

The Local Government Democratic Reform Bill was passed in the Victorian parliament in October 2003 and commences on the 1st of February 2004. The changes to the Act are essentially designed to increase local government accountability and transparency. Amongst others, there are some important changes to Council planning requirements, and the ways in which Councils will have to report on their resources, budgets and the achievement of performance targets.

In summary, Councils will now be required to:

- Re-name the Corporate Plan to **Council Plan**
- Ensure public consultation is carried out in preparation of the Council Plan
- Develop and maintain a **Strategic Resource Plan** which identifies the financial and other resource requirements to meet the goals outlined in the Council Plan for the next 4 years
- As part of the **Budget** document, Councils will need to identify **Key Strategic Activities** to be undertaken during the financial year, and establish performance targets and measures in relation to each of the Key Strategic Activities
- In addition to the **Annual Report**, Councils will also now be required to prepare a separate **Performance Statement**. The Performance Statement has to include the results of the performance targets and measures specified in the Key Strategic Activities section of the Budget.

So what do these changes to the Act mean for Councils in practice? Fundamentally, it means Councils need to continue to take a performance management approach to strategic planning and reporting. Councils will need to be increasingly clear about:

- the key activities to be carried out to achieve a strategic goal
- the resources needed to achieve the goals within the target timeframe
- the performance targets for each activity, and the way in which the achievement of the target is to be measured

The majority of councils already report on the activities and strategies to achieve goals, and the performance levels and targets. The new Act will require a stronger focus on understanding the resources needed to achieve the goals, through better planning, documenting and reporting. It also requires a more sophisticated approach to monitoring and

reporting on performance levels and targets. *Most importantly, Councils will need to make sure the strategic planning framework links the key resources to the achievement of performance goals.*

Planning, budgeting and reporting processes are well established in most municipalities, and there are current improvement initiatives coming via the above changes to the Local Government Act and from the Institute of Chartered Accountants "Victorian City Council Model Budget". It is our observation however that few municipalities have their planning, budgeting, forecasting and reporting process, actually documented as a Quality procedure for all stakeholders to follow. The process has normally evolved over time, most officers understand what is required and when, and there is usually a computer application that facilitates the outputs. However where a significant design change takes place and stakeholders change, there is an urgent need for all participants to understand how the new process should operate and what their individual roles are and how they should be carried out. Tools, training sessions, on-line help, templates, time schedules, standards and case examples should be part of the package.

For the new planning, budgeting and reporting processes to operate efficiently and effectively **and be compliant**, every municipality should re-design, re-document and support their new planning, budgeting and reporting processes and have these in place before April 2004. Their package should include:

1. The process design shown in the form of a process flowchart and supported by descriptive text;
2. A timetable for the compilation of all outputs (using PERT Chart);
3. A table of responsibilities and the role that each individual will play and what outputs they are to deliver;
4. Education on the process in the form of briefing sessions and on-line help;
5. Data collection templates or IT facilitated data capturing tools;
6. Customer survey: forms, data processing facilities and analysis formats;
7. Case study examples;
8. Facilitation resources or face-to-face help;
9. A control mechanism that records and traces progress and highlights any condition that may delay or compromise the end outputs; and
10. An accountability holder for the entire process' performance.

If you have not got the above package in place, it would be best to commence its build and trial sooner rather than later and ACIG can assist.

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**IMPROVING THE CONTRACT MANAGEMENT  
PROCESS**

Applying Best Value principles to Contract Management is a bit different because most Best Value programs are applied to customer related services. However, Contract Management can be just as inefficient and problematic as any other service, and when the total value of annual contracts is taken into account, the opportunity to improve contractor performance is significant.

The Best Value approach also relies upon Benchmarking to test process efficiency and seek out opportunities to improve. Benchmarking is most effective if the reference is a better or more innovative operator, and securing a good reference site is sometimes difficult.

ACIG is currently assisting a large city council to apply its Best Value program to Contract Management.

Our approach is to build a Best Practice diagnostic tool listing some one hundred Best Practice outcomes that a good Contract Management process should achieve. This model of Best Practice also provides the Best Value Benchmarking for the service.

**Typical Problems:**

Here are some of the problems and opportunities for improvement we have observed in the field of contract management in the past – you may be familiar with them.

- Technical specifications too vague about service outputs.
- Omission of good performance indicators that clearly demonstrate contracted outputs are delivered on time, with the appropriate quality and which satisfy the end customer.
- Omission of some relevant and critical data in the Invitation to Tender, leading tenderers to understate the work required and their resources.
- Using a generic tender response template that is voluminous and complex, which deters smaller yet efficient and effective suppliers from tendering on small jobs or services.
- Using the standard tendering strategy of open advertising, even for unique or small jobs or services, rather than applying a tailored tendering strategy commensurate with supplier interest, competitive

environment and level of financial and operational risks.

- Failure to communicate well with losing tenderers, so the opportunity to build a professional relationship with potential future tenderers is lost.
- Failure to keep adequate documentation detailing all contract variations.
- Performance not regularly reported and monitored.
- Upon poor performance being detected, failure by the contract supervisor to take adequate action to rectify the problem and bring the contract back on track.
- Maintenance and operating procedures being unclear after the project is handed over at completion.
- Re-work falling into the guarantee period and conditions inadequately programmed, and is either completed by the customer at their cost or the re-work simply lapses.
- No recording of contractor performance, difficulties with the technical specification are not documented and no 'lessons learnt' are passed onto future project officers.

If any of these problems or opportunities for improvement exist in your city or department, then it would be beneficial for you to apply ACIG's Contract Management Best Practice diagnostic tool.

**Best Practice Outcomes**

The outcomes from improving your Contract Management process should include:

- The best and most capable suppliers actually tender for the work.
- The best and most capable tenderer offering best value for money is awarded the contract.
- The tendering and contract awarding process is transparent, fair, efficient, effective and timely.
- Contracted outputs are actually delivered at agreed performance levels.
- Excellent professional relationships between contractors and the city/department.
- Contractors satisfied with their engagement and keen to work with the city again.
- Customers and stakeholders satisfied with the contractors performance.
- Future project officers clearly benefiting from the experience of past contracted works and services and contractor performance.

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Australian Continuous Improvement Group is a specialist group addressing the best practice needs of the public and private sector. Our skills cover implementing continuous improvement processes which have a customer focus, meet strategic goals and achieve culture change. For advice, contact any of our named Directors, Consultants or Managing Director, Bob Hood.

These notes are not intended to be comprehensive. Readers are therefore advised that before acting on any matters arising from these notes, they should discuss the situation with a director of the firm.

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## GETTING THE MOST OUT OF YOUR CUSTOMER CHARTER

Most commercial businesses issue a Customer Charter, and many of us receive these in the mail or see them posted inside public reception places. The Charters usually state the values that the business holds concerning its customers and detail the services they offer. Sometimes the promise of good service is expressed in quantifiable terms, for example 'we will respond to a request with a letter of reply within one working day'.

However many Customer Charters fail to state what the customer really wants to know, including:

- how to access the service, both during business hours and after hours;
- how the service operates – what is included and what is excluded from the service;
- what the customer needs to do to make the service operate quickly and smoothly;
- what prices, discounts, benefits or bonuses the customer may expect to pay or receive;
- what standard of performance is set by the business in the delivery of the service;
- how often the business will actually reach that standard level of performance;
- if the standard level of performance is not delivered to the customer, then what compensation should the customer expect;
- how assured can the customer be about the confidentiality and accuracy of their transactions and records; and
- what course of action is open to the customer if something should go wrong, or a disagreement or dispute should occur.

Often the Charter is an attractively-presented brochure that is unfortunately not actually implemented in practice. The problems we see include:

- operational staff unaware of the service standards;
- staff not having the tools and methods to enable them to deliver the service to the standard;

- performance measures not reported, so the service standard achieved is unknown;
- management and staff failing to act quickly to analyse the cause of the failure and take quick and decisive action to restore the service level;
- failure to recognise staff when service standards are achieved or exceeded, leading to erosion of staff job satisfaction; and
- the actual level of achievement of service standards not being reported to the customer resulting in a lack of public confidence in the promise of service standards being achieved.

If the public knows what your service standards are and that you're actually delivering on them, then the public will likely turn into customers. If your customer is confident in you actually delivering the service standard, then that customer will turn into a loyal business partner. If your staff are keen to deliver at the standard set, and are recognised for their good achievements, they will be more satisfied with their employment and will become the reliable, efficient and effective customer "front" that you desire.

All businesses should have a Customer Charter, and that Charter should facilitate :

- increasing your share of the customer market;
- strengthening your customers' allegiance to your business;
- improving the performance of your staff in service delivery; and
- achieving better sales, reducing costs and increasing profits.

If you want to hear how ACIG has assisted business, local government and state government departments with their Customer Charters and the results achieved, then call us for a frank discussion on 'Getting the most out of your Customer Charter'.

## THE CAPITAL VS MAINTENANCE DEBATE

From time to time you will overhear accountants and engineers debating the proposition – 'when are road-works capital expenditure and when are they annual maintenance, and does it really matter that much how you classify them?' The answers depend on your perspective.

The accountants are interested in the accuracy of how costs are allocated in the city's accounts. The division of costs between maintenance and capital directly affects two key financial statements:

- Maintenance expenditure is wholly reflected in the Statement of Financial Performance and sufficient income in the form of rates and taxes or grant income is required to "cover" such expenditure;
- Capital expenditure is initially charged to the assets in the Statement of Financial Position then these assets are depreciated in terms of their remaining life. A very small part of capital expenditure will form part of this depreciation charge and find its way back into the Statement of Financial Performance to again be covered by income.

The engineers are interested in the total life cycle cost of roads and are looking to optimize the initial capital outlay with ongoing maintenance and refurbishment programs, to maximize the service potential of the road at best total cost. They are less interested in the apparently semantic argument of Capital Vs Maintenance.

Two relatively recent ideas now influence the debate – 'user pays' and 'inter-generational equity'. If costs are mis-allocated, then either current or future residents are penalized by having to pay more than their fair share.

If maintenance expenditure is overstated, then the excess maintenance cost is unfairly attributed to the current rate payers, who may have already contributed to the provision for depreciation that was intended for road refurbishment, or they may leave the municipality and not receive the benefit from the maintenance they paid for via their rates.

One reason we now operate an accrual accounting system rather than a cash accounting system is that costs can be more fairly shared across generations of users based upon their consumption of these assets.

At a recent LGPro conference dealing with the proposed Road Management Bill, Bruce Van Every, General Manager for Road Systems Management at VicRoads gave a presentation that included the subject of Maintenance Vs Capital expenditure. His comments were:

- Capital expenditure includes the construction of a new road, replacing an existing road, transforming existing roads in terms of dimension or type, and programs that increase the service potential of the initial design;
- Maintenance expenditure preserves the existing network and promotes realization of the service potential that was originally expected; it includes standard maintenance, intervention works and special repairs such as pothole and edge repairs.

The difficulty with some programs is that the program design sometimes covers both maintenance and capital simultaneously. Local governments will continue to have the dilemma of separating these two costs unless a clear statement of policy is made on which is what, and the budgeting, cost accounting, provision for depreciation and road valuation processes are operated in accordance with that policy.

## ROLLING OUT CONTINUOUS IMPROVEMENT AT MORELAND CITY COUNCIL

Moreland City Council is delivering an ambitious Continuous Improvement program, under the stewardship of CEO Peter Brown. The Manager of Corporate Planning, Christine Doyle, has been appointed to manage a new CI branch at Moreland, her appointment a result of her belief in CI as a powerful business excellence tool. In a recent interview for the ACIG newsletter, Christine shared some of her experience with us.

It was in a former role as Manager Local Laws, Civic Facilities and Fleet Services, that Chris first oversaw the introduction of a CI approach at Moreland, resulting in some significant achievements. Prior to the implementation of CI, the branch was suffering from low staff satisfaction, staff on extended stress leave, a lack of documented processes and practices, and little optimism on how improvements could be achieved. Using the Australian Business Excellence Framework as a basis, Chris used some essential CI tools and techniques resulting in great improvements. Some tools used included:

- team building and relationship management techniques
- process mapping; and
- statistical data analysis.

In 2000, following a systematic review of all relevant processes, the Local Laws team identified significant opportunities for improvement which reduced the time Council took to remove abandoned vehicles from the street, from 3 to 4 weeks, to within less than 5 days. An important impact of the improvements made was a significant reduction in the number of complaints by the community about abandoned vehicles.

In another example, staff identified a process weakness in the issuing of parking infringements.. Armed with the data gathered as a result of a CI approach to documentation, staff had no trouble convincing Christine that they should make the changes needed to remove the inconsistencies in the issuing of infringement notices. Christine in turn was able to demonstrate to the CEO that additional resources in the area would deliver excellent results within a nominated timeframe. Christine enabled the staff to make all the improvements they had identified, with fantastic results for Moreland. As an additional benefit, staff morale improved significantly. The branch continues to display its performance results in an area where

other staff across the organization can see it. In short, they're very proud of their continuous improvements.

In Christine's opinion, a CI approach brings these important benefits:

- it gets people to think about what they are doing, and how they do it;
- it is a positive approach to improvement, in that it doesn't focus on problems, but takes a more optimistic perspective that there is always room for improvement, no matter how small;
- it increases the ownership staff feel for the way in which a service is delivered, and their sense of control and accountability for the service outputs or results; and,
- by its nature relies upon the knowledge of all staff, not just management, of the resources and processes used to deliver a service.

Does Christine have any advice for those thinking about implementing a CI approach in their organization? Perhaps a few guidelines:

- keep the language simple – this increases people's participation;
- make sure it is interesting and fun;
- when starting the process, make sure you have some good success stories to point to - this helps with the inevitable skeptics.

Moreland has taken such a comprehensive approach to Continuous Improvement that the program will deliver all of the State Government Best Value requirements. And an important bonus is that

Moreland is now in a strong position to respond to the Council planning and reporting changes in the new Local Government Act, which emphasizes a performance management approach.



Dennis Gazelle (Local Laws Team Leader) and Chris Doyle – Moreland City Council

## TEN STRATEGIES FOR A SUCCESSFUL LIFE

Dr Judith Slocombe, Managing Director of Gribbles Veterinary Pathology Services recently addressed a breakfast meeting of the Melbourne Business Awards Kingston Series. Dr Slocombe was 2001 Telstra Australia Business Women of the Year; she has an MBA and her passions include government and organizational policies to create social equity, environmental sustainability, excellent education and current issues for the veterinary profession. She is married and runs a household including nine children – by any measure she is a busy and successful woman.

Judith spoke on her ideas of the key strategies to a successful life.

1. **Decide upon your goals.** Dream a little about what you want out of life, most importantly write your goals down and check regularly that your heading towards them.
2. **Be aware of yourself.** Understand who you are, what you're good at and what needs to be improved. Consider the wider picture and how you interact with employer, family, and community. Imagine what the future will look like and strive to get there.
3. **Take control of your own life.** Take decisive actions on what needs to be done to achieve your goals. Don't procrastinate, don't just 'think about it'.
4. **Look at life from a new and fresh angle.** Identify what's important to you – prioritise your tasks and

commitments. Set a goal to complete five tasks per day and make sure you do complete them.

5. **Focus on the really important items in your life.**
6. **Work hard and persevere** with your tasks to reach those goals. Don't give up too easily. Find a solution to every barrier.
7. **Re-invent yourself** at least once every five years – find a new style, new image, new career, new employer, new skills, new location, new hobby, new social environment – everything is possible.
8. **Keep energized.** Take a break now and then – enjoy your annual leave. Look on the positive aspects of life, employment, family and friends. Participate in sport and social activities. Get involved with your community;
9. **Let other people help you.** Don't try to do it all – seek participation from your work colleagues, your community, friends and family. Be innovative and bring others along with your ideas and desires.
10. **Remain true to your self.** Make spare time for you, to enjoy the things you like to do. Be honest and frank with your assessment of where you're headed and what you're achieving.

Our thanks go to Dr Slocombe for her positive views on life and sharing this with her friends and colleagues.



Judith Slocombe