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## **SERVICE DELIVERY OPTIONS: PROGRESS REPORT**

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### **1. Purpose of report**

This report outlines the current programme to explore delivery options aimed at improving services and value for money.

### **2. Executive summary**

A workshop with Elected Members was held in June 2013 which explored a range of opportunities to deliver better services and value for money to the city's ratepayers. Specifically, the workshop explored the following service-delivery oriented opportunities:

Shared Back-Office Service  
Apprenticeship and Intern Scheme  
Parks and Gardens Operations  
Making "Smart-City" a reality  
Council Controlled Organisations.

The workshop followed Council's resolution on 4 April 2013 that no further outsourcing of infrastructure services currently delivered in-house would be undertaken without a decision from Council.

The report aims to provide governance assurance so that management can act to secure benefits for ratepayers from the work programme outlined. Reviewing service delivery options is good practice and is a necessary step given the legislative focus on 'most cost effective provision of services'.

The current programme of activities being explored represents opportunities to improve the value of the service or value for money. They are in varying stages of development and will therefore be reported to the Council at different times.

### **3. Recommendations**

That the Strategy and Policy Committee:

- 1. Receive the information.*
- 2. Agree the forward programme outlined in section 5.2.*

3. *Note that consideration of a consolidation of Council Controlled Organisations will be the subject of a report to Council after the Local Body elections in October 2013.*
4. *Note that a report on retesting integrated water services will be produced for consideration after the local government elections in October 2013 at which time, officers will provide advice on CCTV and Public Drainage transfers.*

#### **4. Background**

This report is about exploring opportunities to deliver better services and value for money for the city's ratepayers. It outlines progress on the current work programme in relation to service delivery options that were presented at a workshop in June 2013.

The workshop was in response to calls for there to be greater clarity about the occasions and objectives when considering changes to service delivery. The workshop built on the Council resolution in April 2013 that *"no further outsourcing of council infrastructure services currently delivered in house is to be undertaken [other than the road corridor contracts that were under tender] without a Council decision"*.

This report outlines the factors to guide service delivery choices in relation to the current work programme. It notes the benefits that are now embedded from the road corridor contract structure.

The report aims to provide governance assurance so that management can act to secure benefits for ratepayers from the work programme outlined. Reviewing service delivery options is good practice and is also a necessary step given the legislative focus on *'most cost effective provision of services'*. The following information describes this process for the new road corridor contract and provides further background requested regarding CitiOps.

##### **The new road corridor contract**

A reconfiguration of the contracts for the road corridor resulted in \$3.2 million per annum savings against annual budget of circa \$30 million ie approximately 10 per cent. The contracts have a maximum term of five years. This is divided into two parts. An initial term of three years and a possible two year extension at the Council's sole discretion.

The first contract review period will be prior to the termination of the initial three year term. At a high level the performance objectives are:

- site and personnel safety performance
- community/public service performance in terms of information provision and on-site presentation
- delivery of reactive works within specified time frames to defined quality standards and addressing the criticality/risk of the service

- delivery of emergency response services
- delivery all planned work outputs for the systematic maintenance and renewal of assets within the specified sequence, timing and quality parameters
- provision of work programming proposals as well as design solutions for the approval of council officers
- accuracy and reliability of asset information and related reports
- adherence to the agreed pricing schedules.

The performance of the services and trends against measures such as timeliness of delivery, the quantity of outputs, and compliance with agreed project budgets will continue to be reported to elected members through the quarterly reports. This allows for regular monitoring and for any remedial actions to be taken.

There were no service management staffing implications from restructuring the contracts. The inclusion of road corridor vegetation control into these contracts necessitated the transfer of four staff from the CitiOps and Parks units into the transport team to ensure expert management of the corridor cleaning and vegetation control services in this area.

The council facilitated employment seminars between operational staff and the two successful primary contractors. Of the 20 operational staff affected 18 offers of employment from the contractors were made – all staff involved received redundancy. The 2 not offered contracts are now employed in full time positions in other Wellington businesses that work with Council.

### **CitiOps**

Since 2010, recycling, rubbish collection, drainage, landfills and street cleaning operations have progressively moved onto contract. These changes reflect a depth in the private market. The shifts have occurred with continuity of service and sustained levels of service and cost efficiencies. The savings are achieved in part by the contracted companies being able to maximise the use of plant and equipment by applying them beyond the city's boundaries.

Staff numbers have gradually reduced from 124 FTEs in 2008/09 to 15 today. The majority of CitiOps employees, 8 out of 10, have been offered new jobs under contracts which have been accepted. While the majority of the drainage maintenance workers have been engaged by an external contractor, the CCTV crew workers – aka the pipe network investigation team of five workers – remain employed in-house at the council.

Broad consensus has been reached amongst Mayors at the Mayoral Forum to give consideration to the potential for integrating the management and operation of water services across the region. Mayors agree that retesting of this issue will include consideration of options for governing integrated water services, the objectives of this retesting would be to determine:

- If there is a compelling case for integration

- If there is a governance arrangement for the water services that will provide councils with an appropriate level of influence and oversight and at the same time support the effective and efficient integration and operation of the water services.

As a result of this work, consideration is not yet required with respect to a potential transfer of CCTV and Drainage, this will be reported separately once retesting of an integrated water service is completed.

## **5. Discussion**

The Council's overall purpose is to meet the current and future needs of communities for good quality local infrastructure and local public services in a way that is most cost-effective for households and businesses.

The Council's role ranges from facilitator, funder, regulator, to service provider.

The role of service provider arises where the community or market lacks the capacity, capability or depth to provide the service or there are strategic benefits to the council retaining end-to-end control.

Where the council is a service provider it has further choices about how that should be delivered.

At their simplest, these choices are to:

- *Make*: provide the workforce, tools, processes and systems in-house
- *Buy*: add to the local market by purchasing all or some aspects of the service
- *Share*: offer the skills and expertise or draw on others to achieve mutual benefits.

Governance is critical in the success of any choice. What outcome is sought and what process is in place to track progress and assure performance is vital. The forward programme (below) notes the different reporting approach for each item. The following list provides the drivers for why a change in service delivery may be required or be beneficial. These are in turn referenced for each of the items on the programme.

### **5.1 Factors to guide service delivery choices**

Service delivery choices – be it to make, buy, or share – need to be weighed against a number of factors. These include: pre-requisites around 'certainty'; market knowledge in order to exercise judgement; and realising opportunities.

## ***Certainty***

Knowing that the service is reliable and practices are safe is critical to any delivery options. Factors to consider when testing certainty include:

- ***Continuity of service:*** that the delivery agent has processes and capacity to respond to service outages in line with service level expectations.
- ***Risk management:*** that the delivery agent has systems in place to anticipate, minimise and manage the severity and likelihood of service interruptions.
- ***Health and safety:*** that the delivery agent complies with the objective of zero harm.
- ***Performance monitoring:*** that independent assurance is provided of the accuracy and validity of the delivery agents control environment and statements of performance (both financial and service).
- ***Brand fit:*** the expectation is that external providers will emphasise council's brand and deliver on a high customer service ethos.

## ***Judgement***

Making a choice about service delivery requires a deep understanding of the technical aspects of the service and how these are structured and charged-out in the market place. The professional skills required to exercise the choice include:

- ***Being a smart buyer:*** where the council chooses to buy or share services it must retain the skills to monitor the market place in order to guarantee the best possible service and financial performance from any contract.
- ***Fulfilling good employer obligations:*** change is unsettling for employees. Decisions to alter delivery options need to factor in the associated costs. The council as a rule works beyond its contractual obligations (ie engagement, reassignment, redundancy) and seeks to facilitate placement.
- ***Strategic planning:*** incremental changes and inertia should be avoided. Instead decisions to choose a delivery option should be based on expected changes in the service. These can be intended ie a change in service level or broader changes such as user behaviours or technological advances.

### ***Enablers and opportunities***

Changes to service delivery can help meet the strategic challenges and objectives of the council as with the following examples:

- ***Workforce skills***: technological changes and customer expectations mean traditional ways of working are not always the most effective.
- ***Self service***: with digital convergence comes an expectations of anywhere anytime access to information. It also brings the opportunity for the council to tap into the skills of the wider community and allow them to create their own digital content for use by others.
- ***Budgetary savings***: the council should always act prudentially and explore opportunities to achieve the same outcomes for less money.
- ***Asset utilisation – regional scale***: the cost of plant and equipment means you want to maximise its optimum use. Often the cost of ‘carrying’ plant and equipment in-house is inefficient. Moving to contract models sees the commercial operators carrying the expense and risk of not utilising their assets. They carry that expense because they are able to use their assets on a wide variety of activities and regionally.
- ***Economic potential***: choices to pattern in delivery should reflect the ability to scale-up a product and share in the benefits of selling it more widely.
- ***Resilience***: distributing the delivery of services provides a depth and spread of skills in the community.

### **5.2 Forward programme service delivery options**

The current programme of activities that are being explored are driven off some or many of the factors outlined above. They represent opportunities to improve the value of the service or value for money. They are in varying stages of development and will therefore be reported to the Council at different times.

## Current Service Delivery: current programme

***Project Name:*** *Back Office Shared Service*

***Current Status:*** *Design-Phase*

***Reporting:*** *Regional Cooperation – Mayoral Forum*

***Why it's being done – the potential:***

Territorial authorities spend a significant proportion of their resources on back-office functions, most especially with respect to the management and operation of ICT systems. Over time, functions have become increasingly complex, duplicate each other in other cases and there has been a significant growth in the number of systems and processes designed to support the delivery of functions within councils.

The development of a single back office approach provides a very real opportunity to simplify and generate significant improvements in the delivery of value for money functions within councils. Initiatives have been underway for some time with mixed results, however new work has been implemented that uses lessons from those experiences.

WCC is currently leading the development of a potential shared ICT and back office approach with other councils throughout the region. The project aims to deliver significant value for money savings, much greater simplification and effectiveness. The approach is governed by principles that ensure this work will deliver products that are transferable regardless of future regional governance structure decisions, beneficial to all participants, focus on functions without impacting on sensitive external service delivery and which can realise benefits quickly.

The overriding objective of this work will be to deliver a structure that can be scaled-up over time and become a leading provider of ICT services to councils not just in Wellington but throughout New Zealand and in the long run, potentially to overseas jurisdictions.

***Project Name: Apprenticeship and Internship Scheme***

***Current Status: Design-Phase***

***Reporting: Report to Council for decision on next steps.***

***Why it's being done – the potential:***

WCC is an equal opportunities employer with a focus on assisting its employees to deliver better value for money services to its residents. Initiatives that lift the performance and productivity of staff could easily be coupled with a broader apprenticeship and internship scheme.

The demographic composition of WCC's staff is somewhat reflective of the general population, however the council's more senior roles tend to be less diverse. While some organisations retain policies of "positive discrimination", such an approach is inconsistent with its fair employer approach.

Instead, it is proposed that WCC implement a broad apprenticeship and internships scheme to encourage diversification of its employees, to encourage innovation of thought and service and to help positively address The Council's high staff turnover.

A range of skills would be targeted given the breadth of opportunities at WCC. There are opportunities through unskilled, skilled and professional positions within WCC that can appeal to a wide range of school leavers, graduates and working professionals. The broad intention of this work would be to deliver on a commitment to be a valued high-quality employer of choice for talented people.

The potential branding opportunity for WCC is positive, positioning as an employer of choice with a programme that commits to making culture change a priority and delivering high quality public service outcomes.



***Project Name: Parks and Gardens Operations***

***Current Status: Scoping-Phase***

***Reporting: Report to Council for decision on next steps.***

***Why it's being done – the potential:***

Wellington can regard itself as a “centre of excellence” with respect to its management and operations of public parks and gardens and there is an opportunity to build upon this. Work in this project would focus on whether current structures are delivering the most effective service, or whether it could be built and enhanced over time with a high value-for-money proposition other councils may wish to purchase.

This work would then investigate the development of the most appropriate service delivery structure for parks and gardens services that can be scaled up over time, can exist regardless of decisions yet to be taken around regional governance, which is both profitable but which draws on the existing skill and expertise of our people to develop a leading service delivery arm in this field.

The approach would deliver a structure that is owned by WCC and is driven as an opportunity to demonstrate and sell excellence, value for money and a Wellington oriented service delivery approach.

***Project Name: Making “Smart-City” a reality***

***Current Status: Testing Phase***

***Reporting: Regular Reporting***

***Why it's being done – the potential:***

The aim of this is that people visiting, working in or living in Wellington will be able to transact or interact simply and easily using smart devices wherever possible.

Broadly, officers will investigate a range of options that facilitate e-transactions by residents who will be offered access to 24/7 self-service and online-service. Rather than a replacement of manual services approach, it seeks to offer choice.

An App-portal is a first stage project that would establish a webpage on the council's website. It allows people to upload city information apps (see appendix one for a screen shot). These apps could cover things as simple as locating disabled toilets to things that we have yet to think of.

The concept is to develop a mobile app store similar to what Apple, Google and SAP have established. The WCC App store will only host Apps created by Wellington-based suppliers. Officers are also interested in promoting Wellington-based content such as My Parx and FixIt.

The criteria for submitting Apps to the WCC App store will include:

- Provides information of value to those living, working, visiting or studying in Wellington
- Has been built by or at the request of a Wellington-based person or organisation, or make substantial use of Wellington related data.

Beyond this first stage project however, officers will continue to investigate and develop a broad range of resident-centric e-tools.

***Project Name: CCO Streamlining***

***Current Status: Development***

***Reporting: Report to Council for decision on next steps post local body election.***

***Why it's being done – the potential:***

As part of a broad programme of work that looks at driving efficiencies and effectiveness across the organisation, a clearer focus on WCC's economic interventions is being implemented. The first exercise in this programme has been some organisational realignment within WCC to allocate sufficient resources in a more focused way.

The work so far has resulted in the establishment of the Economic Growth and Partnerships Directorate and boosting economic investment capacity.

As part of this process, work is underway to consider the most appropriate structure for WCC's economic service delivery arms, its CCOs. WCC retains a number of CCOs that contribute to economic growth. The process will look at how better alignment of these might enhance performance and outcomes and save by reducing duplication in back office and board functions.

The intention is to review the council's delivery and to provide advice as to whether delivery could be made more effective and with a higher value for money ratio.

Officers consider that alternate structures have the potential to deliver a more positive long-term economic outcome for the city and for the region. Officers continue to engage with other councils throughout the region to ensure that they are aware of this work and the purpose of it.

Combining a more effective approach by WCC with a more effective regional approach to economic growth is expected to deliver a more responsive, agile and high-impact economic growth programme.

## **6. Conclusion**

It is good practice for the Council to review service delivery options as a way to improve service offering and value for money. The current programme shows the mix of opportunities that are being explored and the opportunities they present.

These opportunities reflect council's desire to stop any further out-sourcing of infrastructure services currently being delivered in-house unless a council decision is taking. These work programmes do not represent an outsourcing, they represent either a shared service approach and better value for money propositions that will lead to improved service delivery.

*Contact Officer: Anthony Wilson, Chief Asset Officer*

## SUPPORTING INFORMATION

### 1) Strategic fit / Strategic outcome

This report provides information on progress towards Wellington City Councils outcomes and supports the economic development strategy.

### 2) LTP/Annual Plan reference and long term financial impact

No impacts arise directly from this report.

### 3) Treaty of Waitangi considerations

There are no Treaty of Waitangi implications.

### 4) Decision-making

This report asks you to agree to the forward programme outlined in Section 5 and as canvassed as part of a Councillor workshop held in June 2013.

### 5) Consultation

#### a) General consultation

Consultation is not required at this stage but will be part of the ongoing work programme outlined in Section 5 as appropriate.

#### b) Consultation with Maori

Consultation is not required at this stage but will be part of the ongoing work programme outlined in Section 5 as appropriate.

### 6) Legal implications

There are no legal implications

### 7) Consistency with existing policy

The report is consistent with existing policy.