

Service Delivery Reviews in Canada & the U.K.

What is Alternative Service Delivery (ASD) in the Canadian context and what are examples of other types of service delivery reviews?

I. Purpose

This brief describes in detail Canada's Policy on Alternative Service Delivery and service delivery reviews in the UK, such as the Prior Options Reviews, Better Quality Services and Best Value Reviews, Market Testing, and Fundamental Expenditure Reviews. Links are provided to relevant documents and case studies.

II. Canada's Policy on Alternative Service Delivery:¹

A. Brief Background

The Government of Canada instituted the Policy on Alternative Service Delivery (ASD) on April 1st, 2002. A case-by-case method was adopted for reviewing ASD plans and a set of criteria were developed to help guide this process. Departments prepare and submit to the Treasury Board Secretariat by the end of the fiscal year an annual ASD Plan, which covers a three year period. The scope of ASD currently encompasses (but is not limited to): [Service Agencies](#), [Partnerships](#), [Employee Takeovers](#), and [Crown Corporations](#).

B. Main drivers of ASD

The Government of Canada identifies four main drivers of ASD, which serve as drivers for innovative organizational arrangements for service delivery and as tests to ensure that such arrangements are in the public interest and contribute to good governance.

1. *Citizen-centered approach* - Requires the government to seek continuously to improve organizational performance in the delivery of programs and services, and thereby to increase Canadians' satisfaction with the quality of those services.
2. *Public Service values* - The strengthening of the professional values of innovation and high quality service delivery to citizens
3. *Commitment to results* - Demonstrating effectiveness and reporting on it are key requirements for alternative arrangements.
4. *Responsible spending* - Alternative arrangements can sometimes make it

GET Notes – Recently Asked Questions Series intends to capture the knowledge and advice from individual engagements of the World Bank's Global Expert Team on Public Sector Performance (PSP GET). The views expressed in the notes are those of the authors and do not necessarily reflect those of the World Bank. For more information about the PSP GET, contact the GET team leaders Bill Dorotinsky (wdorotinsky@worldbank.org) and Nick Manning (nmanning@worldbank.org) or go to <http://pspget>

¹ This section was drawn substantially from: Treasury Board of Canada Secretariat, *Policy on Alternative Service Delivery*. Available from: http://www.tbs-sct.gc.ca/Pubs_pol/oepubs/TB_B4/asd-dmps1-eng.asp#_Toc853881

possible to deliver services more economically or cost-effectively, helping government to spend money more responsibly and free up resources for other public purposes.

C. Case Analysis

The case-by-case analysis method supports decision-making, implementation, and on-going review of the initiative. For each case, there is a description of the current service delivery structure, including its objectives, the context in which it operates, and an overview of the delivery options. The case then addresses the questions from the Public Interest Test (detailed below) that apply to the initiative, and must:

1. Include baseline current performance results for at least the identified priority areas (e.g., service, cost, risk, official languages, etc) and where baseline data is not available, submit plans and timelines for obtaining it;
2. Highlight areas where performance over current baseline is expected to a) improve, b) deteriorate or, c) remain the same. This should include preliminary results targets, at least for the priority areas;
3. Provide an early indication of the measurement and reporting framework for assessing results;
4. Identify changes in the role that the department, central agencies and ministers will play in the oversight and direction of the new entity, and the means available to influence and adjust based on performance results, and;
5. Specify a post-implementation assessment and review process and related timeline, and mechanisms for possible adjustment.

The overarching issue for decision-makers, implementers and assessors of ASD initiatives is ***whether a proposed initiative in alternative service delivery is and remains in the public interest***. The Public Interest Test (PIT) was developed in order to identify the key policy issues that must be addressed at the various stages of the ASD process and horizontal program and policy issues that must be considered when determining whether an ASD initiative is in the public interest. It is not a series of Yes-or-No questions. Box 1 outlines the six areas, and associated questions, comprising the PIT.

Box 1: Public Interest Test Questions

A. Governance

1. Does the new arrangement provide an appropriate decision-making role for ministers?
2. Does the relationship with the proponent ensure appropriate links between policy and operations?
3. Are the arrangements appropriate for reporting results and other relevant performance information to ministers, Parliament and citizens?
4. Does the arrangement represent an appropriate balance between the flexibility required for high organizational performance and sound governance?

B. Results for Canadians

1. Does the analysis of costs, risks and benefits provide a compelling business case for the initiative?
2. Is the impact on service consistent with the needs, expectations and priorities of Canadians?
3. Will the new arrangement increase organizational effectiveness?

C. Citizen-centered Service

1. Does the relationship between co-deliverers ensure ease of access for Canadians to a wide range of government services?
2. Will all those interested or potentially affected be informed of the initiative? Is a consultation process required? How will this be undertaken?
3. Is there a communication plan to make sure that key stakeholders and citizens in general receive complete and timely information about proposed changes?
4. Are measures in place to ensure continuous measurement and improvement of citizen and client satisfaction over time?
5. Is there appropriate provision for access to information, preservation of government memory and the privacy of Canadian citizens?

D. Responsible Spending

1. Will a framework be in place to guarantee that Canadian citizens receive value for money and that accountability for the expenditure of public funds and responsibility to Parliament are preserved?

E. Values

1. Will the proposed arrangement promote values and an organizational culture that are consistent with public sector values and ethics?
2. Is there confidence that the expected organizational culture (including a framework of values and ethics) will materialise?
3. Have human resource issues been thoroughly considered, including public servant mobility, union considerations, successor rights, continued employment offers, recall rights (in the event that employees are terminated), compensation, and pension?
4. Will the initiative contribute to federal government identity and visibility?
5. What will the impact be on the Public Service of Canada as a coherent national institution?

Source: Treasury Board of Canada Secretariat, *Policy on Alternative Service Delivery*. Available from: http://www.tbs-sct.gc.ca/Pubs_pol/opepubs/TB_B4/asd-dmps1-eng.asp#_Toc853881

D. Accountabilities, Roles and Monitoring

Departments are accountable for assessing the need for improved organizational performance in the delivery of new and existing programs and services. They are also responsible for ensuring that ASD initiatives are in the public interest, giving full consideration to the Public Interest Test questions.

To ensure that a whole-of-government approach is taken in deciding on and shaping significant ASD initiatives, Treasury Board and its Secretariat must be involved in their development. This is necessary because these initiatives often have far-reaching impacts on other departments, other governments and other sectors, and because, taken as a

whole, they can have a significant cumulative impact on the institution of the Public Service.

The Treasury Board of Canada Secretariat monitors this policy to ensure that it meets its intended objectives. The Secretariat will review Case Analysis and Case Study files as well as publicly available reports of results commitments and outcomes.

E. Conclusions

The Treasury Board of Canada Secretariat has developed a set of “tools” designed to help managers develop their ASD initiatives in compliance with the Policy on ASD, which might be useful for the OPDC to review:

- [a Frequently Asked Questions](#): section, covering a wide range of topics related to ASD in general and the Policy;
- [a Case Analysis](#): section, offering basic explanations and guidelines related to that topic, one of the key requirements of the Policy on ASD;
- [the ASD Policy Guide](#): a companion to the Treasury Board Policy on ASD, providing background policy information and guidelines that are helpful in understanding the [Public Interest Test](#): questions and other issues that should be considered when undertaking ASD initiatives; and
- an [ASD Database of Practices](#) will contain regularly updated information about practices that have been applied for the development of ASD initiatives, case studies and other related material that could be helpful while developing your own ASD initiatives.

III. UK Service Delivery Reviews

A. Prior Options reviews

In the late 90s, the UK Government carried out a series of Prior Options Reviews of ministries and departments to determine whether a public service function was required, should be privatized, contracted out, merged, or transferred. The initiative was driven by the Prime Minister's Office and managed centrally through a formal selection process. Five guiding questions were asked in these Prior Options reviews – as demonstrated in Box 2.

A multi-ministry review team carried out the Prior Options Review according to a common process and methodology. In addition to central agency quality control, an advisory group was attached to the review.

The principles under which new agencies are created require that their status be reviewed every five years. A further Prior Options Review is carried out according to Cabinet Office guidance and an agreed timetable. These reviews:

- Reexamine the options considered before creating the agency in light of experience and any changes in internal and external circumstances;

- Test rigorously whether the agency function is required at all, or whether there is any scope for privatization, contracting out, transfer to another body, repatriation to the department, or continuation of agency status;
- Consult widely with agency management and staff, the parent ministry, customers, interest groups, and other suppliers of similar services;
- Assess the practicability and value for money of each option; and
- Make recommendations to the minister responsible.

The public and interested parties are invited to participate through their comments, while alternative suppliers can submit proposals when solicited through market testing.

Box 2: Prior Options Key Questions

1. **Is the function needed at all?** - e.g. is the original need for the function still applicable? Who are its customers? Do they pay for it? What would happen if the function ceased?
2. **Must the public sector be responsible?** Government policy is that only those core functions that are both necessary and best carried out in the public sector should remain there.
3. **Must the public sector provide the function itself?** Where the public sector retains responsibility for the function, the possibility of contracting out is then examined.
4. **What is the scope for rationalization?** Where the function remains for the time being in the public sector, the possibility of rationalizing the function must then be considered. Rationalization may be undertaken either in conjunction with other alternative suppliers of the same function or by reorganization, e.g. by sharing resources, overheads, and administrative functions etc., with other bodies.
5. **How will the function be managed?** Finally, where a function remains within the public sector, after rationalization, it is then decided what its status should be (e.g. next steps agency, or a non-departmental public body), its organizational structure, its relationship with customers, its medium and long-term future and organizational efficiency plans.

Source: Adapted from Research Institutes and Prior Options, 1996. Available from: <http://www.parliament.uk/post/pn074.pdf>

B. Better Quality Services and Best Value Reviews

The aim of these reviews is to set improvement targets and to determine the best option for delivering "best value". Better Quality Review applies to the central government, whereas the Best Value Reviews apply to local government. The principles of the reviews are: Challenge, Compare, Consult and Compete.

- Challenge why and how a service is being provided;
- Invite comparison with others' performance across a range of relevant indicators, taking into account the views of both service users and potential suppliers;
- Consult with local taxpayers, service users and the wider business community in the setting of new performance targets; and
- Embrace fair competition as a means of securing efficient and effective services.

For central government, Better Quality Services Reviews cover a specific service or part of a department (e.g. HQ personnel function) rather than the whole organization. The aim of each review is to reconsider what service is needed, in consultation with users, and then identify the best supplier to deliver both cost and quality gains year on year.

Each BQS review considers the following five strategic options:

1. Abolition;
2. Internal re-structuring;
3. Market testing;
4. Privatization; or
5. Strategic contracting out.

Local governments must devise a program of Best Value Reviews and publish them in a "Best Value performance plan". The programs must cover all Council services and activities, over a 5-year cycle. There are wide powers to the Secretary of State to prescribe by Order not just the timetable, but for specified functions to be reviewed in specified financial years. The Secretary of State may also make different provision in relation to different authorities. Councils may choose how to program their reviews, so long as they make, in the words of the White Paper, 'early inroads' into the weakest services. They may choose to prioritize reviews in areas:

- which are particularly significant in budget terms and there is considerable scope for improvement,
- where local people have a particular interest or concern,
- which face legislative change,
- which are subject to new government policy initiatives,
- which are subject to new bidding regimes,
- where innovation is sought,
- where a new cross-cutting approach is to be tried, or
- where a contract is due for re-tendering.

They will have to be able to provide reasons for the order and priorities within the program. One of the goals is to encourage programs of reviews on a cross service and/or multiagency basis including those that address 'wicked issues' such as sustainable development or community safety.

For a detailed overview on Better Quality Service Reviews visit:

<http://archive.cabinetoffice.gov.uk/eeg/2000/bqs/faq.htm>

For a case study on how the Better Quality Service Review was applied in the context of the Driving Standards Agency, see "Modernizing the Arrangement for Taking Driving Tests," available from:

http://www.dsa.gov.uk/Documents/consult/RIA/RIA_Modernising_arrangements_for_taking_driving_tests.pdf

For detailed information on Best Value Reviews visit:

<http://www.idea.gov.uk/idk/core/page.do?pageId=5185275>

A case study of how the Best Value Review was applied in the local government context is available here: Huntingdonshire District Council, "Local Economy Best Value Review," March 2001-2002. <http://www.huntsdc.gov.uk/NR/rdonlyres/463AB957-A5E2-4CC9-A7AC-753C7E875A82/0/BestValueReviewLocalEconomyReport.pdf>

C. Market Testing

Market testing was introduced in 1991 to determine the feasibility and efficiency of contracting out services. It can be compared with make-or-buy decisions in business used to leverage cost-savings, innovation, and quality. Ministries were required to review their activities to identify which ones should be put to tender for bids from both public and private sector sources. They brought in private sector help to analyze the most promising areas for privatization and contracting. The questions asked include:

1. Is this function essential? What are the implications of not doing it, or of doing it in a reduced or combined way elsewhere?
2. Can the function be performed more economically by other means?
3. What is the full cost of the service level currently provided and of that considered necessary?
4. Is the function organizationally discrete?
5. What are the work methods, organization, and use of capital assets?
6. What are the plans for utilizing existing staff and assets?

A Help Pack on Market Testing is available here:

http://www.partnershipsuk.org.uk/uploads/documents/OTF_Benchmarking%20Pack%20v1.pdf

D. UK Fundamental Expenditure Reviews

By 1993, the UK had largely decentralized service delivery and devolved central management responsibilities to executive agencies. Smaller ministries had fewer resources to meddle in agency affairs, focusing instead on strategic management decisions and enforcing accountability frameworks. Fundamental Expenditure Reviews were developed as a tool for ministry downsizing and realignment. The Treasury took a top-down stance in reviews to examine long-term spending trends, alternatives for more economic and effective service delivery, and opportunities to withdraw services altogether. These reviews were policy driven and did not take any element of a ministry's work arrangements for granted. The issues at stake included:

- Why is the service provided? Is it provided in the right way?
- What methods of consultation exist? What improvements are planned?
- What measures are available? How does performance compare to the best?
- What competitive alternatives are available? Should new alternatives be created?

Ministries undertook their own reviews within a phased program covering major areas of government spending. Prodded by cuts in operating budgets, they were forced into asking what was worth doing and what should be divested or delegated. The Treasury itself conducted a Fundamental Expenditure Review on its running costs, including a detailed review of the senior management structure. The review resulted in revised departmental objectives, core functions based on Treasury staff's comparative advantage, transfer of remaining civil service management functions to the Cabinet Office (OPS), a streamlined top management structure, a flatter and more roles based team structure, and a reduction in senior staff posts from 100 to 75.

Case Example: Executive Summary of the Fundamental Expenditure Review of the UK Treasury, October 1994 http://archive.treasury.gov.uk/pub/html/fer94/exec_sum.html