Benchmarking for performance measurement

Ross Lamb

ABSTRACT

The City of Marion has a contestability program based on benchmarking all its services. Each service unit, supported by the City of Marion Business Support Unit, identifies its customers, objectives and key performance indicators and exchanges information with public and private sector benchmarking partners. Data exchanges with partners provide a statistical base for reporting on a number of Key Performance Indicators in each of the categories of cost, quality and customer service. The benchmarking process provides each partner with a confidential report which ranks them against each other in each performance category. The City of Marion uses the benchmarking report to decide whether the internal service unit will be offered a service agreement; be required to re-engineer its processes to become competitive; or be required to compete in open tender against external service providers. City of Marion dog management is currently provided by a general inspection internal service unit which also provides paring control and other services. The outcome of the benchmarking process will determine how these services will be provided in the future.

We've nothing to lose but our jobs.

INTRODUCTION

The City of Marion

The City of Marion administration delivers $35m in services to 80,000 residents and manages assets worth over $800m.

In the absence of CCT in SA local government, Marion has taken the initiative by market testing all of its internal and external services through an innovative contestability program based on benchmarking with both public and private sector organisations.

Services which have been benchmarked include; footpath construction, creditor payment, park and reserve maintenance, immunisation, food inspection, engineering surveying, parking control and dog management. The benchmarking information has given the service delivery teams for each of these services a detailed picture of their cost efficiency, quality and customer service, which they are using to develop better service delivery.

BENCHMARKING

Benchmarking has been described as *the process of measuring performance and practices in key areas and comparing them with other organisations in order to achieve better outcomes. It is a means of raising awareness of comparative performance and of promoting improvement in the way councils deliver services.*[1]

The City of Marion carries out benchmarking as part of its overall *Contestability Policy*. This policy tests the delivery of all services against performance criteria in *Cost, Quality,* and *Customer Service.*

WHERE BENCHMARKING FITS IN THE CITY OF MARION CONTESTABILITY MODEL

The City of Marion benchmarks its services as part of its *contestability* policy which has been incorporated into our enterprise agreements with both of our major Local Government Unions.

Each stage consists of a defined series of processes which result in a key decision being taken for each service under review.

Stage	Description	Decision
Stage 1	Service definition and market testing.	Is the business group competitive as service provider?
Stage 2	Service improvement and acceptance.	Who will provide the service? How will we improve the service?
Stage 3	Service performance monitoring.	Is the service provided in accordance with contract/agreement?
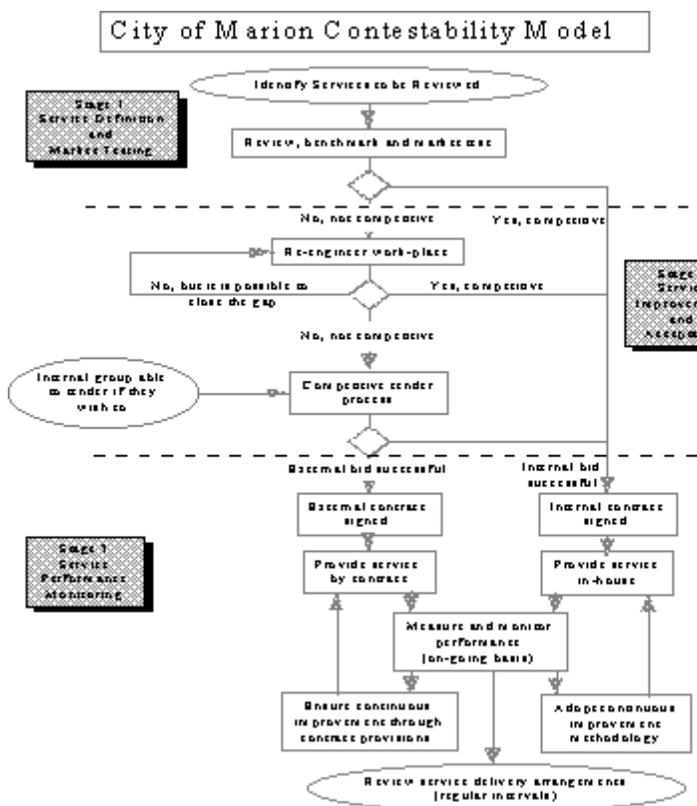
The decision at the end of Stage 1 determines the way Stage 2 is implemented for the particular service. If the Chief Executive, on the recommendation of the Market Testing Panel, accepts the service provider as being competitive, the contestability process moves immediately to Stage 3 with the signing of an internal service agreement.

If the decision at the end of Stage 1 indicates that the service provider is not competitive, Stage 2 is implemented in full. This involves the service provider in a re-examination of its structure and processes.

Where possible immediate improvements are made and a new evaluation carried out against the benchmark standards. If the changes result in the service provider being accepted as competitive by the Chief Executive, on the recommendation of the Market Testing Panel, the contestability process moves to Stage 3 with the signing of an internal service agreement. Where sufficient immediate improvements cannot be made the Market Testing Panel may recommend that the Chief Executive grant the service provider a specific period of time to re-engineer its processes to meet the benchmark standards. If the service provider is still unable to meet the benchmark standards the Market Testing Panel may recommend that a competitive tendering process be commenced. Council business groups may submit tenders and compete with other tenderers to become the service provider. At the completion of the competitive tendering process and the signing of an external contract the contestability process moves to Stage 3.

Stage 3 results in a further decision based on the ongoing evaluation of the service delivery. If the standard of service falls below the level defined in the agreement or contract then the contract or agreement is suspended and the processes set out in Stage 2 recommenced.

SERVICE DEFINITION AND MARKET TESTING (STAGE 1)

## Business development - climate setting

Identify services to be reviewed
All existing services that are provided by the unit are listed by the Process Teams, with facilitation from the Business Support Unit.

Who are the customers?
All services have a customer or, in some cases, several customers. The customer may be an individual but is more likely to be a group such as the residents of a district, the users of a service, the employees of another business group or a representative body such as a State Government Department or a business organisation. Service customers are grouped into two categories:
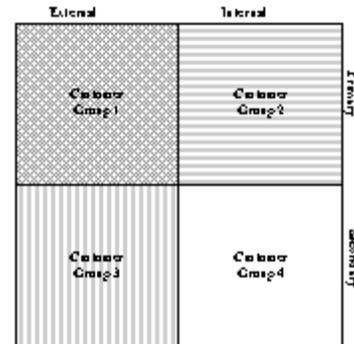
Primary customers: these are the obvious direct beneficiaries of a service and are readily identified by asking the question 'who has a stake in the service's successful operation?' or 'who would be affected if the service was not carried out?'

Secondary customers: these are identified for most services by asking 'who, other than primary customers, would notice or complain if this service were not carried out?'

Both categories of customers can be further divided into 'external' and 'internal' customers. 'External' customers are located outside the administrative structure of the city, whereas 'internal' customers are staff or employees of the city. Some services such as aged care will have primary customers who are 'external', while computing will have primary customers who are 'internal'.

What do the customers want?
Customer expectations are identified as the answers to questions such as 'what do the customers want from this service?' or 'if this service were failing, how would the customers know?'

For some services there will be clearly defined expectations stated as statutory requirements. Other services may have a number of different customer groups with different or conflicting expectations. At this stage of the review it is important to identify as clearly as possible all expectations of all customer groups.
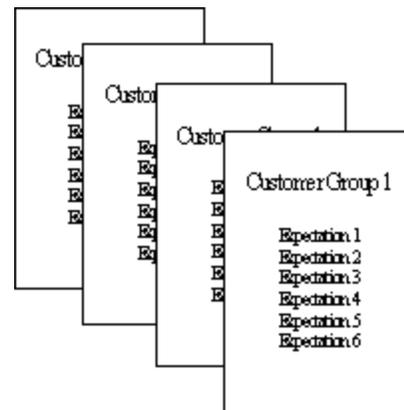
Where services have existing objectives which do not appear to have originated from an easily identified customer or customer group it is likely that there is an internal or secondary customer group whose expectations are either assumed or implied. If it is not possible to identify any customer or customer expectation for a particular service, then the need for the existence of the service itself can be questioned: if we stopped providing the service who would notice and how could they tell?

Who are our customers for dog management and what do they want?

Customer	Type	Expectations
Residents/visitors	Primary External	Freedom from dog attack Clean footpaths/parks Quiet neighbourhood Prompt, courteous, effective attention to complaints
Dog owners	Primary External	Freedom from attack by other dogs Clean footpaths/parks Quiet neighbourhood Prompt, courteous, effective attention to complaints Access to parks
Ratepayers	Secondary External	Low cost
State Authority	Secondary External	High community satisfaction Low complaint level Compliance with State policy/legislation
Chief Executive/Council Members	Internal Secondary	Low cost High community satisfaction Low complaint levels Compliance with Council policy/by laws

What can we give the customers?

Not every customer expectation will result in a service objective. Those which are clearly unrealisable, impractical or in direct conflict with other customer expectations may be rejected in this stage. Other customer expectations may be allocated a lower priority and be deferred as an objective to be carried forward for future consideration. There is value in acknowledging customer expectations which are not represented in the stated service objectives.
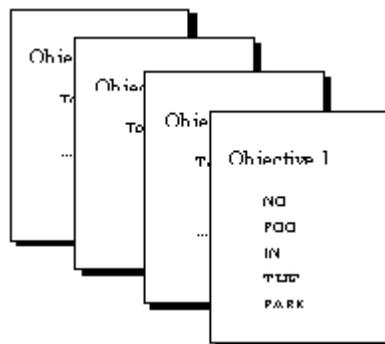
For example, residents may expect (demand) no dog faeces in parks. This could result in any one (or all) of four separate sections or units adopting the objective 'to have little or no dog faeces in parks':

- The Legal and Governance Unit - arranges the passing of a Council By-Law and installs signs banning dogs from parks!
- The City Litter Service - installs plastic bag dispensers and dedicated 'dog poo' bins!
- The General Inspection Unit - puts on additional patrols and vigorously polices the Dog Management Act and Council By-Laws, issuing infringement notices to the owner of any dog who even thinks about it!
- The Parks Maintenance Unit - issues its gardeners with shovels and the garden beds benefit from some additional fertiliser!

The City of Marion's benchmarking partners agreed that the objectives, or key success factors, against which dog management should be measured are:

- To have a dog management service provided at a total cost which is either below or close to the total income generated by the service.
- To have a quality dog management service generating a minimum number of complaints from the direct and indirect customers of the service.
- To have high levels of satisfaction from a range of customers and low levels of dissatisfaction from complainants and recipients of infringement notices.

Key performance indicators

The objectives are then restated, in measurable terms, as key performance indicators (KPIs).

For analysis purposes, key performance indicators are grouped under the following categories:

- cost
- quality
- customer service

The City of Marion's benchmarking partners developed the following key performance indicators for dog management:

Key Success Factor/Objective	Measure (numerator)	Per (denominator)
Cost	$ Cost and income	Year
Cost	$ Cost and income	Complaint
Cost	$ Cost and income	Km of road
Cost	$ Cost and income	Registered dog
Cost	$ Cost and income	Residential property
Cost	$ Cost and income	Dog population
Cost	$ Cost and income	Infringement notice
Quality	Rate of patrol coverage by on duty staff	Year
Quality	Rate of patrol call out coverage by on call staff	Year
Quality	Rate of patrol coverage by contractors	Year
Quality	Rate of attendance to call outs by on call staff	Call
Quality	Number of infringement notices paid	Year
Quality	Number of infringement notices paid	Number of infringement notices issued
Quality	Number of infringement notices paid on first notice	Number of infringement notices issued
Quality	Number of infringement notices waived	Year
Quality	Number of infringement notices waived	Number of infringement notices issued
Quality	Number of dogs registered	Number of dogs in council area
Quality	Number of dogs registered	Number of residential properties
Customer satisfaction	Complaints	Year
Customer satisfaction	Complaints	Number of dog registered

Customer satisfaction	Satisfaction with operation of dog management	Survey rating
Customer satisfaction	Courtesy	Survey rating
Customer satisfaction	Responsiveness	Survey rating
Customer satisfaction	Availability	Survey rating
Customer satisfaction	Advice	Survey rating

This is still not a final list of key performance indicators. Some of our partners expressed concerns about the availability of data and, in some instances, about the relevance of the indicators to their operations. The performance indicators were therefore kept under review during the project and further refined.

DATA COLLECTION AND ANALYSIS

Cost factors

Due to differences between the benchmarking partners, the method used by the benchmarking partners allocated staff time and other costs on a percentage or pro-rata basis to dog management, on the basis of an activity analysis data sheet showing:

- parking control;
- dog management;
- other responsibilities.

Cost budgets

While each partner could provide a total budget figure for dog management, experience with benchmarking other services provided by councils suggested that there is considerable inconsistency in the way costs are collected and reported in budgets. For example, the City of Marion (and others) does not distribute departmental management costs down to a service level. The argument can be made that, even if the dog management service were either discontinued or contracted out (especially if contracted out), the management of the department would continue as a cost to the partner.

It was agreed by the benchmarking partners that the costs of providing a dog management service would be reported on the basis of showing the following components as well as a total cost for the service:

- direct labour (including contract/casual employees, permanent staff, on-costs such as superannuation, long service leave etc);
- management (including salary package costs, executive vehicles etc on pro-rata allocation);
- vehicles (full pro-rata cost including depreciation/replacement and ownership/lease cost);
- information management (computers - PC/mainframe, auto-cites or similar, technical support, etc);
- materials/equipment;
- contract dog management; and
- fees and other payments.

Income

The income data included in the study was readily available. Discussions by the benchmarking partners considered attempting to place a value on the total of community service awarded to councils by courts, in addition to counting as income the total fines and costs awarded. Unfortunately the court system does not provide adequate information for fines to be correctly allocated to the service to which they relate.

The following income data was collected and used to report on the KPIs in this project:

- Registration fees;
- Infringement fees;
  - amount levied,
  - amount paid.

Total road length

This statistic in kilometres is an indicator of the size of the task of controlling dog management in the council area. The derived KPI of *$ cost of dog management per km* was expected to show quite different cost and activity profiles between urban residential and rural/semi-rural areas. The KPI refers to the whole council area with no attempt to identify the cost of dog management for any particular section of road.

Number of registered dogs

The KPI of *$ cost per registered dog,* which is derived from this statistic, is intended to give a possibly more balanced comparison than *$ cost per km of road* by eliminating any bias in favour of rural (or even residential) roads with residential properties on them. This statistic, when combined as a numerator with the KPI denominator of number of residential properties, provides data for quality KPIs.

Number of residential properties

While individual councils may have wished to compare the cost of dog management for specific districts, it was not considered practical to do so. This statistic and its derived KPI of *$ cost per residential property* compares total cost of dog management with total number of residential properties. It was intended to provide a balanced comparison between councils of different sizes and with different ratios of residential to commercial properties.

Number of infringement notices

Whilst the primary objective of dog management for councils is more likely to be public safety rather than income generation, two of the most easily measured outcomes are the number and total value of infringement notices. These statistics allow the most basic comparison between councils on the KPI of *$ cost per infringement notice.*

Quality factors

Rate of patrol coverage by on duty staff

The benchmarking partners considered that the proportion of hours covered by on duty dog management staff is a statistic which would provide useful comparative information on the quality of service provided. All partners provide access to a call out service of some type (usually in combination with other services such as parking control). The KPI of *total hours covered per year* was considered to be sufficient for direct comparison between partners. Further refinement of this KPI could consider the number of staff on duty for the hours covered outside normal business hours. Examples include weekend periods, late night shopping, sporting events etc.

Rate of call out coverage by on call staff

An alternative to having staff on duty outside normal business hours is the use of an on call roster arrangement for either a 24 hour coverage or for some other portion of the after hours and weekend period.

Rate of patrol coverage by contractors

This statistic applies to those cases in which the hours of normal coverage by staff are supplemented by contract dog management services.

Rate of attendance to call outs by on call staff

The rate of call out attendance, expressed as a percentage of time on call indicates the relative value of each after hours on-call service. Low utilisation rates on dog management, however, may not justify any variation of a service which makes significant contribution to another service such as parking control. A service of perceived low quality is likely to attract little demand.

Number of infringement notices paid

As a quality measure, the percentage of infringement notices paid is a useful internal benchmark. Any change in the rate of payment over time should indicate a variation in the 'enforceability' of the notices. Comparisons between councils may reflect socio-economic differences as well as differences in the quality of infringement notices. There are two KPIs derived from this statistic:

- number of infringement notices paid per year;
- number of infringement notices paid per 1,000 notices issued.

Number of infringement notices paid on first notice

The rate of payment on first notice provides a useful quality indicator of:

- accuracy;
- timeliness;
- clarity of content.

Number of infringement notices waived

A relatively high number of notices waived is another indicator of low quality of dog management. It may also indicate either an excessively active political community putting pressure on the administration of dog management or an over sensitivity to political pressure.

Number of infringement notices paid

There are two KPIs derived from this statistic:

- number of infringement notices waived per year;
- number of infringement notices waived per 1,000 notices issued.

Customer service factors

Complaints

One of the simplest and most readily available indicators of customer dissatisfaction is a high number of complaints. Where possible this statistic was divided into the various types of complaint:

- complaints against actions by dog management officers (staff or contractors);
- complaints against specific dog owners;
- complaints about dogs in general - (faeces on footpaths etc);
- complaints about lack of facilities for dogs - (free run parks etc);
- requests for action by dog management officers on:
  - barking dogs,
  - stray dogs,
  - dog attacks.

Satisfaction with operation of dog management, courtesy, responsiveness, availability, advice

These five statistics relate to the interaction between dog management officers and members of the public. Some of the benchmarking partners had already conducted surveys of their residents and/or complaint/action request customer data bases.

The benchmarking partners agreed that the customer service success factor warranted detailed comparative analysis of the opinions of:

- residents;
- dog owners;
- action request customers;
- recipients of infringement notices.

A simple questionnaire with YES/NO answers has been found to be adequate in previous benchmarking studies and is less confusing for customers than more complex surveys which require recipients to rate service delivery on a scale of 1-5.

The following questionnaire was used in a series of surveys coordinated by the City of Marion.

Experience with other benchmarking projects suggests that a survey of this type addressed by mail to specific customers should produce a 15% response rate. The actual response rate of 28.5% is the highest response rate for any local government partners in a benchmarking project conducted by the City of Marion and indicates a high level of community interest in dog management. The overall approval rating for the dog management service for the City of Marion was 53%.

The City of Marion had experience in preparing resident based sample lists (rather than ratepayer or dog owner based lists) and was prepared to undertake this task on behalf of the benchmarking partners. It was necessary for each partner to provide lists of registered dog owners, direct contacts and recipients of infringement notices. The City of Marion also coordinated data analysis of returned questionnaires.

BENCHMARKING REPORTS

Confidentiality

The information which is collected and presented in a benchmarking project is likely to be both politically and commercially sensitive, particularly in relation to costs.

In every benchmarking project our aim is to have at least three benchmark partners. Where possible these will range across councils (eg 'G5'), public sector organisations (eg a state or federal department or a medical or educational institution) and private sector business (both local and interstate companies who may or may not be competitors).

Some potential partners may expect to get preferential treatment if, eventually, they are able to tender for a service which is contracted out. However giving preferential treatment is prohibited by the Trade Practices Act and the National Competition policy and is therefore illegal.

The City of Marion will always observe the ethics of benchmarking. We are asking for, and offering, commercially and politically sensitive information. This cannot be done lightly. There are very serious issues of confidentiality, trust and security of sensitive information which must be considered.

Benchmarking partners are required to sign a formal confidentiality agreement including the City of Marion Benchmarking Code of Conduct. We give our benchmarking partners a legally binding undertaking about how the data will be used and we expect a similar undertaking in return.

Performance reporting

Based on the benchmarking results, a *contestability report* is produced by the Contestability Unit for the City of Marion Market Testing Panel. The report covers:

- service objectives;
- agreed Key Performance Indicators;
- work process description;
- minimum acceptable standards for internal service delivery by business groups;
- rating of existing process in terms of Key Performance Indicators in relation to benchmarking partners.

The report contains a summary which groups the benchmark results into:

- cost;
- quality;
- customer satisfaction.

Where the performance of the business group matches or exceeds the median performance of the benchmarking partners, the Market Testing Panel may recommend to the Chief Executive that the business group be invited to enter into a service agreement with the council. If the Chief Executive accepts the Market Testing Panel's recommendation and a service agreement is signed, the contestability process by-passes Stage 2 of the City of Marion Contestability Model and proceeds to Stage 3 - Service Performance Monitoring.

If a service agreement is not signed the contestability process moves into Stage 2 - Service Improvement and Acceptance.

Service Improvement and Acceptance (Stage 2)

Business plans

Where council business groups are not performing above the median efficiency or effectiveness of the benchmark group the contestability unit will recommend, in the first instance, that the process be *re-engineered* on the basis of information provided by benchmark partners.

Consideration will also be given to the perceived marginal cost factor for the particular service. For example increasing the percentage apprehension of dogs reported wandering at large by (say) 5% may require a much greater than a 5% increase in committed resources.

Based on the benchmarking gap (ie the gap between actual and desired performance) the business group negotiates with the Chief Executive for a realistic period (up to 12 months) to re-engineer processes to lift performance above the benchmark median.

The business group, with facilitation from the Business Support Unit, will produce a business plan that includes:

- a Mission and Values Statement;
- a Quality/Customer Service component with clearly defined targets and strategies;
- a Service Production component with clearly defined targets and strategies;
- a Finance component with clearly defined targets and strategies;
- a Human Resources component with clearly defined targets and strategies;
- a Systems component with clearly defined targets and strategies.

The business group then negotiates the Chief Executive's approval of the plan.

If benchmarking targets are reached

On the basis of the results of up to two rounds of benchmarking the Contestability Unit prepares a report (through the Market Testing Panel) to the Chief Executive, recommending one of the following options:

- the business group be offered an Internal Service Agreement to provide agreed services to specific specifications for an agreed period of time;
- a third round of benchmarking be undertaken.

Public tenders be called for the provision of agreed services to specific specifications for an agreed period of time. Based on the Chief Executive/council's decision the Contestability Unit either:

- develops an Internal Service Agreement with the Business Group to provide agreed services to specific specifications for an agreed period of time, or
- calls for public tenders for the provision of agreed services to specific specifications for an agreed period of time.

If public tenders are called a successful tenderer will be appointed by the Contestability Unit as the service provider for a fixed period, in accordance with agreed tender policy and procedures.

The internal business group may tender if it wishes. If it does so it will be provided with specific training on the preparation of a tender. Where the business group is successful in being awarded a service agreement, either as a result of the Market Testing Panel's recommendation or as a result of a competitive tender, the internal service provision agreement will be monitored and managed by the business group Manager, with oversight from the Contestability Unit in the same manner as are contracts.

In the event that an internal service agreement or a external contract is *consistently* not complied with by the service provider the Contestability Unit will recommend to the Chief Executive that the agreement or contract be terminated prior to its expiry date, in accordance with the terms and conditions of the agreement or contract.

At the normal expiry of the period of the internal service agreement or external contract, the Market Testing or Competitive Tendering process will be recommended as appropriate.

You've still got nothing to lose but your job.
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Footnote
[1] Brian Howe, MP Commonwealth Minister for Housing and Regional Development and Roger Hallam, MLC Victorian Minister for Local Government in a Foreword to *Benchmarking for Local Government, A Practical Guide* September 1996 The Commonwealth of Australia

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This paper has been produced by Ross Lamb, City of Marion Contestability Unit for the National Urban Animal Management Conference. Mr Lamb has extensive experience in administrative and senior management positions in the Commonwealth Public Service including Public Service Board and Social Security, followed by six years in Local Government including Salisbury, Enfield and Marion. Between these public sector blocks of experience he was Business Manager for two years for Touche Ross Consulting and KPMG. Mr Lamb is Contestability Project Officer for the City of Marion and has professional qualifications in Theology. The City of Marion has established confidential benchmarking agreements with a number of organisations. To find out how your organisation can become a benchmarking partner with the City of Marion, or to request copies of this paper, please contact the Chief Executive or Ross Lamb.