



Report on Outcomes of Horizontal Service Review

June 2018



Document status

Ref	Approving director	Date
7316	██████████	June 2018

Contents

Introduction	2
Background	2
Methodology	2
Timetable	3
Horizontal Service Review Opportunities	3
Source of Opportunities	3
Figure 1 – Distribution by Department	3
Figure 2 – Opportunity Focus and Weighting	4
Figure 3 – Difficulty of Opportunities	4
Review and Assessment of Opportunities	5
Financial Implications	6
Appendix 1 Data Capture Template	7

Introduction

Background

The abandonment of the NSW Governments policy for force mergers and the arrival of a new General Manager has enabled City of Canada Bay Council to look forward as a standalone Council and review its Long Term Financial Plan (LTFP) along with its other Integrated Planning and Reporting plans.

This review has highlighted a number of sustainability challenges. The LTFP base case was not sustainable in the long term and over the next 10 years Council will be facing a number of policy and financial decisions that have the potential to further weaken Councils financial sustainability.

To address these concerns Council management conducted a high level Horizontal Service Review across the entire organisation including all current practises to identify cost savings and revenue generating opportunities that, if implemented, will improve the base case and create the financial capacity to help address the future challenges. This horizontal review requires an analysis of all services as opposed to an in depth service by service review. The horizontal review is intended to;

- revisit financial savings or revenue opportunities that have previously been considered and/or discarded but may be necessary given the current projections
- develop further cost saving opportunities using the combined knowledge of Councils Directors and Managers, then challenge and test these before consideration by Council
- provide Council with a list of opportunities that that can be considered and prioritised to create financial savings and improve financial capacity
- in the event an Special Rate Variation is required to demonstrate to IPART that Council has actively considered efficiencies and improvements to current services.

Each opportunity is evaluated against the future challenges and issues facing Council to prioritise the opportunity and assess its impact on Councils ability to be financially sustainable going forward. Almost all opportunities will have some impact on ratepayers and residents but to be sustainable Council must compare the current requirements and balance this against the future impacts and obligations. Short term decision making will only transfer the sustainability burden to a future Council and community.

Methodology

The implementation process for a horizontal service review includes;

- developing and completing a template (see *Appendix A*) to capture the details of each financial opportunity provided as part of the Roadmap
- identifying a list of improvement opportunities
- workshopping with senior management team to analyse, critique and refine these opportunities
- identifying a short list of opportunities

- modelling the impact of these improvements and incorporating a scenario to deliver sustainable assets and services into the LTFP

The methodology to achieve the project outcomes supports the IP&R process and the development of the new Resourcing Strategy.

Timetable

The Horizontal Service Review was conducted over May and June 2018 with the preparation of a template and the creation of an online data entry portal to collect and edit the opportunities from staff. Senior staff attended a briefing workshop on 24 April 2018 and commenced entering cost saving/revenue generating opportunities into the data base. Morrison Low has supplemented these opportunities with suggestions generated from within the Morrison Low team.

These opportunities were collated and workshopped in a world café style workshop on 29 May 2018. At this workshop senior staff critiqued and tested each opportunity to compile a priority list (high/year 1, medium/year 2 and low/year 3 and beyond) for Council consideration.

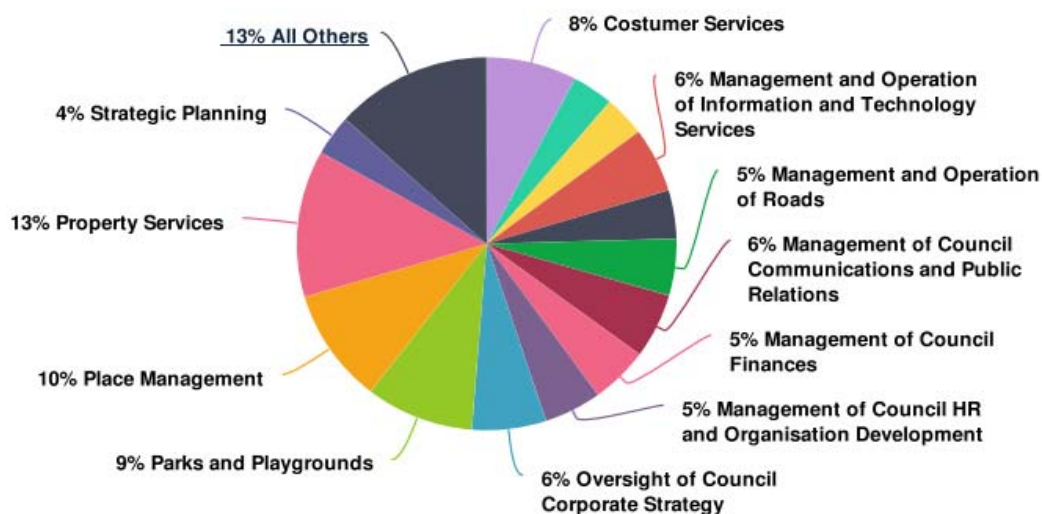
Horizontal Service Review Opportunities

The process generated a total of 150 ideas or opportunities with a value over three years of \$23.8M. Some opportunities were duplicated and other on review deemed not feasible.

Source of Opportunities

Opportunities were spread across Council Departments as shown in the chart below.

Figure 1 – Distribution by Department



The word cloud below shows the main focus areas of the opportunities and comparative weighting

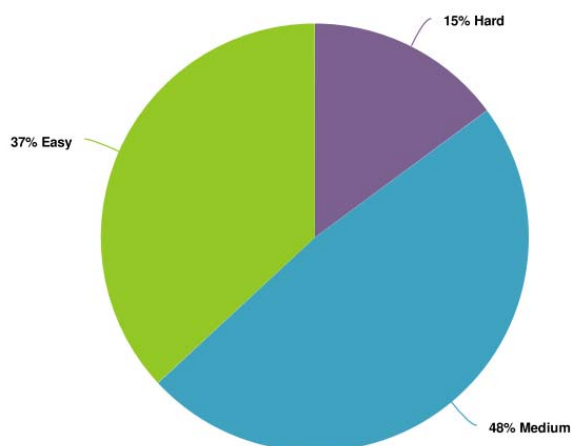
Figure 2 – Opportunity Focus and Weighting



The majority (48%) of opportunities are rated medium difficulty of implementation with all opportunities being defined as either;

- Easy – simple to execute with little or no risk. These could be commenced in the coming year.
- Medium – requires further investigation and analysis through a business case to confirm viability, cost of implementation and benefits. Can be realised in year two of the LTFP.
- Hard - requires further investigation and analysis through a business case and in addition some stakeholder consultation will be required. Likely to be realised in year three of the LTFP and beyond.

Figure 3 – Difficulty of Opportunities



Review and Assessment of Opportunities

Each opportunity was reviewed and assessed by the Councils senior management team to;

- review the information provided
- identify potential issues, challenges or barriers to implementation
- prioritise the opportunities from an operational perspective.

The analysis by the senior management team noted that the level of detail supporting each opportunity varied but given the purpose of project and short time frame this was expected.

Common Issues

While the review by staff identified that many opportunities raised only minor concerns, a number of other opportunities contain challenges or raise issues that will need to be considered prior to implementation. These issues include;

- Reliant on the development of strategies or policies
- Likely to be politically challenging
- Community resistance is likely and consultation should occur
- Staff relations and organisational culture/morale may be affected
- Establishment or implementation costs may be under estimated
- Benefits may be over estimated
- Requires significant upfront investment with a level of uncertainty of return
- Detailed business cases required for some opportunities
- Require process improvements to be embedded in Council
- Some opportunities can be staged over a period
- The organisational structure will be affected by some initiatives
- A number of opportunities may not result in savings but will still generate efficiencies
- Impacts on service levels or service expectations

Financial Implications

The implementation costs and financial benefits were estimated for each of the opportunities spanning over the next three financial years. The results are shown in Table 2 below.

Table 2

Type of opportunity	Costs 2018/19 (\$000)	Benefits 2018/19 (\$000)	Cost 2019/20 (\$000)	Benefits 2019/20 (\$000)	Cost 2020/21 (\$000)	Benefits 2020/21 (\$000)
Easy – priority/year one	103	832	33.5	1485.5	21.5	1508
Medium – priority/year two	1,760	1,319.5	472.5	2,618	446	2,801
Hard – priority/year three	330	4,513	90	4,583	60	7,418
Total	1,341	5,768	1,030	10,778	772	10,951

By 2020/21 the net benefits have the potential to reach up to \$10.18M and be ongoing through the next seven years of the LTFP and beyond. While some benefits relate to capital expenditure or the sale of assets the majority directly impact operational revenue or expenditure and directly improve Councils operational performance and capacity to deliver new or improved assets and services.



Appendix 1 Data Capture Template



Improvement Opportunities - City of Canada Bay

- The template aims to make you identify and explore improvement opportunities as to their size, flow-on impacts and implementation.
- The intention of the process is to look broadly across the organisation for improvement opportunities, with a focus on those that will generate revenue increases or cost savings, whether immediately or through efficiency improvements over time.
- You should focus on your service areas as a starting point however you should not be limited to these. If you have ideas in other areas you should also complete a template. Sometimes the best ideas can come from those who are not as close to the business.
- The priority now is to ask questions about the service or activity but not to make any decisions - leave all opportunities on the table unless there are clear reasons why the opportunity does not exist.
- It is normal for activity or service managers to show some resistance where decisions might impact on existing levels of service. Try to be as open minded as possible.
- Keep things in perspective – some opportunities offer potential for large savings /increases, some offer small potential and may cost more to implement than they are worth.

General Information *

Department/ Activity/ Business Unit

Title

Person Responsible

Submitted By

Submitters e-mail address *

Difficulty of Implementation

Description of opportunity

Financial *

Financial

	Implementation cost (\$000)	Financial benefit (\$000)
2018/19	<input type="text"/>	<input type="text"/>
2019/20	<input type="text"/>	<input type="text"/>
2020/21	<input type="text"/>	<input type="text"/>

Recurrent Financial benefit

Yes - Please state YE

Upload Calculations

Browse...

Profit and Loss Reference

Income

Expense

Other Benefits

Efficiency Gain - Delivering Same Service Outcome Better (more quickly, more efficiently, more cheaply)

Yes No

Effectiveness Gain - Delivering Improved Service Outcome

Yes No

Impacts

Levels of service

Users

Staff Numbers

Other areas of Council

Plant & Resources

Relevant Benchmarks

Legacy issues

Risk Assessment

Risk

Description

Initial Risk Assessment

- High Medium Low

Opportunities to Mitigate Risk

Residual Risk Assessment

High Medium Low

Add Another

Implementation Steps

Implement Step - Task

(Key dependencies or enablers required for this step to be achieved?)

Timeframe

Add Another

Who Needs to Be Consulted?

Stakeholder 1

Stakeholder 2

Stakeholder 3

Submit

0% |

