

12. REVIEW OF THE SIGNIFICANT ACTIVITY ENVIRONMENTAL SERVICES

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The purpose of this report is to advise the Strategy and Finance Committee of the outcomes of the Environmental Services Significant Activity Review. This report was considered by the Regulatory and Consents Committee on 15 August 2003.

BACKGROUND

The review of Environmental Services is being carried out as part of a rolling programme of significant activity reviews to be completed over the next two or three years. This review is being reported to the Regulatory and Consents Committee with this report and recommendations being forwarded to the Strategy and Resources Committee for final recommendation to the Council.

The objectives of the review, as set out in the adopted terms of reference, are as follows:

- 1. Review of the strategic direction of the Environmental Services Significant Activity in terms of Council policy and strategy.*
- 2. To identify the major cost (operational and capital) and revenue drivers for next five financial years and based on these to evaluate options to reduce costs and/or increase revenues.*
- 3. To review each output to determine if there are options for alternative levels of service and service delivery methods.*

At a meeting with the Chair and Deputy Chair of the Regulatory and Consents Committee it was agreed to focus the review on the key governance issues identified in the review as this would support the current discussions being held regarding governance and management roles and responsibilities.

The review is to be reported directly to the Committee rather than worked through the normal review process, of holding seminars and then reporting, to speed up the process and to allow sufficient time for the Committee to address the issues raised.

REVIEW OUTCOMES

The key governance issues identified in the review are as follows:

- What the funding policy says and how it is applied?
- Are the agreed levels of service being achieved and how are these being reported on?
- Consideration of service delivery options.

FUNDING POLICY

The Funding Policy sets out the rationale for the balance between public good and private benefit. The application of this rationale flows into the amount of rates funding and user-charges that will be applied to meet the cost of the output with this ultimately being reflected in the fees the Council adopts each year in the Annual Plan.

The issues the review has looked for in the Funding Policy as it relates to the outputs of the Environmental Services Unit are:

- Is there a stated, understandable and consistent rationality in the application of allocation of costs?
- Does the allocation of costs align with the funding of expenditure?
- Is the Funding Policy being applied as described?
- Is the approach to pricing of services (fees) consistent with the Funding Policy?

The review has found that:

- There is little consistency in the application of allocation of costs between similar outputs.
- The rationale for the allocation of costs is not always clear or understandable.
- There are a number of inconsistencies between the allocation of costs and funding of expenditure sections.

- There are situations where the described allocation of costs (between public and private benefit) is not reflected in the funding of expenditure. This results in the Council under-recovering user charges and using a greater proportion of rates to fund the activity. One example of this is in the subdivisions output where the Funding Policy sets user charges at 100% of the cost (ie no rates input) but the funding of expenditure allows for 20% funding from rates. This situation possibly reflects the Councils unwillingness to increase the fees charged to achieve the 100% user charge.

It is concluded that the current Funding Policy for ESU outputs is inconsistently applied, the rationale for allocation of costs is at times unclear and the budget is not always set in accordance with the policy.

The Funding Policy for all outputs will be reviewed for the creation of the 2004/05 Long Term Council Community Plan. This is likely to be a reasonably high level process worked through with the Annual Plan Subcommittee. It is recommended that the Regulatory and Consents Committee review the ESU Funding Policy as an input to the over-arching review process.

LEVELS OF SERVICE AND KEY PERFORMANCE INDICATOR REPORTING

The key governance monitoring tool for ESU's performance in achieving its outputs, outcomes and levels of service are the Key Performance Indicators (KPIs) reported in the Corporate Plan and Annual Plan.

The levels of service delivered by ESU are largely regulatory driven and were reviewed in detail during the Outputs and Standards Review process two years ago. This review has addressed whether the levels of service, for example 100% of non-notified resource consents processed within 20 days, are actually being achieved. The method for doing this has been to review the KPIs reported on by ESU.

The KPIs should provide the Council with information on:

- The quality of service achieved, this links to the achievement of desired outcomes and helps to pose the question "*are we doing the right thing?*"
- Customer satisfaction with the services provided - are the levels of service appropriate and meeting expectations?
- Efficiency of service delivery, "*are we doing the thing right?*"
- Cost of services, are we meeting the Funding Policy and achieving budgets?
- Compliance with statutory requirements.

These KPIs inter-relate with each other and can be viewed as a 'scorecard' or matrix as follows:

The main findings from the review of KPIs are:

- There is relatively little reporting on quality achievement or on impact on desired outcomes. To date these have proven to be hard concepts to define adequately and to gather meaningful information on.
- There is some very good customer satisfaction reporting but it is not done consistently across all outputs.
- Efficiency factors are reported on but not all of these are meaningful or provide insight into whether we are doing "*the thing right.*"
- Cost is reported as overall budget performance, further reporting of trends in expenditure and revenue achievement could be valuable as would reporting against the Funding Policy.
- Compliance reporting is strong and in fact is the dominant form of KPIs reported.

It is concluded that further work is required on the overall quality and meaningfulness of the KPIs reported. If this is done properly it will help to clarify the governance issues to be faced and provide valuable information on the success, or otherwise, of management in delivering the agreed services.

It is recommended that the Regulatory and Consents Committee put a work programme in place to review the current KPIs and where appropriate to put in place new and improved KPIs.

SERVICE DELIVERY OPTIONS

The Council does not currently have an agreed strategy of framework for considering service delivery options for existing services. Such a strategy or framework would set out principles relating to the following questions:

- What are core and non-core services?
- What are the risk issues relating to the service?
- What is the business case for the optimum service delivery method?
- What is the decision-making process for changing the current service delivery method?
- What is the optimum governance structure for the service?

Some service delivery options were canvassed for ESU services but given the lack of Council strategy in this area these were not pursued.

It is concluded that the Council needs to put in place a strategy/framework for considering how services are delivered to ensure consistency of approach across all services.

SUMMARY

The review of the Environmental Services Significant Activity has focused on identifying and commenting on the key governance issues the Committee needs to consider. These come under the categories of: the Funding Policy; KPI reporting; and service delivery methods. The major conclusions reached are that further work is required on the Funding Policy as it is inconsistent between outputs and is not being fully applied resulting in a higher cost to rates than the policy supports, further work is required on the KPIs as these do not fully reflect the governance information required, and, the Council needs to put in place a framework or strategy for considering how services are delivered.

STAFF RECOMMENDATION:

1. That the Regulatory and Consents Committee carry out a review of the Funding Policy relating to Environmental Services outputs with the results of this review to be fed into the overall review of the Funding Policy for the 2004/05 Long Term Council Community Plans.
2. That the Regulatory and Consents Committee agree on a work programme to review the Key Performance Indicators reported by the Environmental Services Unit.
3. That the Council put in place a strategy/framework for considering how services are delivered.

The following is the joint recommendation of the Regulatory and Consents Committee and the Strategy and Finance Committee.

- Recommendation:**
1. That the Council note that the Funding Policy is a core budget document for the Environmental Services Unit that determines the amount of rates, fees and user charges that need to be collected to meet the costs of servicing the Environmental Services outputs.
 2. That the Regulatory and Consents Committee carry out a review of the Funding Policy as it relates to the Environmental Services outputs during September - October 2003, the results of which will be fed into the overall review of the Funding Policy for the 2004/05 Long Term Council Community Plan.
 3. That the Environmental Services Unit commence the 2004/05 budget process in October 2003 taking into account the Funding Policy work of the Regulatory and Consents Committee during the review.
 4. That the Regulatory and Consents Committee commence a further review of Key Performance Indicators reported by the Environmental Services Unit in November 2003.