

Report

Date : 20 April 2016
To : Mayor and Councillors
Tararua District Council
From : Malcolm Thomas
Strategy and Policy Adviser
Subject : **Section 17A Service Review Process and Criteria**
Item No : **10.3**

1. Reason for Report

1.1 The Local Government Act 2002 (LGA) now requires that a service delivery review should periodically assess:

“the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good quality local infrastructure, local public services, and performance of regulatory functions”.

1.2 A review of services is a mandatory requirement when there is:

- 1) Significant change to levels of service
- 2) A contract or agreement that is within 2 years of expiration and that contract is deemed significant by the Council

1.3 Regardless of the above, the LGA (*Clause 2, schedule 1AA*) requires that all services are reviewed by 8 August 2017. After this first review, there is a six-year cycle of mandatory reviews, or whenever a review is triggered by the above two triggers.

1.4 Staff are now progressing the service reviews. The Council is being asked to approve the proposed process, criteria and indicative timetable so that the service reviews can start to be delivered through to the Council for discussion and decisions.

2. Introduction

2.1 The Local Government Act 2002 (LGA) now puts a requirement on the Council to consider more efficient and effective structures in the delivery of services.

- 2.2 The LGA in Section 17A sets out a requirement to review, on a regular basis, all Council services. The initial date that all services must comply with Section 17A is 8 August 2017.
- 2.3 Not all services will require a ‘full’ review looking at costing and analysing the current service delivery against mandatory options. At Council’s discretion service reviews are not required where:
- Council is legally obliged to deliver the service
 - Council has a binding contract that has more than 2 years to run (from August 2017)
 - Council has recently carried out a review that considers the mandatory choices
 - Council considers that the costs of a review outweigh the benefits
 - Small service area
 - Contract value below a determined threshold
- 2.4 For those services not exempt for any of the above reasons, the Council is required to carry out a detailed review. The review must consider the mandatory options (but other options should be considered if sensible):
- a) in-house governance, funding and delivery
 - b) in-house governance and funding, but
 - a. delivery by a CCO, whether wholly owned by the local authority, or a CCO where the local authority is a part owner
 - b. another local authority
 - c. another person or agency (for example central government, a private sector organisation or a community group)
 - c) responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement, with delivery options as set out in b).
- 2.5 The Council has discretion on a number of key criteria that will shape the review process. Council needs to set:
- the grouping of the services to be reviewed
 - the dollar value of contracts that are deemed significant
 - any other factors that will result in a service being reviewed.
- 2.6 The LGA does not define the services or what is deemed significant. The Significance and Engagement Policy gives the Council guidance on this matter. Essentially, there are a few services such as Civil Defence, which are ‘significant’ but have a relatively low cost.
- 2.7 An initial project plan was formed in June 2015 and the overall project confirmed as part of the TDC work programme over 2015/16 and 2016/17.

The Council received a briefing based on the project plan in August 2015 and expressed a desire to minimise the scale of the work where possible.

- 2.8 Since then the Society of Local Government Managers (SOLGM) has issued good practice guidance, and considerable discussion on the reviews has taken place in and between councils. Most councils have yet to make substantial progress on the service reviews.
- 2.9 SOLGM guidance has emphasised that the term cost-effectiveness is not the same thing as 'least cost'. The Council still has a value judgement decision to make in each review.
- 2.10 During the 2015 - 25 Long Term Plan (LTP) process the Council resolved to carry out a funding review for each activity. It was further resolved that this funding review would be carried out as part of the service reviews.
- 2.11 An important distinction is that these service reviews do not include a review of service levels. That will take place as part of the 2018 – 28 LTP process during 2017. Expected changes to levels of service will need to be considered though as these may change the timing of the service reviews. The service review process will be a useful background for Councillors and may lead to specific levels of service discussions with the community.

3. Issues

3.1 Criteria

- 3.1.1 Not all contracts will trigger a review. The LGA allows councils to not carry out a review if the costs outweigh the benefits – that is if the contract is not large enough to be significant.
- 3.1.2 The proposed trigger level for contracts and services to be significant is **\$250,000 a year**. This is relatively high for the Council and means that few contracts expiring will cause a service review trigger. This will lower the number of service reviews and concentrate resources on the most significant services.
- 3.1.3 Contracts and / or services less than this may trigger a review if they generate large political or public interest. The Significance and Engagement Policy is the guidance policy on this.

3.2 Services to be Reviewed and Timing

- 3.2.1 Officers have assessed the current services delivered by the Council against the LGA Section 17A requirements. Following SOLGM guidance, services have been based on the existing activities of the Council. This will enable existing budgets and information from the 2015 LTP to be used as the base for the service reviews.
- 3.2.2 In some cases, it makes sense to combine activities or groups of activities to be reviewed as a single service. This is where management and operations are closely aligned, or where one activity has a major impact on another.

3.2.3 This is the reason for combining the three waters into one group, and reviewing all Regulatory Services together. This also reduces the overall costs and time of the service reviews.

3.2.4 The following is an indicative timeline for the service reviews process leading up to August 2017.

Service Review area	Likely to be Exempt (This round)	Op Rev LTP budget 2015/16	Contract Trigger	Work to date	Timing of Council Workshop
Pensioner Housing	Yes	\$0.4 m	No	Rationale work done September 2015	May 2016
Libraries / Service Centres	Yes	\$1.7 m	No	Background information done	May 2016
Regulatory (Animal Control, Health and Safety, District Planning)	No	\$1.6 m	No	Background information done	May 2016
Solid Waste	Yes	\$2.1 m	No	Background information done	May 2016
Community Support	Yes	\$0.4 m	No	None	June 2016
Commercial Property (and Forestry)	Yes	\$0.4 m	No	LTP resolved to sell.	June 2016
Emergency Management	Yes	\$0.4 m	No	None	July 2016
Economic Development (including i-SITE)	No	\$0.7 m	No	None	July 2016
Representation	Yes	\$1.0 m	No	None	July 2016
Pools	Yes	\$0.5 m	No - Grant	None	July 2016
IT	No	\$0.6 m	Yes (June 2018)	IT Strategic Plan	August 2016
Parks, Property, cemeteries, toilets, Domain Boards	No	\$2.9 m	Kathy, Colin	None	August 2016
Water, Wastewater and Stormwater	No	\$5.1 m	Partly (Alliance and Fulton Hogan)	None Some committed contracts LGA changes	Feb 2017
Finance	No		No	None	Feb 2017
Roading and Footpaths	Yes	\$11.2 m	Yes – Oct 2019	None Committed contract -review 2018	March 2017

- 3.2.5 Some major reviews will be required prior to the expiry of the Alliance contract in October 2019. There are other small parts of the Council corporate overhead not included in the timetable above. These are small, or form part of the management structure.
- 3.2.6 **Decision Making Process**
- 3.2.7 The Council is required to consider the situation and arrangements for the governance, funding and delivery of all services. The SOLGM template leads Council through an understanding of each service, including background information on financials, rationale for involvement and the decision on whether to carry out a review or not.
- 3.2.8 The proposed process is the following:
- Officers prepare background information and complete an initial assessment as to whether a review should be carried out (using SOLGM template as a base),
 - Material is considered by the Council at a workshop, and any additional information is provided,
 - The Council gives direction as to whether the officer view is supported,
 - Project teams are formed to carry out service reviews identified,
 - Formal reports are brought to the Council to confirm those services that do not require a review,
 - Draft service reviews considered by the Council workshop before being reported to the Council.
- 3.2.9 The Council is under no compulsion to decide to make any changes regardless of the outcomes of the service reviews. The Council can decide to remain with current arrangements even if other arrangements are seen to be more efficient and effective. The Council would need to detail the reasons for its decision, and in particular, how the preferred arrangements meet the purpose of the Local Government Act.
- 3.2.10 The Council should note that future decisions to significantly change levels of service, or when a contract or agreement is within two years of expiration and the Council deems that contract significant, will require a service review as part of the decision-making process.
- 3.2.11 These decisions are not audited or reviewed by any government agency, but are subject to judicial review the same as any other decision of the Council. While the likelihood of a judicial review is considered low, the logic and information that leads the Council to decisions needs to be well documented and formally received by the Council. This means that some background work and reports will be required even for the services that no reviews are undertaken.

3.3 Cost of Reviews

3.3.1 In general, the Strategy and Policy Advisor (consultant) and in-house staff within existing budgets will carry out the reviews. If the Council decides to engage external consultants to carry out a significant review then additional budgets will need to be identified.

3.3.2 For most services, an in-depth full review will not be required. These will still need to go through the initial process and the reasons for being excluded from a full review need to be detailed. There are a few services (covering one or more activities of the Council) that are likely to require a detailed review in this round of service reviews.

3.4 Regional Collaboration

3.4.1 A move to share information where possible is underway at a regional level through the Regional Chief Executives Forum. This may grow into a more focused process that will input into Tararua service reviews, otherwise approaches will be made to share information and knowledge with individual councils for each review where appropriate.

3.4.2 The aim is to 'share the load' and limit the time and costs of the reviews for the Council.

4. Consultation

4.1 There is no consultation required within the Section 17A requirements.

4.2 If the reviews result in any significant recommendations to change the governance, funding or delivery of services, then these will become issues for consultation as part of the 2018 – 28 Long Term Plan process. The Council may decide as part of this process not to implement the recommended changes.

5. Recommendations

That the report from the Strategy and Policy Adviser dated 20 April 2016 concerning Section 17A Service Review Process and Criteria (as circulated) be received, and

That the Council note the new requirements to review services contained in the Local Government Act 2002, and

That the Council approve the financial threshold of \$250,000 a year for operational costs as a guideline for services and contracts to be considered significant, and

That the proposed process to meet the Local Government Act 2002 Section 17A requirements and the indicative timetable set out in section 3.2 of this report be approved.

Attachments

Nil.