and keep managers informed.			
9.	All staff – various sessions	All staff	Collaborate Consult Inform	• to be transparent of process • to give staff an overview of service delivery reviews • to help staff find the most up to date information • to work with staff during the review and the change process as the key people involved in service delivery.			
10.	CEO/general manager briefings	All staff	Inform	• to be transparent of process • to give staff a progress update.			
11.	CEO/general manager bulletin	Elected members Directors Managers	Inform	• to be transparent of process • to give staff a progress update.			

Example activity [to complete]	Stakeholders [to complete]	Level of engagement	Objectives [to complete]	Actions [to complete]	Responsibility [to complete]	Timing [to complete]
12. Service planning intranet page	All staff	Inform	• to be transparent of process • to guide staff to most up to date information.			
13. Initial training	Service delivery review team	Inform	• to provide staff undertaking service planning with information and training to be able to undertake the review of their service • to enable managers to feel confident in their task.			
14. Service planning online tools	Coordinators Managers Directors CEO	Inform	• to provide managers with easy to access information and tools to enable them to undertake the review.			
15. Service delivery review team meetings	Service delivery review team staff undertaking service delivery reviews	Collaborate	• to allow members to share and network with each other • to enable project team to provide advice and support • to keep track of progress • to give members dedicated and regular access to project team.			
16. Mentoring	Managers whose services are being reviewed	Involve	• to provide external guidance and support to managers.			
17. Various community activities	Community in general Community Advisory Group	Various	• to engage the community in the review • to understand services required and set levels of service • to obtain feedback on options • to review recommendations.			

B. EVALUATION FRAMEWORK

	Example outcome hierarchy [to complete]	Example evaluation questions [to complete]	Performance indicators [to complete]	Performance information [to complete]	Judgements about success [to complete]
Ultimate outcomes	• service delivery review meets objectives	• Did we achieve the objectives of the review? • Has individual and organisational capacity for planning, management and service delivery improved? • How can the review process be further improved? • How can we share our experiences with others?			
Intermediate outcomes	• service delivery better planned, managed and reviewed	• To what extent is the service delivery review leading to improvements in service delivery? • To what extent is the review having the anticipated effect? • Is the community more involved with service delivery? • Has the service delivery review had unexpected impacts? • Has the capacity of our staff to conduct reviews increased? • What do we now know about service delivery?			
Immediate outcomes	• stakeholders engaged with service delivery review	• What was the response to the service delivery review from our stakeholders? • To what extent did our stakeholders engage with the review? • What additional information do we need? • Are the processes appropriate for the capacity of the stakeholders? • Is the review delivering the expected outcomes?			
Activities/ outputs	• set up structure for review • engage key stakeholders to understand gaps in service delivery • design and conduct service delivery review • make recommendations • develop an implementation plan • make changes • report and evaluate change	• Was the structure for the review appropriate and did it lead to effective flows of information and decision-making? • Did we identify all our services and sub services? • Was the process to engage stakeholders well managed? • Did we understand and identify all the key concerns that our stakeholders told us about? • Were our engagement activities cost effective? • Was the process to review each service effective and efficient? • Did we effectively review our reports with stakeholders and incorporate feedback? • Were the results of the review and the recommendations effectively communicated to our stakeholders?			
Need	• to undertake a service delivery review and meet the review objectives	• Did we correctly identify the objectives for the review? • How does service delivery review link into other processes? • What issues could impact on the ability to conduct the review?			

C. PROJECT PLAN

Section	To include
Background	• background to the service delivery review
Objectives and scope	• what the review aims to achieve and what areas it will cover
Team structure	• key personnel involved
Resource requirements	• what resources are required
Timeline	• timetable for review and key milestones
Stakeholder engagement	• how and when stakeholders will be engaged
Risk assessment	• identify project/specific review risks.

D. SERVICE STATEMENT

Group: [Insert area responsible for delivery]

Division: responsible]	**[Insert division**	**Responsible Officer: [Insert title of person responsible]**

What does this service do?

[Provide a brief description of service]

Are we legislatively required to deliver this service?

[Yes or no]

[If yes, what legislation governs this service?]

External or internal service

[State whether the service is external or internal]

What legislation does this service comply with?

[Provide details even if the service is not mandated]

How does this contribute to our strategic plan?

[Insert details]

Sub-service 1

Outputs	Service standards	Community's view of quality of service	Community's view of importance of service

Sub-service 2

Outputs	Service standards	Community's view of quality of service	Community's view of importance of service

Sub-service 3

Outputs	Service standards	Community's view of quality of service	Community's view of importance of service

Sub-service 4

Outputs	Service standards	Community's view of quality of service	Community's view of importance of service

Sub-service 5		
Outputs	Service standards	Community's view of quality of service
		Community's view of importance of service

Sub-service 6		
Outputs	Service standards	Community's view of quality of service
		Community's view of importance of service

Sub-service 7		
Outputs	Service standards	Community's view of quality of service
		Community's view of importance of service

Financial Year 20XX/20XX						Key issues	
Sub-services	Total ($000s)				Staff numbers (FTE)	Current	Future
	Income	Expend-iture	Net cost of Service	Fixed vs. variable cost ratio			
Sub-service 1							
Sub-service 2							
Sub-service 3							
Sub-service 4							
Sub-service 5							
Sub-service 6							
Sub-service 7							
TOTAL							
Notes							

Note: the red text indicates purpose of question.

Service / Sub-service Title	Confirm service name
Service / Sub-service description	**Confirm core of service and boundaries**
1. **Service relationships:**	**Identify opportunities for service consolidation, economies of scale and process improvement**
• Is the service or part of the service provided by another part of the organisation?	
• Is there a close relationship or duplication with other services that could be explored with the review?	
2. **Mandatory requirements:**	**Understand current service levels and identify potential barriers to change**
• Is it mandatory for council to provide the service? This may be due to legislative or contractual requirements, etc.	
• Are there impediments to reducing or stopping the service, e.g. a long-term contract, an agreement with a government agency, or a policy position of council?	
3. **Service outputs:**	**Understand service outputs and type of performance delivery data available**
• What are the outputs for the service, what does the service deliver or produce?	
• How are the outputs measured?	
• Examples include: grass mowed, gravel roads sealed, burial plots sold, building certificates issues, tourism merchandise sold, bulk waste collected, land use plan prepared, environmental education provided.	
4. **Service outcomes:**	**Understand customer and community value of the service**
• What do the service outputs achieve for the customers? What value do the customers extract from the service?	
• Examples include: a place to relax, a healthy lake, reduced flooding, a low cost option for burials, well informed tourists, reduced illegal dumping, increased recycling, a safe road network.	

Service / Sub-service Title	Confirm service name
5. **Current service levels:** • **What are the levels of service provided in the outputs, in terms of quantity, quality, timeliness, reliability, responsiveness, accessibility, etc.?** • **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.** • **What is the process for the review of service levels, including the process inputs?** • **Are the target service levels being met?**	**Clarification of current service levels and how they were determined and whether the levels are being met**
6. **Customer feedback:** • **Is there an effective customer feedback process?** • **What is the current level of satisfaction and how important is the service to customers?** • **What do community and customer surveys indicate?**	**This information is needed to examine satisfaction v importance of the service as well as any other feedback about service quality and stakeholder expectations**
7. **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?** • **Do council sections work effectively to optimise the opportunities to increase efficiency (mutually supportive with resources/assets)?** • **Are their changing demands due to population growth, change in community trends, etc.?**	**Is there an understanding of future prospects of the service, whether it is currently at capacity and whether there are opportunities for sharing resources across services**
8. **Existing constraints:** • **Is there anything restricting the delivery of the service, such as insufficient office space, lack of equipment, out of date technology, etc.?** • **Are there 'assumed constraints' within the works environments?**	**Provide an open opportunity for service owners to identify improvement options as well as sufficiency of supporting resources/technology**
9. **Strategic links:** • **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?**	**Understand the strategic purpose of the service and the strategic implications if changed**

Service / Sub-service Title	Confirm service name
10. Processes & procedures: • What are the key processes relating to the service and have they been mapped? • What procedures or other documents directly apply to the service and how effective and useful are they? • Do the services management and staff refer to and adopt council's processes and procedures?	**Identify potential improvements in relation to process and streamlining governance requirements**
11. Financials: • What are the annual budgeted and actual expenditure and revenue figures for the service for the current, and last two financial years? • What is the net cost of service for the service under review over the same periods? • How has the net cost of service varied over the periods examined? • What factors caused these variations (if any) in the net cost of service? • What impact did these variations have on the service? • Were the factors a result of deliberate decisions or unplanned events? • How is the service funded: rates, grants, loans, reserves, user charges, etc.? • On what basis were user charges determined for the service? How were they calculated? Are there any regulatory or other constraints that limit the amounts of the charges? • Are there available unit rates e.g. cost per square metre, cost per person? Corporate overheads should be included as appropriate.	**Understand true cost of service and identify potential investigation areas using trend data (variations).** **Inform opportunities for reviewing funding mix and ascertain data that could be used for benchmarking.** **Examine whether sound pricing policy is in place to maximise revenue and identify areas for improved procurement action and asset utilisation**
12. Mode of service delivery: • How is the service currently delivered, e.g. in-house, outsourced, resource sharing, partnerships, community groups? • Have other modes been tested or discussed within council for consideration? • Is council examining opportunities to work with external councils and/or government bodies to improve or cooperatively provide services?	**Support investigation of alternative delivery modes.**

Service / Sub-service Title	Confirm service name
13. **Staff and contractors:** • How many people are employed on the service? How many full time equivalent positions? • What are their high level roles and responsibilities? • How many vacant positions are you currently carrying and how long have they been vacant? • How have you managed without these resources and what has been the impact of the vacancies on service levels? • Are there any contractors or volunteers? • Does council sub-contract elements of the services delivery? How are these assessed and periodically reviewed for efficiency?	Inform potential options to improve efficiency through improved labour usage, skills development and task consolidation
14. **Assets:** • What assets, infrastructure and facilities are associated with the service? • Identify if any are not Council owned, e.g. Crown land. • Are there assets with low utilisation or high recurrent maintenance?	This question assists in identifying opportunities for improved asset utilisation, reduced depreciation, service transfer or consolidation and alternative delivery models. Data required will depend on the asset intensity of the service. The question is intended to identify significant assets rather than tools of trade or standard support resources such as minor equipment, passenger vehicles, laptops, mobile phones etc.
15. **Comparative data:** • Is comparative or benchmarking data available from other organisations that is relevant to the service? • How does services productivity compare to other similar organisations?	The question aims to identify existing benchmarking and comparative information to examine service efficiency or quality. Further benchmarking or comparative data may be useful if performance is low relative to cost.
16. **Opportunities:** • Are there opportunities or staff suggestions for reducing costs, generating additional income or improving the service? • Are there previous review recommendations which have not been implemented?	Open opportunity for staff to suggest improvements
17. **Impact of climate change** • What is the impact of climate change on the service? • Are there any resilience/adaptation measures already inbuilt into the service? • What else is required now and in the future which might impact service delivery, cost and service levels?	Understand the impact of climate change on the service (direct and indirect) to determine whether resilience to climate change needs to be built in to the service

Service / Sub-service Title	Confirm service name

18. Other information:

- **Is there any further information that may assist with reviewing the service?**
- **Include additional documentation as attachments to the form where appropriate.**

F. RECOMMENDATIONS PLAN

Service name	Sub-service	Responsibility	Recommended changes	Expected financial outcomes (savings, revenue changes)	Expected staff changes	Expected changes in assets

Stakeholders consulted	Feedback	Risks and risk mitigation	Feedback incorporated?

G. IMPLEMENTATION PLAN

Service name	Sub-service	Objective of change	Actions required	Responsibility for change	Stakeholders affected	Cost/resources required	Expected outcomes	Timeframe	Impact of fees/charges	Evaluation of change (performance indicators/targets)

H. SERVICE DELIVERY REVIEW REPORT

Section	To include
Front cover	• name of the service/sub-services • date the report was completed • name and title of the author.
Statement of compliance	• review timeframe • staff responsible for the review • staff who signed off on the review and plans.
Executive summary	• key changes made, benefits and outcomes from the review.
Background	• the objective, scope and resourcing.
Review process	• the process of information gathering and analysis.
Recommendations	• what recommendations were made and why
Implementation	• what change was made and how
Evaluation	• evaluation of the process of change and the changes made
Conclusions	• summary of benefits and outcomes
Learnings	• what was learnt and how your experiences can help other organisations and/or your next review
Appendices	• various stakeholder communications based on this report e.g. summary report, one pager, website content, final briefing for elected members.

Appendix B.   Detailed analysis

A. LEVELS OF SERVICE

Analysing levels of service can be a good starting point especially where:

- customer feedback shows a mismatch between service satisfaction and service importance

- community feedback indicates the service is highly valued or needs to be improved

- cost savings are needed to ensure the continuance of the service

- services have been determined historically or set by the service owner alone and have not been challenged because 'this is what we have always done'

- services may be influenced by demographic changes and require regular validation

- services may require significant change in scope and/or level because of other changes outside the control of local government such as new compliance and other governance requirements set at the state or federal government level

- services are readily available from other providers and where a reduction in service level or discontinuance of the service will have no significant impact on service users, for example immunisation services.

This analysis should examine:

- the impact any change will have on resources, staff, customers and other stakeholders

- how the change fits with the overall strategic priorities of the organisation

- the risks and benefits of any proposed change

- the impact on the fixed and variable costs of the service in conjunction with the finance department.

B. SERVICE DELIVERY MODELS

Examining alternative ways of delivering a service can result in improved efficiencies and service quality. Usually there is a 'pay back' period before benefits are realised and clarity is needed about the length of this period. Most local governments develop a business case to fully examine and inform a decision to change service models.

Typical alternative service delivery models include:

- shared services and resources

- strategic relationships with government and non-profit bodies

- arm's-length entities

- business enterprises

- joint ventures or public–private partnerships

- community-run services or enterprises

- outsourced to external providers.

A summary of each of these models and when they could be considered is in Appendix C.

Due to the sensitivity around implementing alternative service delivery models, the steering group should take a lead role when exploring these options and make a register of potential models and possible partners. It is important that this process is transparent and includes the following questions:

- Does the service involve significant customer interaction or would changes to the service be unlikely to be noticed by customers?

- Is the need for the service predictable throughout the year or is it largely reactive to unpredictable events?

- Is there a degree of flexibility that can be applied in terms of service response times?

- Is there a sound external market of suppliers of the service?

- Can performance be measured transparently?

- Does an in-house service model provide knowledge that would otherwise be lost if the service were contracted out?

- If teams are multi-skilled across more than one service, would contracting out the service result in reduced staff utilisation or reduced flexibility in programming?

Lake Macquarie City Council, NSW used the following criteria to determine whether a shared services model might be worth investigating:

- service requires a high degree of expertise
- service is largely self-contained
- there is the potential to realise economies of scale
- service is non-strategic, low risk or rule based
- service has high volume transaction processing
- service requires the latest technology.[40]

Rockdale City Council, NSW entered into a strategic alliance with two nearby councils and formed the St George Region of Councils Joint Waste Collection Service Contract. The council will save $24m over the ten-year term of the contract.[41]

After its own service delivery review, the District Council of Tumby Bay, SA led a shared services investigation with three Lower Eyre Peninsula councils.[42]

In 2007, Brighton Council, TAS set up the Brighton Council Common Service Model to offer a wide range of services to other councils. The objective is to provide high quality service for a lower cost than if the councils provided the service.

Councils in Tasmania, WA, NSW and Fiji use services such as IT, finance, accounting and strategic and business planning. The fees charged are based on a contract for set terms and hours, or on a one-off basis for ad hoc or specialist services.

The income generated from the model accounts for about 20% of the annual rates revenue of the council.[43]

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[40] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[41] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[42] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[43] Valle de Souza, Simone and Dollery, Brian (2011) Shared services in Australian local government: the Brighton common service model *Journal of Economic and Social Policy:* Vol. 14: Issue. 2, Article 4. Available at:
http://epubs.scu.edu.au/cgi/viewcontent.cgi?article=1194&context=jesp

A useful document which explains the alternative service delivery models further, with examples of how they have been implemented in NSW is:

LGMA NSW Working Party 2e (2013) *Identify, categorise and evaluate alternative service delivery models: final report*. Available at:

http://www.olg.nsw.gov.au/sites/default/files/Destination%202036%20-%20Final%20Report%20-%20Working%20Group%202e%29.pdf

C. SERVICE CONSOLIDATION

This analysis looks at the relationships between types of services and where they are located to help councils decide whether to consolidate them. Service consolidation can generate economies of scale when different services have similar or identical skill sets, customer groups, asset needs or resource mixes.

Often, a variety of services are delivered from a range of premises. With demographic, technological and transport access changes over time, it may be appropriate to consolidate services into fewer locations.

A large metropolitan council maintained a town centre shop front separate from its main building for the payment of rates and the lodgement of development applications. The analysis showed that due to a move to online payments and application lodgement, the shop front (with associated leasing, staff and other operating costs) was no longer required.

A large metropolitan council relocated some WHS, finance and HR staff out of the administration building and into the council depot and main library to avoid the cost of office expansion. The move also provided the benefit of locating these staff into the parts of the organisation they supported.

Examples of service consolidation include:

- **Roads maintenance and parks maintenance** – these require very similar skills and assets and combining them can deliver economies of scale and a provide more variety of work for staff.

- **Public domain maintenance** – this includes parks, environmental restoration services, bushland care and coastal care. These also require similar maintenance and infrastructure services.

- **Enforcement, regulation, surveillance (CCTV) and investigation services.**

- **Centralised bookings** – local governments often combine bookings for community halls, sporting fields and sporting facilities together into the main customer service team. This gives customers a 'one-stop-shop' experience and the central recording of data allows better understanding of the demand for certain council assets.

The HR department, in particular, can help identify possible services for consolidation using role descriptions and details of existing skills sets.

D. FINANCIAL ANALYSIS

There is a range of ways to analyse the financial aspects of a service. The nature of the resources involved and an initial review of some high level cost measures will help determine which method to apply. Some specific approaches include:

- net cost of service

- material costs

- staff costs

- depreciation and overheads

- revenue potential.

Net cost of service

Determining the net cost of service (Step 3.4.2) is a key measure for services and service delivery reviews. Assuming no changes to service levels, the net cost of service should remain constant from year to year. Comparing actual vs. budgeted net cost of service over several years can help identify the resources used to provide a service. Any unplanned and/or unexplained variations can then be investigated.

It is also important to understand the breakdown of the net cost of service as this will show whether a specific review of revenue and expenditure should be performed.

Whilst there can be many factors which influence the net cost of service, Table 6 below sets out some potential causes and responses to changes in net cost of service.

Table 6: Net cost of service analysis

Unplanned symptom	Possible cause	Response
Steady increase in net cost of service based on actual to budget comparison	Service scope and/or level drift. Where the service owner is motivated to provide a higher level or broader scope of service than originally agreed/funded	Review service level and scope and compare to prior years to determine extent of service drift
	Portions of one or more service inputs are being used to progressively subsidise another service or unrelated activity	Review service costing and resources with service owner to ensure a clear segregation of service costs
Sudden increase in net cost of service based on actual to budget comparison	Change in funding mix, especially the reduction or discontinuance of grant revenue for the service	Review all funding sources and compare to previous years
	Allocation of depreciation, leave liability or overhead costs not previously applied	Review process for determination and allocation of these costs to ensure visibility during budget process
Steady decrease in net cost of service based on actual to budget comparison	Additional revenue received from a new source. For example, program revenue from a government agency and/or an expenditure item has decreased due to lower pricing from new supply contract	Detailed analysis of revenue sources and varying expenditure items
	Implementation of internal charges on internal users, for example, venue hire	Reconciliation of additional service revenue to other service expenditure with zero net benefit
Sudden decrease in net cost of service based on actual to budget comparison	Elimination or significant re-structuring of major expenditure item, for example, IT software licensing	Detailed analysis of varying expenditure items
	Scheduled work and services cannot be undertaken. For example, bicycle path construction delayed because of unexpected wet weather	Analysis of all resources set aside for the works or service for consideration for re-allocation or carry-over

Material costs

Some services, for example road maintenance, require significant expenditure on materials. Where material costs are high, a small percentage saving can be significant.

The cost of materials can be influenced by procurement processes (Step 4.3.6) as well as changes in materials quality and technology. Where a service uses significant materials, options for review include:

- examining materials quality

- revisiting how material needs are estimated

- examining the difference between materials estimated and used

- identifying opportunities to reduce waste and reduce the quantity of materials ordered.

Staff costs

Staff costs involved in providing the service include all remuneration, overtime, other benefits and any ongoing leave liability.

It can be difficult to determine the true staff costs because many staff, often across various departments, may be involved in providing the service. As such there needs to be an agreed method of dividing staff costs across services to ensure a consistent approach to service costing.

Once staff costs for a service are known and broken down into the various components, it is pertinent to ask:

- Is there a more efficient way of getting the work done?

- Have salary and overtime costs become a greater proportion of the overall cost of the service despite stable service levels? If so, why, and what can be done to constrain this growth?

- Do the variations in hourly rate across the salary levels applicable to the service make sense from a work value perspective? If not, what can be done to remedy this?

- Is there enough leave scheduling to minimise the combined leave liability of the service team?

Issues related to work practices and other types of labour are discussed in Step 4.3.7.

Depreciation and overheads

The allocation of depreciation and overheads is included in the calculation of net cost of service (Step 3.4.2). Usually, local governments have an agreed approach to allocation and it can be useful to analyse whether the service being reviewed is carrying out the appropriate allocation.

Revenue potential

This analysis focuses on discretionary fees and charges to see whether they can be increased or stabilised if they fluctuate between years and seasons. It can also ensure that the service has a pricing strategy to achieve fairer and more equitable fee levels over time, taking into account the users of the service and their ability/willingness to pay.

This analysis can also explore opportunities for the commercialisation of services where this is appropriate, for example, by extending an existing service to other users or by considering a new service which can leverage off an existing service.

A large metropolitan council explored ideas such as hiring out small plant and equipment items, offering a truck washing service and establishing a vehicle emission testing facility. These ideas leveraged off expertise and assets already owned.

E. ASSET UTILISATION

Some services, for example roads and parks maintenance, child care and library services, require significant buildings and plant and equipment. Analysing the use of these asset-intensive services can be a key to cost savings and efficiency improvements. As the analysis of asset utilisation can be complex, the finance and asset management departments should be involved.

F. CLIMATE CHANGE RISK

Analysing climate change risk means understanding how climate change may impact on services and deciding whether and how to adapt to potential impacts. Various methodologies can be used to determine if, when and how assets, services and communities will be impacted.

Whilst climate change is a much broader issue which should be assessed at a strategic level, there will be some services which may be more obviously affected than others, for example, planning services for developments in coastal areas or open space management vegetation and watering systems.

The City of Marion, SA has developed an irrigation management framework which includes an Irrigated Public Open Space Decision Support tool. This tool asks users a series of questions in relation to the function and use of irrigated landscapes in order to systematically prioritise irrigation scheduling[44].

Given the limited resources available for weed management within local government, The City of Latrobe Council, VIC used key information provided by the Department of Primary Industries to determine the key weeds likely to be problematic in the municipality based on future climate change scenarios. This information has subsequently informed operational decisions, and has resulted in the prioritisation of weed management programs[45].

The Climate Change Impacts Financial Simulation Model quantifies the change in road asset useful life and corresponding maintenance and repair costs as a result of future climate change. Road assets include spray sealed, asphalt (hot mix) and unsealed (gravel formation) roads. The impacts of climate change for each road asset type are modelled using road engineering equations tested for appropriateness under Australian conditions by the Australian Road Research Board and climate data from the Bureau of Meteorology High Quality National Real Time Monitoring gridded data set.

The Model has been configured and incorporated into the latest edition of the widely-used asset management package NAMS.PLUS produced by the Institute of Public Works and Engineering Australia (IPWEA). Local governments who subscribe to the NAMS.PLUS service can use the model outputs to modify their road asset maintenance and repair costs to include the impacts of climate change.

Background information at: Inglis, J., Whittaker, S., Dimitriadis, A. and Pillora, S. (2014) *Climate adaptation manual for local government – embedding resilience to climate change Vol.2*. Australian Centre of Excellence for Local Government, University of Technology, Sydney. Available at: www.acelg.org.au/file/2110/download?token=8CFp5BeSoQVePnRpgsJZVGckI47052McpTpQi6IvmF4

More details are at: IPWEA's NAMS.PLUS3 system. Available at: www.namsplus.org.au

G. PROCUREMENT PROCESSES

Market testing

Regular market testing of the quality and cost of significant inputs such as materials, labour and equipment helps ensure best value so it is important to know when market testing was last carried out and the changes made as a result. Even without realising, service owners can get into a habit of either using a particular supplier who may, over time, not deliver the best value, or they may be unaware of competitive supply contracts available to local government.

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[44] See: Inglis, J., Whittaker, S., Dimitriadis, A. and Pillora, S. (2014) *Climate adaptation manual for local government – embedding resilience to climate change Vol.1*. Australian Centre of Excellence for Local Government, University of Technology, Sydney. Available at: www.acelg.org.au/file/2109/download?token=VXHiCdkDOfBC17FVCpntKLbDj3anhdhH-TlZ8I9eR4M

[45] See: Inglis, J., Whittaker, S., Dimitriadis, A. and Pillora, S. (2014) Climate adaptation manual for local government – embedding resilience to climate change Vol.1. Australian Centre of Excellence for Local Government, University of Technology, Sydney. Available at: www.acelg.org.au/file/2109/download?token=VXHiCdkDOfBC17FVCpntKLbDj3anhdhH-TlZ8I9eR4M

Contract management

Where inputs are provided via a supply contract, there are often beneficial contract provisions which need active management. For example, a supplier may offer to provide training or price reviews/rebates at volume points as part of the contract. Being proactive in the management of supply contracts helps extract these benefits to produce savings and/or improvements in productivity.

H. LABOUR PROVISIONS

Staff/contractor/NGO/volunteer mix

Services can be delivered by a mix of staff, contractors, non-government organisations, community groups and volunteers. For example:

- A museum or gallery may be operated by a few staff and an active group of volunteers.

- A community service may be delivered by a community sector organisation, supported with funding, financial advice and strategic planning from local government.

- Contractors may provide safety and traffic management with the actual road maintenance undertaken by staff.

An analysis of labour provisions could identify a more cost effective and appropriate way to deliver the service or different service elements. Whilst this can raise similar issues to those which can arise when considering alternative service delivery models (Step 4.3.2), a change of mix is less significant than a transfer of control of the service and often involves extending the existing mix or incrementally introducing other labour sources.

Again, the HR department will be invaluable during this analysis.

Task consolidation and multi-skilling

In addition to service consolidation (Step 4.3.3), there may also be opportunities to consider consolidating tasks within a service, moving to a more multi-skilled model. Such consolidation requires an analysis of similar and/or complementary skill sets within a service.

A large metropolitan council had historically employed different levels of truck and articulated vehicle drivers. As workloads were uneven, it was not uncommon for one truck driver to be overloaded whilst another had little work. Over time, and based on natural attrition, a single driver position was developed which could drive all levels of vehicles. This improved productivity, developed driving skills and produced a permanent saving of one full time equivalent.

Skills acquisition

Training and development can help improve productivity, especially for existing staff (although it can also be extended to volunteers and community sector staff). Where there is an insufficient spread of specific skills, at least to a minimum level, service delivery can be disrupted by staff absences that could require costly replacement at short notice.

Some key questions to help identify whether skill acquisition is needed and relevant include:

- Are the skills held wholly within one, or a very limited number of, position(s), creating a person-dependent situation?

- If so, is it feasible to develop sufficient skills across one or a number of other positions?

- Where work is handed over, is this due to necessary supervision or a lack of skill?

- Is it a specialist skill needed or just knowledge of the operating environment?

Managing staff vacancies

Managing unplanned medium- to long-term staff vacancies can have a significant influence on staff costs. In theory, if an unplanned vacancy occurs, service delivery will be affected. However, sometimes unplanned vacancies occur with no impact on service delivery.

Holding on to a funded vacancy can be an advantage, provided service levels are maintained, as the budget can be used to relieve budgetary pressure elsewhere. Understandably, the service owner may be reluctant to volunteer the saving in case the funding is removed permanently. However, this creates inefficiency of resource allocation.

Key questions to ask in this situation are:

- What staff vacancies is the service carrying and how long have these been carried?

- What is the practice for replacing staff when unplanned vacancies occur?

- Can the impact that any vacancy has had on service levels and quality be quantified?

I. SCENARIO ANALYSIS

For many services, the level of resourcing reflects a historical allocation rather than an evidenced-based decision. Often, historical and actual resource requirements align. However, analysis can help determine whether work has expanded to fill available resources or the same service could be delivered with less.

Scenario analysis can help the review team to explore this issue. The team works with the service owner to analyse the impact of a resource reduction and looks for ways of maintaining service levels despite the change. Typical scenario analyses impose a hypothetical 5% to 10% revenue reduction or expenditure increase (or equivalent in FTE) and examine what might need to happen to the service as a result. The percentage is then adjusted to determine what level of resource reduction might be supported.

If a council's overall library service had a net cost of $1.7million, a scenario based on a 10% reduction in expenditure would mean an input reduction of $170,000. The council could explore various changes to achieve these savings whilst maintaining current service levels. If 10% savings cannot be identified, another strategy could be for the service owner to quarantine the $170,000 at the start of the financial year and aim, through more efficient resource use during the year, to manage without using the quarantined funds. Such a strategy can be applied to a group of related services with service owners encouraged to support each other to maximise the quarantined funds. Such budgetary constraints can produce innovations and savings.

J. GOVERNANCE, PROCESSES AND TECHNOLOGY

Business process review

Over time, business processes adapt to changing circumstances and requirements and need to be analysed in a more objective way. This helps identify potential improvements for increased efficiency and productivity. However, business process reviews require significant time and resources. An alternative approach is to conduct a high-level review of those processes which are most likely to be inefficient in order to determine whether a more detailed review should occur.

System and technology improvements

Whilst system and technology enhancements can be fundamental to enabling efficient service delivery, they usually require a significant up-front investment in capital as well as testing and trialling. As such, an analysis of potential changes requires details of the system or technology enhancement, in addition to the corresponding improvement in work practices or other service efficiencies. The IT department will be able to share information about future systems and technology development to determine whether such changes are already included in future plans.

A large metropolitan council considered adopting mobile technology for the roads and parks team leaders and coordinators so they could issue works approvals from the field. Specific, new mobile technology was seen as a solution. However, the council was able to implement a process using SMS from existing mobile phones which enabled the team leaders and coordinators to SMS approvals into the office. The SMS was retained in the asset management system as the record of approval and no extra investment in a new system was required.

Policies and procedures

Local government policies and procedures aim to ensure public resources are used efficiently, effectively and ethically. However not all policies and procedures equate to good corporate governance and can sometimes introduce inefficiencies without delivering the anticipated governance or control benefits.

Analysing policies and procedures involves asking questions such as:

- What are the issues the policy/procedure is attempting to deal with?

- Has any audit or review analysed the policy's or procedure's efficacy regarding this issue?

- Is there a demonstrable reason why documentation should include more than a record of decisions (including reasons and name of decision-maker) which could be audited at a later stage?

- Are the levels of delegation appropriate to the tasks performed or could they be expanded without a significant increase in risk?

- If there are prescribed additional controls and approvals, are they occurring in an informed way or are they merely 'rubber-stamped' and therefore adding little value?

- What is the risk to benefit ratio? i.e. does the potential risk warrant the additional controls?

One council discovered that its procurement policy was inadvertently creating service inefficiencies. This was because the threshold for requiring written versus verbal quotations was set too low, which meant there were too many instances of routine minor purchasing requiring written quotations. Rather than set a new limit applicable to all services, the council decided to set a default threshold and also allowed service owners to seek approval via a written case for their threshold to be set where it was needed for their service. As a mandatory requirement in the written case, the service owner had to nominate what approval controls would be put in place. Service owners could then develop approaches that were procedurally compatible with their businesses.

K. BENCHMARKING

Benchmarking involves comparing current practice with a known reference point in order to make an informed judgement about the state of current practice. For example, if organisation A mows 2,000 square metres of grass in a week at an average cost of $4.50 per square metre and organisation B mows the same area at an average cost of $2.50 per square metre, further investigation may be appropriate. However, the comparison may be, not with organisation B, but rather with a previous performance standard set by organisation A, an aspirational target set by organisation A, an industry standard (if one exists) or a best practice reference point being achieved by another organisation.

Typically, benchmarking compares resourcing, process efficiency, quality and scope. However, caution is needed as different organisations may treat elements such as depreciation and overheads differently, which leads to erroneous comparisons. Therefore, it is better to focus benchmarking on very specific service aspects which are likely to be unaffected by these types of elements. For example, benchmarking the net cost of childcare services may be difficult because of the many variations in types of care, programs offered and facilities used. However, benchmarking a specific program such as the school readiness program might be easier because at that level, other variations are less relevant. There are many commercial organisations that provide benchmarking services, some of which specialise in

local government. There are also resources available on the Internet which explain how to set up and conduct benchmarking.

 Shire of Esperance, WA was involved in an external benchmarking study of 23 metropolitan and regional WA councils as part of its *Community Perceptions Survey 2013*. The study is performed every two years. Community satisfaction is benchmarked across a wide range of service including roads, sports and recreation, environmental management and waste and allows the shire to compare itself with the industry average and the highest performers in WA. The exercise assists the shire with its strategic priorities and highlights services which are underperforming compared to benchmarks and community expectations.[46]

 City of Newcastle, NSW benchmarked all its services against eleven other councils who were members of the Local Government Business Excellence Network. Previously, nine core services were benchmarked with Hobart City Council, TAS and Marion City Council, SA.[47]

In addition, a range of internal benchmarks can be useful, such as comparing:

- current and prior year actual performance

- prior year budget to actual financials

- whether the cost of the service has risen more than the consumer price index (CPI)

- whether the staff component of the service has risen more than the CPI

- whether the unit cost of a particular service is increasing or decreasing, for example, the cost of childcare per child or per staff member

- actual performance against service standards to budget performance.

When considering alternative modes of service delivery, benchmarking may help assess the viability of potential options.

 Rockdale City Council, NSW benchmarked their parks mowing service with an external park maintenance contractor. Their own service was within $1,000 more expensive. Knowing this, the council changed procedures which resulted in an increase in productivity and more streamlined work. The service was kept within council.[48]

L. FUNDING ARRANGEMENTS

Analysing funding arrangements involves looking at current sources of funding and exploring the availability of alternative sources. These could include:

- full or part funding from grants, government agencies (especially from new programs), NGOs, peak bodies and business groups

- new user charges or levies

- making the service conditional on a commercial rate of return.

When changing user charges or levies it is important to make sure the service does not become unaffordable, particularly if it is an essential service. In addition, care is needed to avoid inadvertently discriminating against certain sectors of the community.

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[46] See: Shire of Esperance (2013). *Community perceptions survey 2013*. Available at:
www.esperance.wa.gov.au/cproot/2109/3/2013 SOE Perception Survey.pdf
[47] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download
[48] See: ACELG (2012) *Service delivery reviews in Australian local government*. Available at: http://www.acelg.org.au/file/2140/download

Appendix C. Alternative service delivery models

A. SHARED SERVICES AND RESOURCES

Shared service[49] models can be a cost-effective way for councils to share resources, tackle common tasks, or take advantage of economies of scale. Many different kinds of shared service arrangements have been implemented across Australia. As a guide, any service meeting one or more of the following criteria may be suitable for service sharing:

- it is largely self-contained
- it can realise economies of scale
- it is non-strategic, low risk and rule-based
- it involves high volume transaction processing
- it requires 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 e.g. recruitment, payroll
- call centre operations
- finance e.g. budgeting, reporting, etc.
- rating e.g. notice production, debt recovery
- IT support
- communications/marketing
- procurement
- legal services
- internal auditing.

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
- shared plant and equipment where plant utilisation can be maximised.

It is also useful to consider the option of shared services when one 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 asset utilisation.

B. STRATEGIC RELATIONSHIPS WITH GOVERNMENT OR NOT FOR PROFITS

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 delivery reviews. One reason for this may be that services which are candidates for this type of arrangement tend to

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[49] See prerequisites for undertaking shared services at ACELG (2012) *Legal and governance models for shared services in local government: Interim report*. Available at: http://www.acelg.org.au/system/files/publication-documents/1337646438_Legal_and_Governance_Models_for_Shared_Services_3.pdf

involve significant infrastructure, such as regional sporting or cultural facilities. The opportunities for these types of projects tend to be identified outside the service delivery review process.

That said, there are opportunities that are worth exploration, particularly where additional or improved services are being considered. Some examples where strategic relationships 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 organisations.

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

C. ARM'S LENGTH ENTITIES

Arm's length entities[50] are those that are established with a clear separation from the council. The advantage is that they can offer a degree of freedom from some of the constraints of the local government framework. This strategy is also a way of avoiding conflicts of interest between the regulatory and provider roles of a council and it facilitates the engagement of the necessary commercial and corporate expertise that is sometimes inaccessible to councils. Property leasing and land development are good examples in which the establishment of an arm's length entity, free to operate commercially, can deliver an alternative income stream for a council.

When considering opportunities for the establishment of an arm's 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 arm's length entity is free to source the expertise and resources that are required, as distinct from a business enterprise that is established within the council.

D. BUSINESS ENTERPRISES

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

As distinct from the arm's length entity approach, these types of enterprises generally emerge 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, it is useful to consider some key questions such as:

- 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

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[50] See also state by state requirements for setting up arm's length entities in ACELG (2012) *Legal and governance models for shared services in local government: Interim report*. Available at: http://www.acelg.org.au/system/files/publication-documents/1337646438_Legal_and_Governance_Models_for_Shared_Services_3.pdf

competitive advantage over other businesses in an area such as technical expertise, or economies of scale?

- Is it relatively easy and inexpensive to establish the business activity and enter the market? For example, are there minimal political barriers, minimal regulations, low capital outlays?

- Is the business aligned with current council operations? Are there existing available council resources, for example 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?

The risks involved in launching a new enterprise are lower when there is a capacity surplus in an area in which a council can deliver services to the external market without the need to purchase additional resources. 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 case to ensure the viability of the proposal. It may be prudent to have the business case reviewed using external expertise, particularly where the returns are considered marginal, or the consequences of failure are high.

E. JOINT VENTURES OR PUBLIC PRIVATE PARTNERSHIPS (PPPS)

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

Nonetheless, research has identified examples where service delivery reviews have identified opportunities from PPPs that are not as reliant upon the delivery of expensive infrastructure. For 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 delivery reviews through exploring a joint venture approach. Viable opportunities tend to be born out of 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, PPPs and joint ventures are reliant on there being benefits to all parties.

F. 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 cooperatives. Membership of a community enterprise is voluntary and open to the general public.

Community enterprises have undergone 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 existing services that can no longer be supported by the council. Examples of community run services include

community gardens, nurseries, festivals, sports facilities, and cemetery operations. 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.

G. OUTSOURCE TO EXTERNAL PROVIDERS

There are a number of internal and external influences to consider when evaluating an outsourcing option. They include: understanding the extent to which there is an appetite by either the senior council management or the elected representatives for outsourcing, whether the council is the major employer in the community, the availability and competitiveness of external service providers and the level of control that is required over the service. These factors will determine whether outsourcing is an option that can be genuinely considered in a service delivery review.

The following set of 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 – 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 involves high capital and ongoing technology costs

- high supplier availability – services with large numbers of potential suppliers or contractors

- cost-competitive services.

Before deciding to commit to outsourcing a service, a council should consider any industrial and social responsibility it may have as a major employer in the community. This is particularly so in rural, remote and some regional centres. The long-term costs and benefits should be carefully considered, along with the loss of any assets, control and skill sets associated with the service.

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