

Review of Activities (Service Effectiveness and Efficiency Review Program)

As at February 2016

APPENDIX 3 ATTACHMENT 1

2015 / 2016 SUMMARY

Six reviews completed

City Leases and Rentals

Maintenance and Supply of Ornamental Street Lights (RFT033/13)

Provision of Electrical Services (RFT011/11)

Provision of Plumbing Services and Minor Works of value less than \$100,000 (RFT 045/14)

Provision of Tree Maintenance Services (RFT 030/14)

Provision of Traffic Management and Control Services (038/14)

These activities have Recommendation Plans signed-off by the relevant Manager and Director. Cost efficiencies and/or savings will be verified by Executive and Risk Services during 2016.

Three activities under review

Procurement and Contract Management

Human Resource Services Business Delivery Model

Major Projects Section of the City's Project Management Framework

Next activities identified for review

Marketing and Communications Business Delivery Model

Outcome of data analytics program

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Review Completed	High Level Recommendations / Outcomes
City Leases and Rentals	A benchmarking exercise with other local governments is completed to identify the rent ratio for City owned rentals/leases when the Property Management Framework (PMF) is reviewed
	The City reviews the percentage rate per capital cost of buildings that are leased to community groups
	Process maps are completed in conjunction and consultation with the Quality Systems Officer to ensure compliance with ISO 9001:2015 (Quality Management System) and reduce occurrences of work being repeated to meet the required ISO levels and assist Infrastructure Services maintaining their ISO compliance
	Mapping of all processes within this area to be completed to ensure knowledge capture given the high staff turn-over during the 15 month acting period
	Reports are developed further within business objects to provide graphical representation of leases status
	Position descriptions are updated to include system accountabilities as a result of the recent business improvement project
	KPIs are created for the Property Coordinator to support ease of reporting to the Manager Asset Management and the Director Infrastructure Services
	The PMF to be reviewed in the 2015/2016 financial year to ensure the City is able to maximise its revenue stream and to reduce potential variances in the application of the PMF to leases and licences
	Compliance testing on City properties is to remain the responsibility of the City. Asset Management is to explore options to establish a process where required compliance works can be completed and costs recouped by the City. This ensures that liability and risk responsibility of the Chief Executive Officer remain in control of the City
	The market rent review to be aligned with the Works Operation Centre market rental review and conducted early in 2017 to enable more accurate forecasting for budgeting

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Review Completed	High Level Recommendations / Outcomes
Maintenance and Supply of Ornamental Street Lights (RFT033/13)	Extend the current data analysis, where appropriate, to ensure value for money is being obtained for the contract and to develop an increased understanding of the maintenance occurrences on the City's luminaries asset. Commence data collection on luminaries on Hillarys and Iluka
	A business case is developed by Infrastructure Management Services to review the lighting requirements of the City and to explore options relating to lighting services, being centralised in Infrastructure Management Services
	Develop KPIs for the current contract to ensure service delivery and contract expectations are met
	Develop a contract management plan to support delivery of the contract and ensure that all contract requirements continue to be met
Provision of Electrical Services (RFT011/11)	Data analysis of the contract, where appropriate, to determine value for money is being obtained for the contract and to assist with developing set pricing options for future contracts in line with City requirements and industry equipment specifications. Consideration could also be given to further understanding life cycle of assets, data to assist in determining fit outs of future facilities, number of occurrences of maintenance at facilities versus age of the facilities and usage of facilities as some examples
	A business case is developed by Asset Management to review the electrical service requirements of the City to ensure a new contract will meet the growing needs of the City. This includes considerations for new facilities that are expected to go online within the next three years
	The business case should include options for mode of service delivery to ensure best value for the City is identified
	Contract performance reviews to be reviewed with the aim of establishing clear reporting guides to ensure meaningful information is captured from the appropriate areas and included in any review of services undertaken
	A cost modelling exercise is completed to support the business case recommendations

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<p>Provision of Plumbing Services and Minor Works of value less than \$100,000 (RFT 045/14)</p>	<p>Contracts and Purchasing Services undertake a review of all new request for tenders (RFT) to determine if set pricing can be implemented within new tenders to achieve cost efficiencies for the City. Business Units would then be required to review the options for set pricing for inclusion within the contract. This should incorporate best practice within the specified industry and data analysis</p> <p>Data analysis of the City's contracts, where appropriate, to determine value for money is being obtained for the contract and to assist with developing set pricing options for future contracts</p> <p>Consideration could also be given to further understanding life cycle of assets, data to assist in determining fit outs of future facilities, number of occurrences of maintenance at facilities versus age of the facilities and usage of facilities as some examples</p>
<p>Provision of Tree Maintenance Services (RFT 030/14)</p>	<p>Data analysis of the contract, where appropriate, to determine value for money is being obtained for the contract and to assist with refining future set pricing options in future contracts in line with City requirements and industry equipment specifications</p> <p>Operations Services commence development / migration of data into TechOne to develop a single version of truth around all services delivered. This will allow for improved data capture; reporting; trend analysis and projections of future service delivery requirements</p> <p>This will be improved through the implementation of the Works and Assets System</p> <p>Reduce duplication of purchase orders and work with the Contractor, if required, to develop an efficient solution of a single purchase order.</p> <p>This will be improved through the implementation of the Works and Assets System</p> <p>A business case is developed by Operation Services to review the tree maintenance service requirements of the City to ensure a new contract will meet the growing needs of the City. This includes the development of new housing areas and potential new species of trees introduced into the City and should include options for mode of service delivery to ensure best value for the City is identified</p> <p>Contract performance reviews to establish clear reporting guides to ensure meaningful information is captured from the appropriate areas and included in any review of services undertaken</p>

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Provision of Traffic Management and Control Services (038/14)	An improvement project is undertaken to further document current processes and identify opportunities to streamline them using ISO9001:2015 (Quality Management System) and LEAN methodology. This is to include the development of decision tools to support consistency in the decision process of when / how traffic management is supplied and required
	Infrastructure Services and Financial Services to meet and validate data relating to contract expenditure and develop business rules around data analytics for consistency of reporting
	Develop an increased understanding of how the contract is being used both through the operational and capital programs by extending the current data analytics to monitor how the contract is being used. Data is to include set business rules for consistent measurement
	Members of Traffic Engineering undertake Advanced Worksite Traffic Management training that includes a risk assessment process
	Adopt a formal Onsite / Operational Checklist using the template from Main Roads WA as a guide for auditing Traffic Management Plans that have been implemented and complete audits of traffic management compliance twice a year as part of the contract management process
	A contract management plan is established to monitor the performance of the contractor, conflict resolution, establish clearly defined roles and responsibilities for the contract Superintendent and the Contract Manager. This includes the development of an issues log to capture feedback from contract users to assist in the annual performance appraisal of the contractor
	Future Recommendation Reports are to clearly state the financial budget for the life of the contract
	Develop a costing model to understand the cost of delivering traffic management services by City staff and determine delivery options going forward
	Explore options to coordinate traffic management positions across the City to avoid the duplication of works undertaken by the City thereby reducing the risk to the City should an incident arise due to the lack of coordinated works
	Operations Services must ensure that checks and processes are in place to ensure financial information provided in reports is accurate

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Review of Activities (Service Effectiveness and Efficiency Review Program)

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Review in Progress	Objectives	Evidence-Based Approach and Validation
<p>Human Resource Services Business Delivery Model</p> <p>STATUS</p>	<ul style="list-style-type: none"> • Develop an understanding of the City's current business delivery model; • Identify service drivers (statutory, financial, operation) and review what is currently delivered; • Consider desirable service levels – what should be delivered (within budget realities) whilst maintaining customer needs and process improvement focus; • Review how the service is delivered and if appropriate recommend alternative service delivery methods, models and/or activities; and • Define the understanding between where corporate human resource activities end and operation and/or supervisory responsibilities commence. 	<ul style="list-style-type: none"> • The City's Executive Leadership Team actively reviews the organisation to identify areas that could be improved through efficiency as opposed to expansion and budget increase. This is incorporated in the annual business planning process.
	<ul style="list-style-type: none"> • STEP 1 – Identify Target Services – completed (refer to Evidence-Based Approach and Validation) • STEP 2 – Assess and Identify Opportunities <ul style="list-style-type: none"> • Perform analysis on the system and processes – in progress • Develop a business case – in progress • Identify opportunities and 'critical to quality' requirements – in progress <p>NOTE: the detailed findings from the 2016 Deloitte review will be used to assist in progressing this review.</p>	

Review of Activities (Service Effectiveness and Efficiency Review Program) As at February 2016

Review in Progress	Objectives	Evidence-Based Approach and Validation
Major Projects Section of the City's Project Management Framework	<ul style="list-style-type: none"> Improving the rigour of project management and service reviews and aligning this work with ISO 9001 (Quality Management System); and Consider an online project management environment, including gateway review processes for strategic assessment, business justification, procurement strategy, tender decision, readiness for service and benefits evaluation. 	<ul style="list-style-type: none"> WALGA Procurement Compliance Checklist – the overall assessment concluded that the procurement framework in place is sound and compliance is being achieved, and that continuing auditing of procurement practices is recommended as there remain some minor compliance gaps. There are opportunities to expand and enhance documentation of process and provision of guidance to staff, as well as ensuring contract arrangements are delivering the intended value. The sophistication of projects undertaken by the City continues to grow (City Office Development, Joondalup Performing Arts and Cultural Facility, Warwick Open Space Synthetic Hockey Pitch Project and the recently commissioned Multi-Storey Carpark); Variance in project management documents being used by external agencies; National benchmarking occurring through the Australian Local Government Chief Officers' Group relating to major projects; Deloitte Touche Tohmatsu Report 2014, Independent appraisal of the City of Joondalup's cost efficiencies and services review (recommended improvements to the City's Project Management Framework); and Victorian Auditor General Report 2012, Managing Major Projects.
STATUS	<ul style="list-style-type: none"> STEP 1 – Identify Target Services – completed (refer to Evidence-Based Approach and Validation) STEP 2 – Assess and Identify Opportunities <ul style="list-style-type: none"> Perform analysis on the system and processes – in completed Identify opportunities and 'critical to quality' requirements – completed <p>NOTE: the detailed findings from the 2016 Deloitte review will be used to assist in progressing this review.</p>	

Review of Activities (Service Effectiveness and Efficiency Review Program)

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Next activities identified for review	Objectives	Evidence-Based Approach and Validation
Marketing and Communications Business Delivery Model	<ul style="list-style-type: none"> Not yet determined 	<ul style="list-style-type: none"> The City's Executive Leadership Team actively reviews the organisation to identify areas that could be improved through efficiency as opposed to expansion and budget increase. This is incorporated in the annual business planning process.

Review of Activities (Service Effectiveness and Efficiency Review Program) As at February 2016

Next activities identified for review	Objectives	Evidence-Based Approach and Validation
Data Analytics Program	<p>Conduct data analytics on procurement and finance data to identify:</p> <ul style="list-style-type: none"> • Potential anomalies or red flags that may indicate possible payment of false invoices. • Changes to bank accounts and ensure confirmation of authorisation to change. • Rates charged by suppliers and to test for variations in these charges in accordance with the contract agreed rates. • Spending patterns that indicates attempts by employees to split purchase orders or remain under thresholds (especially the \$5,000 threshold). • Variations from the process of invoices being paid (a) without goods receipted or (b) invoices being paid without services provided. • Variations from the process of purchases where a tender has not been undertaken as required. 	<ul style="list-style-type: none"> • Recommendations from the Fraud and Misconduct Risk Assessment (KPMG).
	<p>Conduct data analytics on headcount, payroll and spend data:</p> <ul style="list-style-type: none"> • Payroll and benefits – review of all timesheets and payslips for wage and casual staff to identify cost leakage and subsequent opportunities for cost reduction from leave entitlements, hourly rates, allowances, overtime, superannuation, timesheet hours (organisations who have done this have typically saved approximately 1%-1.5% of their payroll spend). • Headcount – review of span of control and team sizes against other local government authorities. • Contractor vs employee mix 	<ul style="list-style-type: none"> • Recommendations from the external review of the City's Service Effectiveness and Efficiency Review Program (Deloitte) – to uncover further efficiencies and cost savings.

City of Joondalup

Independent appraisal of the City of Joondalup's service effectiveness and efficiency review

22 February 2016

ATTACHMENT 2



Background and objectives

What led to an independent appraisal of the City's Effectiveness and Efficiency Review Program?

The Chief Executive Officer initiated an extensive program of reviews to be undertaken for a number of the City's activities in order to identify opportunities for increasing efficiency, reducing waste and reducing the costs of the services. In December 2014, Deloitte provided an assessment and made recommendations to enable the City to manage and deliver multiple service reviews more efficiently and effectively. Following this review, the Service Effectiveness and Efficiency Review Program has been undertaken in-house with the engagement of a full-time Business Performance Analyst into the Executive and Risk Services team.

The City now requires the services of an independent, qualified organisation to undertake an independent appraisal of the Effectiveness and Efficiency Review Program in order to determine if the City's approach :

- Is appropriate and structured
- Is consistent with relevant standards, guidelines and good practice in Australia and internationally
- Includes all potential areas for review within the Program

Deloitte has been engaged by the City's Chief Executive Officer (CEO) to conduct an independent appraisal of the program, its progress and recommendations for consideration to enable the program to achieve its objectives. Interviews were conducted with key members of the Executive and Risk Services team to understand the City's progress and efforts over the last 12 months. A comprehensive review of the relevant documentation was also undertaken to support the appraisal.

The City's progress-to-date

The City has progressed a number of recommendations following the last review of its Effectiveness and Efficiency Review Program.



The City has initiated two individual service reviews and has selected a high level approach that is appropriate for the achievement of its objectives.

- The Procurement and Contracts Management Review was identified as an opportunity through common improvement opportunity themes that have risen from six tender reviews conducted by Executive and Risk Services. The DMAIC (Define, Measure, Analyse, Improve, Control) methodology has been used to frame the project and guide the approach. This approach is deemed appropriate for the objectives this service review has set out to achieve.
- The Human Resources Services Review has been initiated to understand current services, how they are being delivered and improvements that can be made to further improve operational effectiveness and efficiency. The high level approach includes a combination of qualitative and quantitative measures to support the analysis and development of insights to help inform where improvements can be made.



A business case template has been drafted by the Executive and Risk Services team, intended to be used broadly to evaluate opportunities for service improvements as well as to provide Business Units with a template to be used to evaluate and present proposals for business improvement initiatives.

- The Business Case (Service Review) template is being used as a trial in the Human Resource Services Review that is being undertaken by the Executive and Risk Services team. The project is in the early stages of analysis and as the project progresses, the business case template will be populated with the relevant detail. This process aims to provide feedback on the relevance, usability and depth of detail required for the business case template and give direction for any improvements.
- The draft Business Case (Service Reviews) is currently under trial in another business unit with support being provided from Executive and Risk Services in populating the template.



The Executive and Risk Services team have drafted reporting templates to support the management and tracking of service reviews.

- Progress reporting templates have been developed and trialled through use in a Major Project with the aim of bringing about greater visibility into the status of the project and facilitate reporting and decision making at the Executive level.
- The responsibility of managing the progress reporting and collecting feedback on the process will sit within the Executive and Risk Services team, however the intent is that it would move to the Project Management Office once established to see how these templates can be integrated to support Business Units to effectively deliver and manage multiple service reviews.

Our recommendations

Deloitte proposes that the City consider the following recommendations as it progresses its efforts in identifying operational efficiency and cost saving opportunities.

1

Use data analytics to provide insights to help identify operational efficiency and cost saving opportunities.

A number of service reviews will be moving into the “Analysis” phase where a more in-depth review of quantitative and qualitative data would be required. Data analytics can provide multiple facets and approaches, encompassing diverse techniques of inspecting and modelling data with the goal of discovering useful information, suggest hypotheses and support decision making. In some reviews, a detailed analysis will be required to help identify whether fraud or misconduct has occurred

Data analytics can also be performed across the whole organisation to help identify additional areas for review to achieve further efficiencies and cost savings. Building data analytics capability (i.e. talent and tools) typically would take a long time to build and develop, more so for an organisation where this may not be a key focus area. Therefore, we recommend the use of an external provider with strong data analytics and forensic capability to provide insights as to where there may be opportunities to save cost and/or improve on current business process performance. Utilising expert data analytics capabilities not only ensures accurate and advanced analysis of data, but also ensures that the right data is sourced for scrutiny of the right issues or service areas.

2

Analyse and evaluate headcount, payroll and spend data to uncover further efficiencies and cost savings

From our experience in conducting similar service reviews and cost saving initiatives in both public and private sector organisations, we believe the City will uncover further efficiencies and cost savings by reviewing these additional areas:

- Payroll and benefits - review of all timesheets and payslips for wage and casual staff to identify cost leakage and subsequent opportunities for cost reduction from leave entitlements, hourly rates, allowances, overtime, superannuation, timesheet hours. Organisations who have done this have typically saved approximately 1%-1.5% of their payroll spend.
- Headcount – review of span of control and team sizes against other local government authorities.
- Contractor vs employee mix

3

Prioritise recommendations and resourcing to achieve program objectives and outcomes

With limited resourcing (i.e. one full-time Business Performance Analyst), Deloitte recommends that the City prioritises all of the recommendations from the 2014 Independent Appraisal and the service reviews at hand and develop a clear plan to articulate which activities/ recommendations will be pursued and who will deliver them. This will also provide a program view of what is in scope of the Effectiveness and Efficiency Program and help guide resourcing priorities. The City should also consider a mix of internal staff and external consultants to assist with conducting service reviews where appropriate.



Inherent Limitations

The Services provided are advisory in nature and have not been conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions under these standards are expressed.

Recommendations and suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Joondalup personnel. We have not attempted to verify these sources independently unless otherwise noted within the report.

Limitation of Use

This report is intended solely for the information and internal use of the City of Joondalup in accordance with our engagement letter agreed on 20 January 2016, and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than the City of Joondalup for our work, for this report, or for any reliance which may be placed on this report by any party other than the City of Joondalup.

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