Making Choices

BUILDING STRONG COMMUNITIES

A Guide to Service Delivery Review for Municipal Councillors and Senior Staff

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Ontario

Making Choices: A Guide to Service Delivery Review for Municipal Councillors and Senior Staff

There are ever-increasing expectations for governments to make informed choices about the services they provide to their citizens. This is evident for municipalities whether facing times of positive economic growth or periods of fiscal constraint. This guide will help municipalities understand the benefits and considerations involved in undertaking a service delivery review, which is a tool that sets out a framework for decision-making on competing priorities in order to pursue the most effective delivery of municipal services.

A Municipal Management Needs Assessment undertaken by the Ministry of Municipal Affairs and Housing in partnership with the Municipal Finance Officers Association, the Ontario Municipal Administrators Association, the Association of Municipal Managers, Clerks, Treasurers of Ontario; identified the following municipal need:

Information, advice, and training on how to monitor, review and improve services – including training on service delivery reviews using operational examples.

Making Choices: A Guide to Service Delivery Review for Municipal Councillors and Senior Staff was created to help municipalities respond to these needs. In particular, it was to help municipal councils and senior staff examine how to:

- improve services
- meet new or increased demand from customers for services
- assess service levels in the face of competing priorities and/or decreasing revenues
- reduce costs, and
- improve revenues.

This guide offers a systematic approach to decision-making around managing municipal spending. Traditional approaches have often involved practices such as across-the-board cuts, targeting "softer" services to cut, deferring capital projects, increasing user fees, or dipping into reserves. Moreover, it was generally assumed that a reduction in the budget of a service would result in a comparable reduction in service levels.

The service delivery review process focuses on setting priorities and, where possible, reducing the cost of delivery while maintaining or improving services and service levels. It's all about making informed, strategic choices.

The guide assists with making choices that are affordable and reflect municipal values that draw on best practices in service delivery. It includes processes tested by jurisdictions around the world and draws on the best practices of Ontario's municipal sector.

The guide was developed by the Ministry of Municipal Affairs and Housing in partnership with the Association of Municipal Managers, Clerks and Treasurers of Ontario, the Municipal Finance Officers' Association of Ontario and the Ontario Municipal Administrators' Association.

A detailed version of the guide has been developed for senior managers of municipal departments. It is available at ontario.ca/mah.

What Is Service Delivery Review?

Service delivery review is an evaluation process in which a specific municipal service is systematically reviewed to determine the most appropriate way to provide it.

What Does Service Delivery Review Involve?

Service delivery review involves asking ten questions about service improvements and expenditure management:

1. Do we really need to continue to be in this business/service?
2. What do citizens expect of the service and what outcomes does council want for the service?
3. How does current performance compare to expected performance?
4. Do the activities logically lead to the expected outcomes?
5. How is demand for the service being managed?
6. What are the full costs and benefits of the service?
7. How can benefits and outputs of the service be increased?
8. How can the number and cost of inputs be decreased?
9. What are the alternative ways of delivering the service?
10. How can a service change best be managed, implemented and communicated?

Answering these questions means engaging citizens and other stakeholders (including municipal staff and unions) to ensure that the choices made are informed by their goals and values.

What Is Council's Role In Service Delivery Reviews?

Municipal councils have broad roles (see section 224 of the *Municipal Act, 2001* and section 131 of the *City of Toronto Act, 2006* for reference). As the information may be useful in considering council's roles in service delivery review, some of the wording is set out below:

a) to represent the public and to consider the well-being and interests of the municipality;

b) to develop and evaluate the policies and programs of the municipality;

c) to determine which services the municipality provides;

d) to ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place to implement the decisions of council;

e) to ensure the accountability and transparency of the operations of the municipality, including the activities of the senior management of the municipality;

f) to maintain the financial integrity of the municipality; and

g) to carry out the duties of council.

Throughout the review process, council is called upon to make choices – what to deliver, what outcomes the municipality expects from its services, who should pay for them, whether and what citizens should pay for certain services, whether a service could be provided at a lower cost, whether all the things that go into delivering a service are really necessary, and who should deliver which services. Even the decision not to review a service is a choice.

What Is The Scope Of Service Delivery Review?

Meaningful service delivery review incorporates skills, knowledge and experience from many professional disciplines, including service management, labour relations, financial analysis, operational analysis and cost accounting.

Effective reviews are also informed by a thorough understanding of the service area under review. Technical knowledge will be called on to decide matters such as where to put a fire station or when best to clear snow.

What Makes Service Delivery Reviews Effective?

Service delivery reviews are time and resource-intensive exercises and may involve sensitive local issues. Before beginning a review, council must be committed to seeing it through, give staff clear direction and wholeheartedly support the process.

Many municipalities have found it important to have clear strategic priorities in place before undertaking reviews so that the choices called for by service reviews can be more easily made.
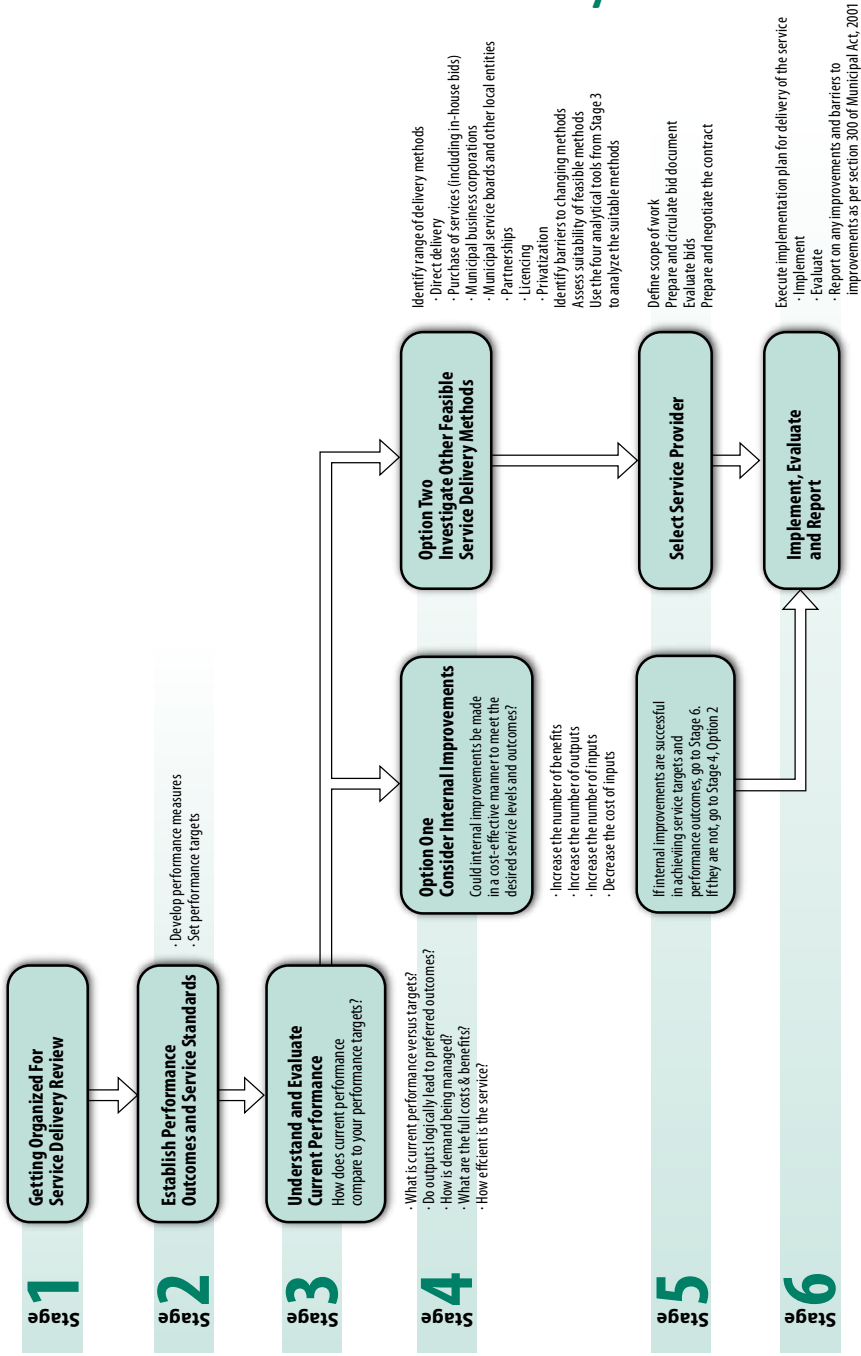
We suggest a six-stage approach to service delivery review, depicted in the flow chart on the following page. This approach is based on experiences gained from Ontario municipalities that have undertaken reviews and on knowledge of practices elsewhere.

In the six-stage process, the council will have the primary role in the first two stages, will be asked to make a decision about whether to focus on internal improvements or look at other delivery methods (Stage 4), should be prepared to select a provider (Stage 5), put the supports in place for a successful implementation of the improvement and communicate the results to citizens (Stage 6).

Each municipality is different and has different needs, challenges, resources and objectives. This service delivery review approach offers a flexible framework that can be used in a variety of ways, for example, as a part of a wider corporate initiative or as a stand-alone initiative.

Although the six stages form an integrated process, the tools, techniques and ideas in the guide can be used immediately to improve delivery of certain services. For example, a quick scan of the flow chart might suggest that a certain service would be delivered more efficiently by better managing demand, and this course of action could be followed up straight away.

Flow Chart For Service Delivery Review

Stage 1

Getting Organized For Service Delivery Review

Stage 2

Establish Performance Outcomes and Service Standards

· Develop performance measures
· Set performance targets

Stage 3

Understand and Evaluate Current Performance

How does current performance compare to your performance targets?

· What is current performance versus targets?
· Do outputs logically lead to preferred outcomes?
· How is demand being managed?
· What are the full costs & benefits?
· How efficient is the service?

Stage 4

**Option One
Consider Internal Improvements**

Could internal improvements be made in a cost-effective manner to meet the desired service levels and outcomes?

· Increase the number of benefits
· Increase the number of outputs
· Increase the number of inputs
· Decrease the cost of inputs

**Option Two
Investigate Other Feasible Service Delivery Methods**

Identify range of delivery methods
· Direct delivery
· Purchase of services (including in-house bids)
· Municipal business corporations
· Municipal service boards and other local entities
· Partnerships
· Licencing
· Privatization
Identify barriers to changing methods
Assess suitability of feasible methods
Use the four analytical tools from Stage 3 to analyze the suitable methods

Stage 5

If internal improvements are successful in achieving service targets and performance outcomes, go to Stage 6. If they are not, go to Stage 4, Option 2

Select Service Provider

Define scope of work
Prepare and circulate bid document
Evaluate bids
Prepare and negotiate the contract

Stage 6

Implement, Evaluate and Report

Execute implementation plan for delivery of the service
· Implement
· Evaluate
· Report on any improvements and barriers to improvements as per section 300 of Municipal Act, 2001

Step One: Getting Organized

To get started, council needs to make choices about:

- What ground rules, principles and processes will govern the review?
- What staffing and support are needed to undertake the review?
- How you will ensure your review process is informed by citizen demands, expectations and concerns?

Of course, council also needs to decide what to review, taking into account common, strategic and community considerations of where improvements are needed most urgently.

Step Two: What Do You Want The Service Or Program To Do?

Once a service has been identified as a candidate for review, the following questions need to be asked:

- What is its purpose?
- Who is its target group?
- Why is it needed?
- What outcomes does it or should it have?
  That is, how does it affect citizens?
- What measures can be used to gauge the effectiveness of the service?
- What are appropriate service standards and targets?

The answers to these questions become the goals that the service or program will aim to achieve. The preferences of citizens about service levels and standards need to be weighed against fiscal prudence and affordability.

It's not enough to focus merely on inputs (such as the operating cost of the garbage trucks used) or outputs (such as the tonnes of garbage collected). In this approach, the review would focus on outcomes (such as the increase in the percentage of residential solid waste diverted from landfills and/or incinerators). Outcomes are the wider benefits that matter most to citizens and they are the best gauge of a service's success.

Step Three: How Is The Service Currently Performing?

There are four broad questions to consider:

1. What assumptions underpin current service arrangements? Do the outputs of the service or program logically lead to the desired outcomes?

2. How is demand for the service or program managed? Education? Pricing? Management procedures? Technological innovation? Regulation or operational change?

3. What are the full costs and benefits of the service or program? This includes:

   • Direct costs (e.g., labour, fire trucks, day care facility)

   • Indirect costs (e.g., administrative, payroll and legal costs)

   • Tangible costs (e.g., capital costs, operating costs)

   • Intangible costs (e.g., impact on municipality's reputation)

   • Tangible benefits (e.g., low application processing times)

   • Intangible benefits (e.g., high staff morale)

   When looking at service costs, in this approach costs that are shared across departments are included. For example, reductions in park operations might affect transportation/roads costs also if staff and vehicles are shared across departments.

4. How efficient is the service or program? Here you'll want to consider all the inputs (such as money spent or staff employed) and outputs (such as number of tonnes of garbage collected or the number of fires extinguished).

This information may identify a performance "gap" in the current delivery method relative to the desired outcomes.

At this point, the municipality has an important choice to make: continue to provide the service directly but in an improved way, or investigate alternative methods of delivery.

Step Four, Option One: Improve Delivery Through Internal Improvements

Many municipalities that currently deliver a service or program directly choose to make internal improvement first before considering alternative delivery methods.

Staff can improve delivery by:

- Increasing the number of benefits, for example, by using technology to make services more responsive, reliable or accessible.
- Increasing the number of outputs, for example, by making better use of existing assets and facilities.
- Decreasing the number of inputs, for example, by eliminating red tape or duplication; re-deploying inputs that don't add significant value; or sharing services to achieve economies of scale.
- Decreasing the cost of inputs, for example, by error proofing; standardizing; simplifying; competitively sourcing; volume leveraging; establishing a "just-in-time" supply or a supply chain management system; or better managing labour costs.

If the internal improvement strategy is successful, the next step is to implement, evaluate and report the improvement. If it proves unsuccessful, the next step is to investigate other feasible service delivery methods.

Step Four, Option Two: Investigate Alternative Service Delivery

A number of options are available:

- Direct Delivery
- Purchase of Services[1]
- Municipal Business Corporations
- Municipal Service Boards and other Local Entities
- Partnerships
- Licensing
- Privatization

The review team will start by screening out methods that are unfeasible due to legal rules (the municipality is legally obligated to provide the service or program in a certain way) or market barriers (the private provider market cannot fill the gap).

This process should leave the municipality with a short list of feasible delivery methods for more in-depth assessment. The review team will analyze suitable methods using the four analytical tools identified in Step Three.

Step Five: Select A Service Provider

Having selected an alternative delivery method, the municipality then needs to select a service provider. A municipality would have a procurement by-law that outlines its decision-making process for selecting service providers. Assuming a competitive process, this could mean making choices about appropriate evaluation criteria. This process also involves:

- preparing and circulating the solicitation document;
- evaluating bids or proposals; and
- preparing and negotiating the contract.
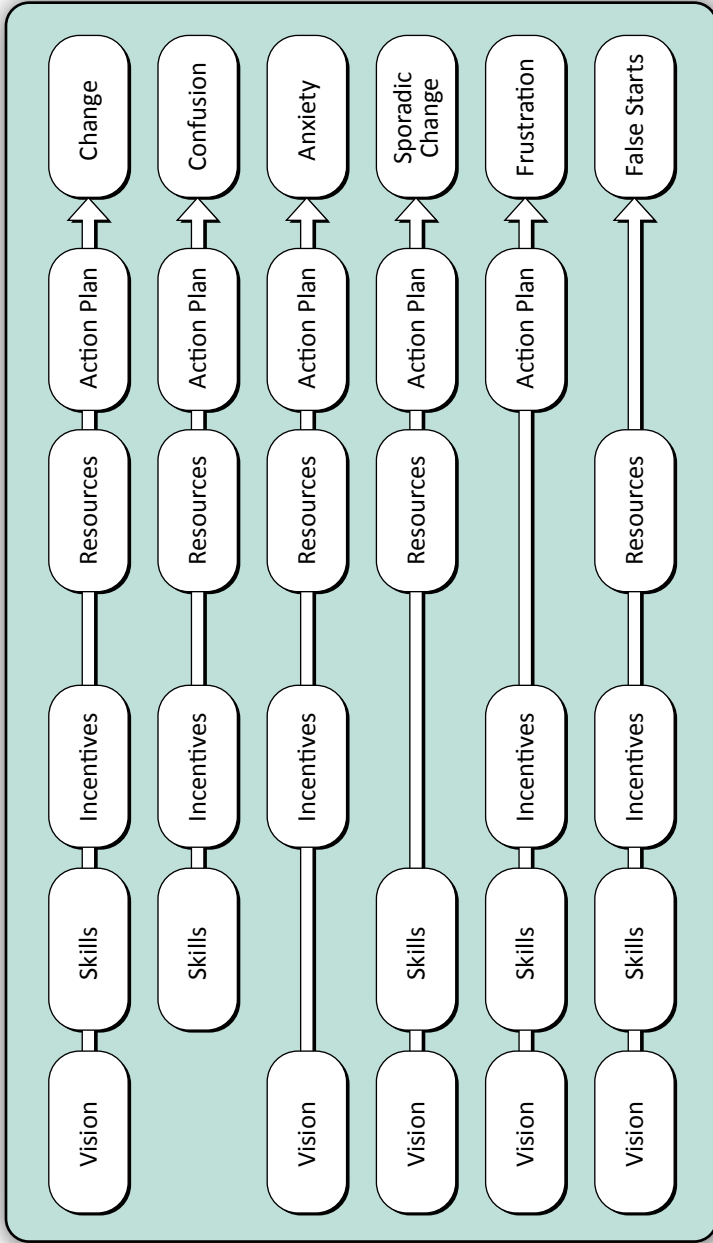
Step Six: Implement, Evaluate And Report

Whether the municipality decides to make improvements to the current method or use an alternative delivery method, the final step is to implement the changes, evaluate results and report to citizens both on the successful improvement and on barriers to successful improvement.

The following diagram on influencing change shows the key ingredients necessary for a successful implementation effort (and the consequences of leaving out any one of the ingredients!).[2]

As changes are implemented, the municipality may need to adjust the choices made, such as deciding on appropriate remedial steps if the changes made to delivery fail to achieve the established goals.

Influencing Change

(When Implementation Goes Astray)

Vision	Skills	Incentives	Resources	Action Plan	= Change
Vision	Skills	Incentives	Resources	Action Plan	= Confusion
Vision	Skills	Incentives	Resources	Action Plan	= Anxiety
Vision	Skills	Incentives	Resources	Action Plan	= Sporadic Change
Vision	Skills	Incentives	Resources	Action Plan	= Frustration
Vision	Skills	Incentives	Resources		= False Starts

Using Service Delivery Reviews To Improve Services And Better Manage Spending

This guide has been developed to provide municipalities with a tool that considers best practices for making informed, strategic choices about how services are delivered. The six-stage process outlined on the preceding pages reflects municipal experiences with service delivery improvements around the world and builds upon the work of Ontario's innovative municipal sector. This process has been designed to be comprehensive, relevant and flexible to meet the diverse needs and goals of municipalities across Ontario.

Where Can I Get More Information?

The complete guide is available at ontario.ca/mah.

For more information about this guide and its contents, please contact the nearest Municipal Services Office or the ministry's Intergovernmental Relations & Partnerships Branch at 416-585-4260 .

Municipal Services Offices

Central (Toronto)
416-585-6226 or 1-800-668-0230

West (London)
519-873-4020 or 1-800-265-4736

East (Kingston)
613-545-2100 or 1-800-267-9438

Northwest (Thunder Bay)
807-475-1651 or 1-800-465-5027

Northeast (Sudbury)
705-564-0120 or 1-800-461-1193

End Notes

[1] This could include the external purchase of services (hiring another service provider either to deliver the service with private-sector employers or to manage the service using municipal employees) or internal purchase of services ("contracting in" or "in-house bidding" where internal staff compete with external parties to provide the service).

[2] From the workshop "Developing a Coaching and Mentoring System by Linkage Corporation." Available electronically at www.linkageinc.com.

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