New South Wales Auditor-General's Report
Performance Audit

Realising the benefits of the Service NSW initiative

Service NSW
Customer Service Commissioner

audit office
OF NEW SOUTH WALES

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In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **Realising the benefits of the Service NSW initiative: Service NSW, Customer Service Commissioner.**

A.T. Whitfield

A T Whitfield PSM
Acting Auditor-General
17 February 2016

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Executive summary

Planning for the Service NSW initiative (the initiative) commenced in June 2012 with the objective to improve customer services and cost efficiency by rationalising 394 shop fronts, 8,000 phone numbers and over 800 government web pages that citizens and businesses use to access NSW government services.

In June 2013, a new organisation, Service NSW (SNSW), commenced operations as the one-stop access point for NSW government transaction services.

Two business cases have been approved to implement the initiative. Approved funding to 30 June 2018 under these business cases comprised $234 million in capital funding, plus new recurrent funding and budget transfers from other agencies totalling $736 million.

This audit assessed whether there is an effective benefits realisation approach to realise the anticipated benefits of the initiative. This audit did not review the creation, implementation, or all aspects of SNSW, and we therefore do not make any conclusions on these.

Roads and Maritime Services (RMS), NSW Fair Trading (FT) and the Registry of Births, Deaths and Marriages (BDM) were amongst the first user agencies to move their customer and transaction functions to SNSW. Together they represent approximately 80 per cent of SNSW transactions. We examined their participation in the initiative.

Conclusion

The current benefits realisation approach for the SNSW initiative is not as effective as it could be. It should be improved to ensure that anticipated benefits and savings will be effectively measured, reported and realised.

The concept of a single contact point for customer service delivery is valid and practical from a consumer's point of view. The initiative is delivering this key objective through the establishment of SNSW.

The initiative is a significant whole-of-government change with substantial funding over a six year timeframe. Despite this, we found that neither of the two approved business cases had robust analyses of the benefits and savings to be achieved. The second business case did not report on what had been spent, or the value of the benefits and savings that had already been achieved, by implementing the first business case.

We also found that the implementation schedule, some deliverables and performance measures approved in the business cases were changed during the implementation of the initiative. However, there is no documentation to advise why changes were needed, their effect on the planned benefits or savings, or their approval.

The business cases also did not meet all mandatory government requirements for benefits realisation management. For example, accountability for achieving individual benefits and savings were not clearly defined or allocated.

SNSW is tracking the achievement of selected benefits and savings, for example, financial performance and customer satisfaction.

Agencies involved in the initiative have not adopted an effective benefits realisation approach for the initiative. This means that no one is currently monitoring whole-of-government benefits and savings, and there is insufficient data available to fully value or identify individual agency and whole-of-government savings and benefits.

The government has given authority to the Minister for Finance, Services and Property and the Customer Service Commissioner (CSC) to monitor the benefits and drive the achievement of sector-wide savings. Their focus has been on monitoring benefits and savings for SNSW, RMS and Government Property NSW (GPNSW) arising from the second business case. Currently, there is a lack of clarity about who should be monitoring and reporting on the achievement of whole-of-government benefits and savings anticipated for the initiative.

The definition of the benefits and savings that will be achieved requires clarification

There is no clear, specific definition of the outputs, benefits and savings to be achieved from the $970 million allocated for the initiative under both approved business cases. Planned benefits, savings, and outcomes, were either not well defined or inaccurate. SNSW's performance measures and results show that SNSW is providing a positive and cost effective service. However, as a result of inconsistent performance measures over time and between agencies, improvements in some indicators cannot be meaningfully compared.

The first business case was to establish the new organisation, and transition 384 existing RMS, FT and BDM shopfronts to between 100 and 120 SNSW service centres by 30 June 2017. We found that this business case underestimated costs, overestimated benefits and the timeframe was too short to implement all the planned changes. Following a review, it was replaced with the second business case, before all planned actions were completed.

The second business case focussed on implementing digital transactions, integrating RMS customer service functions and motor registries into SNSW, and delivering a new whole-of-government payments system by 30 June 2018. Overall, the second business case claimed that the economic benefits of implementing this initiative would outweigh costs by five to one.

Business case and benefits realisation requirements not met

Treasury and the Department of Finance, Services and Innovation (DFSI) have issued guidelines and requirements for business cases and benefits realisation management. Investments in business reform projects must be supported by business cases that assess the expected benefits against the costs and resources needed. Managing benefits realisation is an essential part of managing projects, as it demonstrates the benefits delivered compared to what was expected.

The first business case did not include a clearly defined benefits realisation approach and did not meet all government requirements. For example, it did not undergo a gateway review, and responsibilities were not assigned to implement, track, and report progress in achieving each benefit or saving.

The second business case also did not comply with all government requirements. For example:

- the gateway review was conducted after the business case was approved
- a benefits realisation strategy was not included
- overall responsibility for achieving benefits and savings targets was allocated, but individual benefit owners were not allocated to selected benefits and savings until after the business case was approved.

The benefits realisation approach approved for the second business case recognised the above gaps and these were later addressed by SNSW.

The approach to benefits and savings management should be improved

Some key objectives of the first business case have been achieved, including establishing SNSW and opening new service access points with extended operating hours. However, there have been delays in implementing the initiative under both business cases, which is delaying the achievement of other planned outcomes, benefits and savings.

The Department of Premier and Cabinet (DPC) developed a benefits realisation plan for SNSW in 2012. However, no one collected data on baseline measures, or on all changes implemented under the first business case. We also found that the benefits realisation approach to implement the second business case does not include all anticipated benefits and savings, particularly whole-of-government benefits and savings. This means that we could not assess what achievements have been made across government compared to expenditure on the initiative to date. The lack of baseline measures also means it is not possible to track the delivery of proposed benefits and savings over time.

Recommendations

Service NSW should, by June 2016:

1. Submit a report to the Expenditure Review Committee (ERC) which:

    1.1. explains the changes made to the proposed scope, outputs, timing, benefits and savings of the initiative since the second business case was approved

    1.2. lists the outputs and the type and value of benefits and savings that will not be delivered from the second business case

    1.3. clearly defines the outputs, timing, benefits, savings and the approach to benefits management that will be delivered by 30 June 2017, and whether any funding adjustment is necessary

    1.4. re-assesses the cost benefit analysis and payback period for the initiative compared to the second business case

    1.5. requests the ERC's approval for the forward plan outlined in 1.3 above

    1.6. outlines an accountability process to gain approval for any further changes deemed necessary.

2. Develop a benefits realisation register to link its existing scorecard reporting to all the benefits and savings that SNSW is responsible for achieving, as approved by the ERC in recommendation 1.5.

The Customer Service Commissioner should, by June 2016:

3. Define the whole-of-government benefits and savings expected to be achieved by the initiative since its commencement to 30 June 2017.

4. In conjunction with central agencies of government, clarify who should be monitoring and reporting on the achievement of whole-of-government benefits and savings, and communicate this responsibility to the nominated agency head/s.

Introduction

Planning for the SNSW initiative commenced in June 2012. In June 2013, a new organisation, SNSW, commenced operations as the one stop access point for all NSW government transaction services to improve customer services and cost efficiencies. Since the initiative began, customer service functions in some NSW agencies have been transferred to SNSW. See Appendix 2 for a timeline of the SNSW initiative.

Approved funding for the initiative comprised $234 million in capital allocation plus new recurrent funding and budget transfers from other agencies totalling $736 million, committed to 30 June 2018. SNSW is planning to move to a contestable, full fee for service model from 1 July 2017. Overall, the government expects that the economic benefits of implementing this initiative will outweigh costs by five to one.

To date, the implementation of the initiative has occurred under two business cases:

1. *Business Case for Simpler Government Services Plan,* approved by Cabinet in June 2012 (first business case)
2. *Accelerating Rollout: The Case for accelerating the rollout of Service NSW*, approved by Cabinet in April 2014 (second business case).

The first business case

The key objective of the first business case was to establish a one stop access point for all NSW government transaction services through service centres and a single NSW government phone number which would be available for extended hours. It would also divert digital services, including websites and online transactions, to a single SNSW portal. These would improve citizen access to, and satisfaction with, government services. The first business case stated that the implementation period would be over four years (to 2015-16).

The government approved initial funding for SNSW to begin implementing the initiative. It approved $61.5 million in capital funding and $15.0 million in recurrent funding for 2012-13. It also approved $63.0 million as a budget transfer from RMS and FT for 2012-13 and 2013-14. This funding was expected to deliver net savings of $101 million over five years.

According to the first business case, the government sought to:

- improve transparency of government services
- improve satisfaction with government services through better access to more information at more convenient times for citizens
- provide the capability for a greater volume of future transactions at a lower marginal cost
- reduce costs by shifting existing labour intensive processes to the lower cost service delivery of the telephone and digital channels
- provide customers with a greater range of channels to transact with government agencies.

The second business case

While implementing the first business case, SNSW and the CSC identified a need to refocus the initiative to encourage digital transactions rather than service or call centre transactions. This was because the cost to deliver services and conduct transactions online is less than other methods. This resulted in the second business case.

A key objective of the second business case is to accelerate the implementation of the initiative by implementing digital services to allow customers to transact online. It also focuses on integrating RMS customer service functions and motor registries into SNSW to achieve economies of scale. It plans to deliver a new whole-of-government payments system.

Approved funding for the second business case comprised $172 million in capital, plus new recurrent funding and budget transfers from other agencies totalling $658 million, over five years to 2017-18. The business case reported that, to 2024-25, the initiative's total economic benefits would be $1.1 billion, and would achieve benefits worth five times more than its cost. The majority of these economic benefits, $1.0 billion, are expected from transitioning RMS motor registries to SNSW service centres and moving customers to its digital services. The current projected payback period for the initiative is nine years from July 2014, with savings beginning to accrue in 2016-17.

Good benefits management practices

NSW government requirements for submission of business cases and benefits realisation management are contained in the following directives and guidelines:

- Treasury Guidelines for Capital Business Cases (TPP08-5)
- DFSI Benefits Realisation Guideline 2011
- Treasury Gateway Review System (TC10/13)
- Treasury Submission of Business cases (TC12/19)
- DFSI Project Management Guideline 2011
- DFSI Benefits Realisation Plan 2011
- DFSI Benefits Realisation Management Framework 2014.

Investments in business reform projects must be supported by a business case that assesses the expected benefits against the costs and resources needed. Projects or programs can only be considered successful if they achieve or exceed their expected benefits. Managing benefits realisation is an essential part of managing projects, as it demonstrates the benefits that have been achieved compared to what was expected.

A benefits management framework provides a structured process to document, manage and demonstrate the progressive achievement of benefits over the life of a program. A key part of a benefits realisation framework is the baseline measures that should be documented and validated at the start of program implementation. It is more accurate to capture these baseline measures before commencement, rather than trying to measure and track benefits and business process changes once the program commences or is complete. The development of the benefits realisation register helps to analyse the value and type of benefits and savings to the organisation.

It is not unusual for anticipated benefits to change as a program progresses. This is why the benefits realisation process should be structured and iterative to document any changes in assumptions, including additional benefits not previously considered.

It is also important that benefit owners are assigned. Benefit owners validate the accuracy of the baseline measure, have responsibility for implementing actions that contribute to achieving the benefits, and regularly report on achievements.

All government agencies and businesses are required to provide Treasury with business cases and gateway review reports according to the proposed projects' cost and risk. The gateway review report must be included with the business case when submitted to government for approval.

Key findings

1. Defining anticipated benefits and savings

There are weaknesses in both business cases used to implement the SNSW initiative. Anticipated savings, benefits and measures were not clearly defined in either business case.

The SNSW initiative has been implemented under two business cases. However, not all government requirements for benefits management, including identification and realisation were met. Neither business case was clear in defining planned savings, benefits and timeframes for achievement, and comprehensive baseline measures were not identified or validated.

1.1 First business case

The key objective of the first business case, developed by DPC, was to establish a one stop access point for all NSW government services. The initiative planned one stop service centres, a new digital service, and a single NSW government phone number to improve citizen access to, and satisfaction with, government services.

We found that this business case underestimated costs, overestimated benefits and the timeframe was too short to implement all the planned changes.

No documentation of the consultation with user agencies to define first business case

There is no documentation showing that DPC adequately consulted with other agencies during the development of the first business case to ensure that estimates of the implementation costs, benefits and savings were robust.

DPC presented a brief overview of the business case to agency representatives in an Agency Reference Group in 2012. DPC indicated during this consultation that there would be opportunity for agencies to provide feedback on the business case. However, there is no documentation showing that this occurred, or that DPC incorporated any suggestions that agencies made.

A major component of implementing the SNSW initiative has been the integration with RMS systems and transition of motor registries to SNSW. During implementation, status reports to the Transformation Steering Committee (TSC) established under the first business case, warned that system and technology issues between SNSW and RMS had the potential to impact on the successful implementation of SNSW. However, there is no documentation on the level of RMS involvement in planning to manage this risk and achieve a successful outcome.

The first business case did not meet all requirements for benefits realisation

The first business case met some aspects of government requirements. For example, the business case met the majority of the requirements of the Benefits Realisation Guideline 2011, including a thorough risk management strategy that identified potential risks and mitigating actions.

However, there were gaps in meeting all relevant government requirements:

- Treasury had some input into the review and development of the business case, but there was no gateway review
- even though the scope of services to be delivered was identified, the timing to deliver these services, and of anticipated benefits, were not
- there was no benefits realisation strategy
- benefit measures were not established
- accountability for achieving benefits and savings were not defined or allocated.

Benefits realisation governance requires clear responsibility and accountability of roles to define, measure, deliver and report on benefits realisation, as well as program management. We found that the first business case did not address all these aspects. A benefits realisation governance framework was not established, accountability was not clearly allocated, benefits were not clearly defined, and reporting on benefits realisation is unclear. As a result of these gaps, no one monitored the progress in achieving any of the benefits and savings from the first business case.

No documentation showing that a benefits realisation framework was established for the first business case

DPC developed a benefits realisation plan to implement the first business case in August 2012. This plan identified anticipated benefits and discussed in general terms what the benefit would achieve, and the next steps required. However, we have not seen documentation showing that DPC established a benefits realisation framework or strategy to implement this. It also did not allocate accountability for achieving individual benefits and savings.

Neither the first business case nor the benefits realisation plan had:

- established detailed metrics
- allocated responsibility for implementing a benefits realisation strategy to ensure that objectives and benefits would be achieved
- allocated responsibility for managing and measuring progress in implementing the initiative
- validated planned benefits and timeframes
- measured or validated comprehensive baselines.

The approved funding for the first business case was expected to deliver net savings of $100 million over five years. However, there were insufficient plans or descriptions of how these benefits and savings would be achieved. Additionally, there was no review or assessment of the accuracy of the type or value of the proposed benefits and savings.

DPC initiated a savings realisation project which commenced with a review of the planned initiative and its impact on affected agencies. In August 2012, this review provided a savings capture methodology for the initiative, including how to validate, measure and track whole-of-government benefits and savings. The review also noted that there was only a 20 per cent chance of fully realising the proposed benefits and savings defined in the first business case. However, there is no documentation showing that DPC implemented the process.

Between September and November 2012, DPC forecasted demand levels for each user agency. It also calculated the staffing levels needed to meet anticipated demand in call and service centres. This review substantially reduced the forecasted number of transactions and staff needed by SNSW compared to the approved business case.

DPC established working groups to implement the SNSW initiative. Soon after implementation commenced, some working groups reported to the TSC that the anticipated demand for SNSW transactions was overestimated. They also reported that there were issues in achieving the timeframes for establishing the call centres and the website, and in ensuring the technology was ready for the service centres. These reports highlighted the risks to implementing a successful and cost effective initiative. There is no documentation to show that any agency took corrective action in response to these reports.

Not all the agencies covered by the business case documented their baseline costs and service demand. Baselines are essential to know what the situation was before any change commenced. The first business case did not include comprehensive data on performance measures and service levels. Therefore, agencies cannot measure the value of the savings or benefits achieved under the initiative.

DPC estimated the baseline expenditure for most user agencies. Only RMS and FT's baselines reflected 2011-12 actual expenditure, as well as forward estimates for the following four years.

According to the first business case, SNSW would deliver non-complex high volume transactions on behalf of agencies. DPC developed a deliverables schedule for SNSW between August and November 2012, in consultation with each user agency. It lists the processes or transactions SNSW would complete on behalf of each user agency, and the transaction processing work retained by user agencies as proposed in the first business case.

Each user agency was still required to process transactions and conduct the required work in relation to any information mailed or emailed directly to the agency, and the processing of transactions from information collected through SNSW. SNSW would therefore not be completing all high volume transactions on behalf of the user agencies.

1.2 Second business case

While implementing the first business case, SNSW and the CSC identified a need to refocus the initiative and to encourage digital transactions over service or call centre transactions. This was because the cost to deliver services and conduct transactions online costs less than any other method. This resulted in the second business case, which Cabinet approved in April 2014.

The initiative was to establish a single point of access to over 800 NSW government transactions. This would be achieved by implementing 139 service access points with a geographic coverage of 80 per cent of the State, a centralised 24/7 call centre and a new customer friendly website.

The scope of services provided to citizens and businesses has reduced. Under the first business case SNSW was to deliver non-complex, high volume transactions on behalf of agencies. This scope was changed in the second business case to only be a point of access to government services with a focus on RMS transactions.

The second business case did not meet all requirements for benefits realisation

The business case met some government requirements. Although the second business case met Treasury requirements for the submission of business cases, there were gaps:

- a benefits realisation strategy, including a framework, was not included
- the benefits realisation process was not explained
- not all proposed benefits and savings were validated
- accountability for achieving individual benefits and savings had not been defined or allocated
- timing to implement the business case was only indicative
- there were no measureable KPIs, targets, baselines and timelines reported for all proposed benefits.

These gaps were later addressed by SNSW.

The second business case did not report on the expenditure or the value of the benefits and savings achieved under the first business case. Without this information, it is not possible to gain a complete picture of the progress towards the successful implementation of the initiative.

We found that the gateway review for the second business case was conducted in May 2014, after the business case was approved, but before implementation commenced in July 2014. This delay undermines the intent of the government's capital project assurance system, which is designed to provide independent assurance to agencies and government of the viability of a capital project throughout its life cycle.

The second business case identified both qualitative and quantitative benefits and savings. Treasury reviewed the value of the proposed quantitative benefits, savings and costs, but it did not assess the proposed qualitative benefits before the business case was approved.

As we found for the first business case, the second business case did not include baseline service levels and performance measures to assess if improvements are made from implementing the initiative.

SNSW has advised that it expects to achieve planned savings and benefits from the second business case after full implementation in 2016–17.

2. Effectively managing benefits realisation

The realisation of planned outcomes, benefits and savings could be more effectively managed. Not all agencies have developed a benefits realisation framework for the initiative and baseline measures were not established and validated to enable measurement of achievements over time. Not all benefits and savings anticipated in the business cases approved by government are being tracked to ensure they are achieved.

Since the second business case was approved, SNSW has made changes to the approved planned outcomes, deliverables, benefits, savings, costs and performance indicators without appropriate approval documentation.

In July 2014, SNSW established a set of performance indicators and targets for selected benefits and savings that it uses to demonstrate progress in implementing the initiative. Senior SNSW managers have responsibility for monitoring these selected measures.

The government has given authority to the Minister for Finance, Services and Property and the CSC to monitor benefits and drive the achievement of sector-wide savings. Their focus has been on monitoring the benefits and savings identified for SNSW, RMS and GPNSW arising from the second business case.

Currently, there is a lack of clarity about who should be monitoring and reporting on the achievement of whole-of-government benefits and savings anticipated for the initiative. As a result, no one is currently monitoring or reporting on the achievement of whole-of-government benefits and savings, and there is insufficient data available to fully value or identify individual agency and whole-of-government savings and benefits.

Recommendations:

Service NSW should, by June 2016:

1. Submit a report to the ERC which:
   - 1.1. explains the changes made to the proposed scope, outputs, timing, benefits and savings of the initiative since the second business case was approved
   - 1.2. clearly defines the outputs, timing, benefits, savings and the approach to benefits management that will be delivered by 30 June 2017, and whether any funding adjustment is necessary
   - 1.3. requests the ERC's approval for the forward plan outlined in 1.2 above
   - 1.4. outlines an accountability process to gain approval for any further changes deemed necessary.
2. Develop a benefits realisation register to link its existing scorecard reporting to all the benefits and savings that SNSW is responsible for achieving, as approved by the ERC in recommendation 1.3.

The Customer Service Commissioner should, by June 2016:

3. Define the whole-of-government benefits and savings expected to be achieved by the initiative since its commencement to 30 June 2017.
4. In conjunction with central agencies of government, clarify who should be monitoring and reporting on the achievement of whole-of-government benefits and savings, and communicate this responsibility to the nominated agency head/s.

2.1 Benefits realisation framework for the initiative under the second business case

The benefits realisation framework should be improved

SNSW has developed a standard report it calls a benefits scorecard. It uses this to track and monitor progress in achieving selected benefits and savings from implementing the initiative. SNSW considers the benefits scorecard and all supporting evidence to be its benefits realisation framework and benefits register. However, this framework needs to be improved to meet the requirements under the DFSI guidelines for benefits realisation.

Each month, SNSW also collates information on performance indicators, including the cost to serve, satisfaction and grade of service against targets, procurement, recruitment and financial updates. Each week, it also collates the types and volumes of transactions performed through each of SNSW's call centres, service centres, and digital channels. This information is for internal reporting and use only.

SNSW's should improve its benefits realisation framework by ensuring that its benefits scorecard is linked by a supporting benefits realisation register to the specific proposed outcomes, benefits and savings approved in the second business case.

The realisation of benefits under the second business case was to be governed by the CSC and Minister for Finance, Services and Property. However, benefit owners were not assigned for each specific benefit or saving approved in the second business case. Senior SNSW managers have since been allocated responsibility for monitoring the selected measures.

A benefits realisation framework, including a benefits realisation register, should have been established at the start of the implementation of the initiative. The development of a benefits realisation register is a structured way to analyse the planned type and value of the benefits to the organisation, and may also help to identify additional benefits.

Currently, there is a lack of clarity about who should be monitoring the whole-of-government benefits and savings anticipated for the initiative. Consequently, no agency has established a framework to measure the progress in achieving whole-of-government benefits and savings.

Benefits registers are not maintained by all agencies participating in the initiative to record what has been achieved from this initiative. This makes collation, monitoring and reporting on progress of benefits achievement, in each agency and for whole-of-government, inefficient.

Not all key planned outcomes, benefits and savings are reported

SNSW does not report on progress against all the key benefits and savings approved in the second business case. In July 2014, it established a set of performance indicators and targets for selected benefits and savings to demonstrate progress in implementing the initiative.

Prior to July 2014, there was no collation of information, or formal reporting, on progress in achieving the planned outcomes, benefits and savings of the initiative. This indicates there was no monitoring of progress in achieving planned benefits or savings for the first year and a half of the initiative.

SNSW provides its benefits scorecard to the program steering committee (PSC) for the second business case every month. This scorecard reports progress against the following performance indicators:

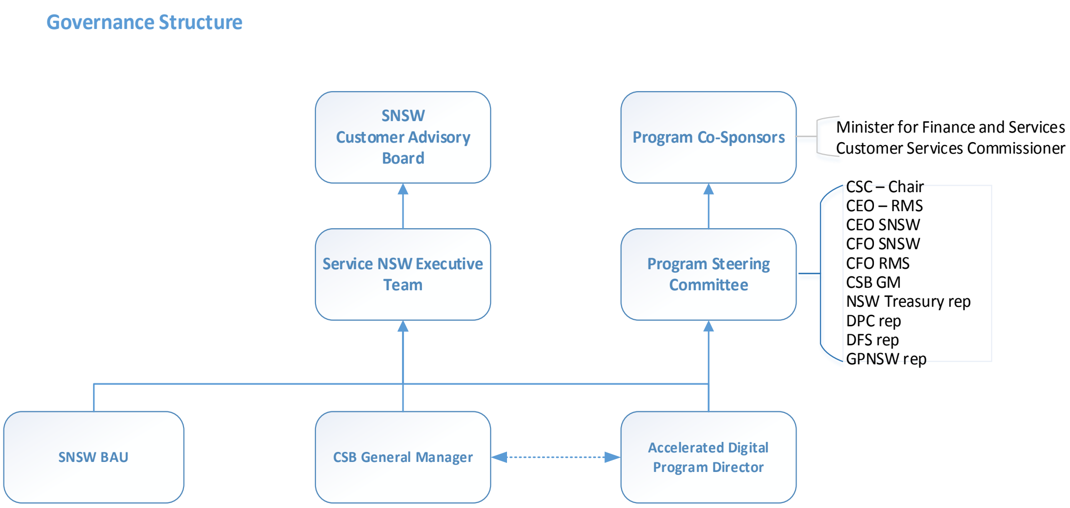
- store openings
- store closures
- FTE staff numbers
- customer satisfaction
- increased use of digital services
- financial performance.

However, there is no reporting of customer satisfaction with digital services, or service coverage in regional and rural NSW. SNSW has advised that reporting of customer satisfaction with digital services will commence from 1 July 2016.

2.2 Benefits realisation governance and accountability

A program governance structure is in place to implement the second business case. It outlines areas of responsibility for the key roles.

Exhibit 1: Governance structure for implementing the SNSW initiative



Role	Who	Responsibilities
Program Co-sponsors	Minister for Finance, Services and Property Customer Service Commissioner	• Review progress, benefits achieved against plan and endorse deliverables • Report program progress and benefits realised to ERC
Program Steering Committee – Chair	Customer Service Commissioner	• Senior agency stakeholder management and cross agency support • Oversight of the program investment, associated benefits and delivery of business imperatives / outcomes • Ratifies strategic, tactical and operational decisions in relation to approach, scope, timing and resourcing • Monitor program progress including key deliverables, costs and outcomes, against plan • Approves deliverables and resolves change requests • Monitor benefits realisation and endorse reports to co-sponsors of achievement of benefits
Program Steering Committee – Members	CEO SNSW CFO SNSW Senior executives of user agencies Representatives of central agencies	
Service NSW Executive Team	CEO and direct reports to CEO SNSW	• Review program progress against project plan • Review program costs against approved budgets • Endorse deliverables • Ensure alignment and co-ordination of program functions and transition to SNSW of RMS functions in scope • Liaise with RMS to maintain on-going operations and work with SNSW to resolve operational issues as they arise
Customer Advisory Board		• Kept informed as to program progress, costs and status
Accelerated Digital Program Lead	Program Director	• Ensures the project has the required visibility and support of the organisation • Makes business decisions for the program • Approves deliverables and resolves change requests, escalating these to either CEO or Steering Committee as required • Co-ordinates the proactive participation of business involvement (either RMS or SNSW) to achieve the program objectives • Communicates progress and status to the SNSW Executive, Advisory Board, Program Sponsors and Steering Committee • Directs and manages the entire program ensuring timely and acceptable delivery of all aspects • Co-ordinates the management of the day to day program operations • Manages overall change and budget control • Consolidates and prepares the benefits realisation reports in conjunction with the SNSW executive

Source: SNSW Program Governance for second business case 2014.

SNSW has some good project management practices to monitor implementation

SNSW has implementation teams led by SNSW executives to oversee and monitor the implementation of services as planned in the second business case. The implementation teams also approve papers that are submitted to the PSC.

SNSW reports to the PSC for the second business case on selected benefits achieved under the initiative. The reports detail customer service statistics (e.g. timeliness of response to customer calls and customer satisfaction), financial progress, and progress in implementing changes under the initiative.

Not all significant changes made under either business case had documented approval

The implementation schedule for the first business case had two changes made during 2013; the first in April and the second in August. There is no documented agreement or approval by the TSC for either of these changes.

The timelines that SNSW reported progress against are different from the first business case. A program status report to the TSC for the first business case in August 2013, stated that SNSW was on schedule with service centre, call centre and digital implementation, despite being significantly behind the dates approved in the first business case. Two days after providing this program status report, SNSW requested that the TSC endorse further changes to the scheduled implementation of service centres. There is no documentation showing that the TSC approved this requested change.

Planned benefits and savings reported in the benefits scorecard have been changed compared to the approved second business case. Although the PSC noted changes, there is no documentation of the required approval. There is also no documentation of the justification, approval, or explanation of the effects of changes on the approved business case outcomes, deliverables, benefits, savings and costs. Appendix 4 provides a list of changes for planned benefits and savings made over time from the second business case.

In some cases there have been improvements in the measures. For example, one of the measures in the second business case was ‘number of FTEs’. This has been refined to now specify the number of FTEs required for service and call centres. In other cases measures approved by government are not reported; for example, recurring cost savings for whole-of-government.

Both business cases identified two key benefits of the initiative as being improved access to government services and whole-of-government savings. However, the changes made mean that SNSW does not report on transaction volumes or progress in achieving whole-of-government savings. By not reporting against these criteria, internal and external committees, boards and agencies cannot monitor SNSW’s progress towards delivering all the planned benefits and savings.

Treasury has advised that it expects SNSW to gain government approval for any changes it wants to make to planned benefits, savings and targets. This is because funding had been originally approved for an agreed outcome. If a previously approved program is changed, then funding, timelines and resource requirements may also need changing.

The second business case indicated that there would be 139 service access points by 2017-18, but their locations were still to be finalised. SNSW advised that further work, negotiation, and assessment of feasibility and value for money, was required before finalising the locations of service access points. SNSW finalised the locations for the approved service access points in July 2014. In April 2015, SNSW increased the planned number of service access points to 172 sites.

Incomplete monitoring of benefits realisation

There is no documentation showing that there was an adequate focus by the TSC established for the first business case on benefits realisation. This should have included establishing a benefits realisation framework that assigned appropriate responsibilities to participating agencies to achieve anticipated benefits and savings. The TSC was to be the highest decision making group and to provide strategic guidance. Its role encompassed ensuring an adequate focus on benefits realisation, including adopting a methodology, the quantification and capture of savings made, and regular reporting to the ERC.

The DPC Secretary was the project sponsor for the establishment of SNSW. The DPC Secretary was responsible for providing all required approvals to implement the initiative, and for securing all funding and resources required. During the implementation of the first business case, significant milestones were progressed, including establishing SNSW as a new organisation. While these could not have been progressed without his knowledge, we have not been provided with documentation of his approvals.

The government has given authority to the Minister for Finance, Services and Property and the Customer Service Commissioner (CSC) to monitor the benefits and drive the achievement of sector-wide savings. The CSC advised that he monitors progress only in relation to the benefits and savings identified for SNSW, RMS and GPNSW arising from the second business case. We found that no one is tracking or reporting whole-of-government benefits and savings that are included in the economic appraisal for the second business case. We also found a lack of clarity about who should be monitoring and reporting on these whole-of-government benefits and savings. This is discussed in more detail in section 2.3.

The CSC provides updates to the SNSW Audit and Risk Committee (ARC) on progress in implementing the initiative. The CSC advised the ARC, in March 2014, that he would report on benefits realisation from the second business case, and user agencies would report on cost savings. Neither the CSC nor user agencies report to the ARC on benefits realisation or cost savings.

A Customer Advisory Board (CAB) was established in May 2014 by the NSW Premier, with senior representatives from within and outside of NSW government. Its role includes:

- providing strategic direction to SNSW
- approving SNSW business and strategic plans
- monitoring its operational and financial performance.

Board papers show that the CAB is fulfilling most of its role, however, there is no documented approvals of SNSW's business and strategic plans. SNSW provides regular reports, showing its progress in implementing the initiative, and its financial position.

In September 2015, SNSW commissioned the first annual review of the benefits realisation framework and targets. This review:

- identified areas of concern that could impact on the achievement of selected benefits and savings
- reported on implications for future implementation of the initiative arising from the identified concerns
- made recommendations to assist SNSW in realising opportunities and potential benefits.

We found that the review focused on the selected benefits and savings that SNSW already reports on monthly through the scorecard. This review did not cover all aspects that are generally considered part of a benefits realisation framework.

2.3 Benefits realisation management by user agencies

Whole-of-government benefits and savings cannot be measured

We found that whole-of-government benefits and savings cannot be measured or confirmed because:

- no responsibility has been allocated to individual agencies to achieve specific benefits and savings
- user agencies are not required to report on the progress of achieving benefits and savings from the initiative to SNSW or the CSC
- no agency is monitoring the progress of benefits and savings approved in the second business case.

User agencies thought that when services, functions and funding were transferred to SNSW, responsibility for monitoring the achievement of the anticipated benefits and savings was also transferred to SNSW. However, SNSW and the CSC do not consider this part of their role, and neither are collecting relevant information from user agencies that would allow measuring of whole-of-government benefits and savings from the initiative.

SNSW provides monthly reports to all user agencies. These reports focus on agency specific outputs, such as total transaction statistics, customer service statistics, agency specific transactions per service centre, and data on the most frequent transactions. These reports do not address progress in achieving agency-specific outcomes, benefits or savings.

At least quarterly, SNSW meets with each user agency to discuss any issues or concerns with the services provided. These meetings do not discuss progress in achieving benefits or savings for the user agency.

User agencies cannot be sure that the initiative is meeting their key business needs

User agencies monitor aspects of the initiative that are important to their key business areas. However, these do not completely align with benefits and savings identified in the second business case. For example:

- RMS tracks reductions in FTEs and motor registry numbers
- FT tracks errors in the collection and processing of applications
- BDM monitors the cost effectiveness of the contact centres.

SNSW has service level agreements and/or memoranda of understanding with each user agency. Important service delivery measures for user agencies are not adequately covered in these documents. For example, there are no measures in relation to the accuracy of information provided to FT customers. Inaccurate information provided by SNSW leads to additional work and costs for FT. User agencies may therefore not be achieving the benefits or savings they expected from participating in the initiative.

2.4 Monitoring progress in achieving benefits and savings

SNSW reports on some areas of progress in achieving planned benefits

In addition to the monthly benefits scorecard discussed in Section 2.1, SNSW provides quarterly qualitative update reports to the Minister for Finance and Services, the CAB, and the PSC for the second business case. These report progress in achieving:

- citizen benefits such as simplified access to government services
- progress on other government initiatives such as red tape reduction
- service innovations including the SNSW smart device application
- process improvements such as seniors' card applications that can now be done online.

The report does not include the opinions of user agencies. It does include some examples of customers' views of SNSW services.

In June 2013, SNSW proposed performance indicators for the first business case. These included overall customer satisfaction, employee performance, processes and wait times. The proposed indicators did not measure the realisation of the benefits or savings as approved in the business case.

In July 2013, the TSC requested SNSW to include a customer satisfaction indicator for the digital channel on its benefits scorecard. To date, SNSW is not reporting on this indicator. An indicator of customer satisfaction with digital services has become more important with the second business case, as its focus is on digital services for citizens and businesses.

3. Progress in achieving planned benefits and savings

The initiative has achieved some planned benefits and savings, albeit later than scheduled. SNSW does not expect to realise all planned savings under the initiative until after the program is fully implemented in 2016-17.

There were many achievements from the first business case, the main one being the establishment of SNSW. However, there were delays in implementing some business case outcomes.

SNSW' performance measures and results show that it is providing a positive and cost effective service. In some cases, the 2014-15 targets in the second business case were not achieved, such as for fee-for-service revenue and service access points.

Neither SNSW nor the CSC can advise of whole-of-government savings achieved to date, such as from having one NSW government phone number for all services. Nor can they demonstrate that the initiative will achieve whole-of-government benefits and savings as identified in the second business case.

Recommendation:

Service NSW should, by March 2016:

1. Submit a report to the ERC which:

    1.1. lists the outputs and the type and value of benefits and savings that will not be delivered from the second business case

    1.2. re-assesses the cost benefit analysis and payback period for the initiative compared to the second business case.

3.1 Progress against the first business case

Many benefits have been achieved under the first business case

The first business case established SNSW as a single point of contact to deliver NSW government transaction services to citizens and businesses.

SNSW reported that other achievements made under the first business case included:

- creation of a single SNSW phone number for citizens and businesses to access NSW government agencies
- 2.4 million customer contacts via service centres, call centres and digital channels with 98 per cent customer satisfaction with the service and call centres
- eighteen motor registries were closed with some being replaced by SNSW service centres
- opening 18 service centres that are open for longer hours than agencies former shopfronts.

Ongoing delays in establishing service channels

The implementation of all planned outcomes of the initiative was later than planned.

In the first business case, it was reported that SNSW would conduct transactions on behalf of user agencies. However, in some cases, SNSW only accepted information and documentation.

The first 18 service centres were to open between January and June 2013. Actual opening dates for these service centres occurred between July 2013 and June 2014 - see Appendix 3 for details. This meant that it also delayed achievement of targeted transaction volumes and associated revenue. An additional $5.0 million (eight per cent) was granted to complete the implementation of all the 18 service centres planned under the first business case because of this delay, even though they had underspent their capital allocation, as shown in Exhibit 6.

The creation of the single SNSW government phone number was also delayed. The implementation of the SNSW call centres was to occur through three distinct stages, with the first scheduled to open in October 2012. Actual implementation occurred in two stages, which concluded with RMS services integrated on 1 July 2014, more than a year later than planned. The business case had forecasted RMS to be SNSW's largest source of calls. This delay meant SNSW did not meet the forecasted call volumes in time, and RMS was required to continue operating its own phone services and incur the associated costs.

Exhibit 2: Call Centre scheduled and actual opening dates

Stage	Scheduled start date	Actual start date
Initial stage[a]	October 2012	1 July 2013
Second stage[b]	February 2013	1 July 2014
Final stage[c]	April 2013	1 July 2013

[a] Planned agencies included BDM.

[b] Planned agency was RMS.

[c] Planned agencies included FT.

Source: Audit Office research 2015.

Exhibit 3: Call centre activity to 30 June 2014

Year	Anticipated call volume	Calls received	Calls handled	Calls transferred
2012-13	8,000,000	--	--	--
2013-14	12,500,000	478,874	450,553	28,321

Source: Audit Office research 2015.

Three SNSW contact centres now cover the phone services previously provided by 32 separate agency contact centres. This consolidation should save government $2.3 million by June 2016. There is no information to date to confirm that data is being collected to demonstrate the savings that have been, or will be, achieved.

SNSW did not meet the scheduled launch of the digital channel. SNSW planned the launch in three waves in November 2012, January 2013 and February 2013. Each wave was to add more agencies and transaction types. Instead, a single launch occurred on 1 July 2013, which was seven months behind the first expected launch date.

While SNSW adequately prepared for the launch, there were delays in the launch of the call centres and the digital channel. It conducted pre-launch testing which did not identify any significant issues. It also had contingency plans in place for dealing with potential issues.

The number of SNSW employees was lower than anticipated due to the delayed implementation of the initiative. The target FTE was the number of staff required to implement the initiative approved in the first business case.

Exhibit 4: SNSW FTE staff numbers to 30 June 2014

Number of SNSW FTEs	Period ending	Target	Actual
Total SNSW FTE staff	30 June 2013	550	24
Total SNSW FTE staff	30 June 2014	1,007	548

Source: Audit Office research 2015.

As the implementation of the service centres and call centres were behind schedule, SNSW did not require all anticipated FTEs in each year as planned in the first business case. In addition, most staff were contractors during 2012-13, who are not included in the actual FTEs working on the initiative. Therefore, SNSW incurred lower staffing costs than budgeted.

Recurrent expenditure was greater than budgeted, but capital expenditure was lower

The approved recurrent allocation, which included budget transfers from user agencies, under the first business case was $79.5 million for 2012-13 and 2013-14. Actual recurrent expenditure for the two years was $147 million, 85 per cent greater than the approved allocation.

Exhibit 5: Recurrent budget and expenditure

	Business case approved allocation ($,000)	Actual recurrent expenditure ($,000)
2012-13	31,850	51,116
2013-14	47,600	96,063
2014-15	235,600	283,594
2015-16	231,600	
2016-17	189,200	
Total	**735,850**	**430,773**

Note: Recurrent funding allocation includes budget transfer amounts as well as new funding allocated in the business cases.

Source: Audit Office Research 2015.

Approved capital expenditure for 2012-13 and 2013-14 under the first business case was $66.5 million. The initiative underspent its capital allocation by 42 per cent, spending only $38.8 million over the two years.

Exhibit 6: Capital budget and expenditure for SNSW

	Business case approved allocation ($,000)	Actual capital expenditure ($,000)
2012-13	61,500	4,409
2013-14	5,000	34,439
2014-15	80,200	60,185
2015-16	66,000	
2016-17	12,500	
2017-18	8,700	
Total	**233,900**	**99,033**

Source: Audit Office Research 2015.

Fee for service revenue was lower than budgeted

As well as budget allocations, SNSW charged fees to some user agencies for the services provided. The delay in implementing the initiative under the first business case meant that this revenue source was 65 per cent lower than forecasted.

Exhibit 7: Target and actual fee for service revenue 2012-13 and 2013-14

	First Business Case Target ($'000)	Actual ($'000)
2012-13	4,188	--
2013-14	10,819	5,336

Source: Audit Office research 2015.

3.2 Progress against the second business case

The program of work as approved under the second business case is still being implemented. This section discusses progress to date made for the initiative under the second business case, starting from 2014-15.

3.2.1 Revenue and expenditure

SNSW expenditure for 2014-15 was greater than budgeted

Recurrent expenditure in 2014-15 was 20 per cent more than approved under the second business case. For the same timeframe, capital expenditure was 25 per cent under budget. Details are shown in Exhibits 5 and 6.

Further delays may lead to lower fee for service revenue

In the second business case, the fee for service revenue target for 2013-14 was reduced by 44 per cent compared to the target established for the same year in the first business case. Neither target was met, as can be seen in Exhibits 7 and 8.

For 2014-15, total fee for service revenue was also lower than budgeted by 29 per cent, as shown in Exhibit 8. On 1 July 2017, SNSW will move to a full fee for service model. If revenue continues to be lower than budgeted, it could have a negative impact on the payback period.

Exhibit 8: Target and actual fee for service revenue 2013-14 to 2017-18

	Second Business Case Target ($'000)	Actual ($'000)
2013-14	6,030	5,336
2014-15	20,000	14,284
2015-16	20,500	
2016-17	21,013	
2017-18	204,443	

Source: Audit Office research 2015.

User agency expenditure on implementing the initiative cannot be confirmed

User agencies cannot confirm their total expenses from participating in the initiative. Prior to the initiative, agencies maintained their own customer-facing service centres and back office functions on the same site. When user agencies transferred the customer-facing services to SNSW, their shopfronts had to close. However, agencies had to rehouse the back-office functions, such as processing documents received by SNSW, and maintained the associated costs. We cannot confirm the total of these expenses for all user agencies.

Exhibit 9 shows the amount of funding given to SNSW by a selection of user agencies, as either budget transfers, or as fees paid for this service. We found that the fees paid by the user agencies have been increasing each year. However, we cannot confirm if the fees paid are lower than if the service provision and related costs remained with the user agencies.

Exhibit 9: Selection of user agencies' expenditure on the initiative 2012-13 to 2014-15

	RMS budget transfer ($'000)	BDM fee for service ($'000)	FT* ($'000)	Total ($'000)
2012-13	4,150	n/a^	1,600	**5,750**
2013-14	20,100	2,404	1,900	**24,404**
2014-15	192,110	3,246	2,500	**194,346**
Total	**216,360**	**5,650**	**6,000**	**224,500**

* - FT made budget transfers to SNSW in 2012-13 and 2013-14. In 2014-15, FT became fee for service.

^ - BDM started using SNSW in 2013-14.

Source: Audit Office research 2015.

3.2.2 Savings

Under the second business case, savings are expected to be made by:

- reducing FTE staff
- reconfiguring access to government services by consolidating user agency shopfronts and call centres giving net savings to government of $68.0 million over ten years to 2024-25
- enhancing digital access for citizens and businesses to NSW government services providing net savings of $689 million over ten years to 2024-25.

SNSW does not expect to realise planned savings under the initiative until after the program is fully implemented in 2016-17.

Fees charged by SNSW do not cover all costs related to service delivery

The second business case reported that the fees charged by SNSW would be based on current agency costs per transaction categorised by complexity and channel. The fees SNSW charge are only differentiated by service channel used by the customers and not by the complexity of the transaction. These fees cover only the wages of frontline staff. They do not cover all costs to operate SNSW; which include property, technology, management and other support staff wages and services. SNSW and the CSC advised that SNSW made a business decision on the prices it currently charges to user agencies to build long-term relationships which assist in building their business.

There is a risk that once government funding ceases, and SNSW becomes a fee for service agency on 1 July 2017, the fees charged to user agencies could increase.

Reductions in staff numbers and associated savings cannot be confirmed

We cannot confirm if there has been an overall reduction of staff numbers across all user agencies because of the initiative.

RMS has reduced its staff numbers in line with the transfer of the service delivery function to SNSW. However, in 2014-15, the actual number of frontline service delivery FTEs for RMS and SNSW was almost two per cent greater than the target SNSW had set.

Exhibit 10: Frontline target and actual FTE staff numbers at 30 June 2015

FTE employees	Target	Actual
Call centre FTE employees	253	304
Service centre FTE employees	719	589
RMS motor registry FTE employees	279	324
SNSW driver testing FTE employees	153	125
RMS driver testing FTE employees	64	153
Total	**1,468**	**1,495**

Source: Audit Office research 2015.

While the second business case included targets for reductions in FTE numbers from the initiative, it did not include associated savings. The reduction in FTEs is not progressing according to target. Progress in achieving savings and benefits from reduced FTE staff numbers cannot be measured.

3.2.3 Stores

The second business case included a variety of service access points, each with different staffing and designs.

SNSW' service access points are:

- service centres, which are shopfronts that include counter, digital and phone services for customers
- smart branches, which are now referred to as smaller service centres that have limited counter services as they focus on customer self-service
- store-in-a-stores, that are smaller versions of smart branches inside government buildings, including local councils
- digital pods, which are standalone unmanned booths with access to digital services.

In April 2015, the Minister for Finance, Services and Property was advised of a revised schedule for the rollout of service access points, from the second business case. Changes made included:

- the addition of digital stores, which are staffed mobile stores located in shopping complexes
- additional planned service centre and store-in-a-store sites
- cancelling planned smart branches and digital pods.

Fewer service access points have been established

The total number of service access points is lower than planned in the second business case and the revised schedule. Compared to the revised target, SNSW has not delivered the planned number of the less staff-intensive options of store-in-a-store sites. However, SNSW has opened more digital stores than anticipated.

Exhibit 11: Target and actual number of service access points 2013-14 and 2014-15

	Type of service access point	Business Case Target	Revised Target*	Achieved
2013-14	Service centres	18	18	18
2014-15	Service centres	4	18	18
	Digital stores		3	6
	Smart branches	25	--	--
	Store-in-a-stores	15	39	29
	Digital pods	15	--	--
Total	**Service access points**	**77**	**78**	**71**

* - Target was approved in April 2015.

Source: Audit Office research 2015.

In addition, fewer service access points have opened in regional and rural communities compared to the approved business case. This reduction has resulted in a smaller area of NSW being served by a service access point. As key objectives of the initiative were to improve citizen access and satisfaction with government services, the reduction of service access points is a significant change to the approved business case, and a reduction in the anticipated benefits to the community. However, SNSW expects that its improvements to digital services will provide greater coverage and easier access across the State.

Service centre usage is significantly lower than planned

By 30 June 2015, SNSW had served 4.5 million customers in its service centres. The second business case reported SNSW would conduct 33.5 million transactions by 30 June 2015. It did not refer to a planned number of customers served. SNSW reports that each customer, on average, conducts 1.1 transactions per visit. Extrapolating these figures, the approximate number of transactions conducted by SNSW was 4.95 million, a significant shortfall compared to the target. This shortfall will have a greater impact when SNSW adopts a full fee for service model, potentially prolonging the payback period of the initiative.

There have been some user agency shopfront closures

Since the initiative commenced, FT, BDM and RMS have reduced their number of customer-facing service centres. The second business case planned to complete the closure of an additional 58 motor registries by 30 June 2015.

All metropolitan FT shopfronts have closed, with non-counter staff being rehoused elsewhere. All regional FT shopfronts have closed. However, some regional FT offices are now co-located with other NSW government offices to continue offering services not yet provided by SNSW, including complaint handling, compliance and community engagement services.

BDM has closed two of its four customer service offices with the creation of SNSW service centres. SNSW does not process BDM transactions. All applications need to be transferred to BDM for processing and finalisation.

The number of RMS motor registries has reduced, but remains above the targeted number of 53 motor registries to remain open as at 30 June 2015, as stated in the second business case. Before the initiative, there were 125 RMS motor registries across NSW. At 9 November 2015, there were 68 motor registries still in operation.

3.2.4 Digital access

SNSW has added new ways to access NSW government services

SNSW has created a smart device application (app) to allow easier customer access to the SNSW website. At this stage, the app provides access to RMS motor registration and information on SNSW service access points. SNSW plans to provide more features in the future, which could be a useful development for customer access to NSW government services.

SNSW is also reconfiguring its stores to encourage self-service. By June 2015, SNSW staff referred 18 per cent of customers entering service centres to the self-service functions within the stores. This should minimise costs as citizens conduct their own transactions online.

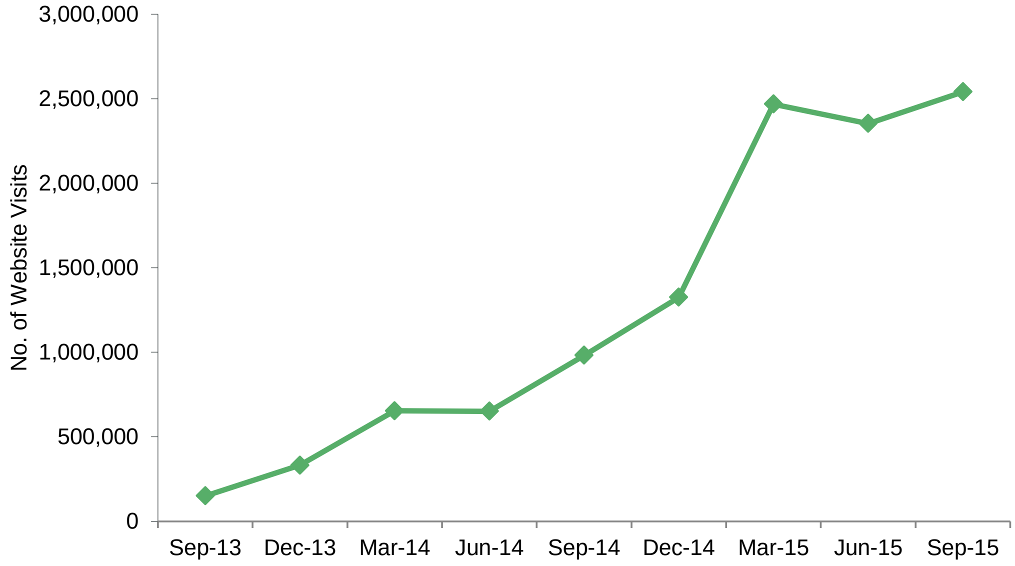
SNSW reports on website visits not on transactions conducted

SNSW has not defined what it classifies as a digital transaction, causing uncertainty on what basis SNSW charges user agencies. SNSW reports on website visits, not on the transactions conducted through the digital channel. It is also unclear if SNSW charges agencies for each website accessed, or for each transaction processed.

The second business case stated that SNSW would conduct 36.9 million transactions through its digital channel for 2013-14 and 2014-15. SNSW reports that, by 30 June 2015, its website had been accessed nearly nine million times. With this number of visits, it is unlikely that SNSW could have conducted the anticipated 36.9 million transactions. This shortfall will have a greater impact when SNSW adopts a full fee for service model, potentially prolonging the payback period of the initiative.

There is an increasing use of SNSW digital services. Since the SNSW website started in July 2013, website traffic has increased, recording over eleven million visits in total by the end of September 2015. There was a significant increase in website visits between December 2014 and March 2015, even though no additional transactions types were offered.

Exhibit 12: Quarterly SNSW website access numbers July 2013 to September 2015



Source: Service NSW 2015.

The majority of Government transactions cannot be done online

SNSW has a target to make 70 per cent of all NSW government transactions available online by 30 June 2019. Customers still need to complete 60 per cent of their transactions at service centres. One key issue hindering transferring the conduct of transactions from service centres to digital is the current requirement for NSW government staff to sight proof of identity. SNSW, in conjunction with user agencies, are working to move additional transactions online.

3.2.5 Call centres

SNSW uses three call centres, and owns and operates two of these. The Parramatta call centre opened on 30 August 2013 and covers all NSW government call centre services except for the 'roads' functions within RMS. The Newcastle call centre started operations on 1 July 2014 and handles all RMS transactions (over 70 per cent of SNSW calls received). SNSW uses a third call centre to receive calls outside of its standard business hours (19:00-7:00).

SNSW' call centre cost of service was less than five dollars a call. However, this does not include the cost of service for calls received by the third call centre. Without this information, SNSW' reported cost of service is underestimated.

Reporting on call centre activity needs clarity

The second business case anticipated 1.2 million call centre transactions would be conducted by SNSW by 30 June 2015. SNSW does not report on the number of transactions it conducts; it reports on the number of calls received. However, not all calls would result in a transaction. At 30 June 2015, the call centres had received over 3.5 million calls since inception, and over two per cent of these calls had to be transferred to the responsible agency. We cannot confirm if SNSW has met its target.

Exhibit 13: Number of calls through the call centres

Timeframe	Calls received (cumulative)	Calls handled by SNSW call centres (cumulative)	Calls transferred out from SNSW call centres (cumulative)
July to December 2013	90,385	90,385	
to March 2014	191,078	180,622	10,416
to June 2014	478,874	450,553	28,321
to September 2014	1,219,864	1,173,574	46,290
to December 2014	1,968,964	1,911,666	57,298
to March 2015	2,901,108	2,825,932	75,176
to June 2015	3,679,592	3,594,895	84,697
to September 2015	4,452,980	4,365,419	87,561

Source: Service NSW 2015.

SNSW reports on time taken to answer calls

SNSW reports to the PSC for the second business case on trends in customer satisfaction and grade of service (percentage of customers served within target times), including reasons for not achieving its targets. SNSW has established a quality assurance framework for is call centres and is measuring compliance with the framework. SNSW does not currently report on compliance with this framework as an indicator of the quality of information provided to customers by the call centres.

The Parramatta call centre currently answers over 20,000 calls a week. It has had its grade of service measured since it opened. At 30 June 2015, its grade of service was 51 per cent, which is lower than its target of 60 per cent.

The Newcastle call centre, which receives over 60,000 calls per week, also had its grade of service measured from its opening. This call centre has a grade of service target of 50 per cent, but at 30 June 2015, its grade of service was six per cent.

At 30 June 2015, the third call centre achieved an 81 per cent grade of service. It receives around 1,500 calls per week. This call centre is the only one that is meeting its grade of service target, which, for this call centre, is 80 per cent of calls answered within 30 seconds.

3.2.6 Properties

Sale price of RMS properties sold to date has been greater than their book value

The second business case expected a one-off saving to government of $64.0 million from the sale of RMS properties by 30 June 2016. At 30 June 2015, reported gross proceeds from the RMS property sales were $45.5 million. This figure greatly exceeds the target of $16.0 million for 2014-15. At 30 June 2015 settlement had been finalised for two of the 14 properties, resulting in the transfer of $1.7 million to Treasury. In the majority of cases, the total gross sale price was greater than the fair value of the properties, as defined by GPNSW.

The planned timing for property sales has increased from the two years proposed in the second business case, to three years.

Exhibit 14: RMS properties sold in 2014-15

Suburb	Property fair value ($)	Gross proceeds of sale ($)	Gain/Loss ($)
Armidale	2,014,900	2,110,000	95,100
Coffs Harbour	2,648,000	2,750,000	102,000
Fairfield	4,120,487	4,270,000	149,513
Hornsby	5,796,500	5,920,000	123,500
Kiama	1,435,500	1,500,000	64,500
Lismore	630,000	760,000	130,000
Liverpool	6,153,600	6,330,000	176,400
Manly	6,596,487	6,750,000	153,513
Orange	1,050,000	950,000	(100,000)
Port Macquarie	2,104,500	2,165,000	60,500
Queanbeyan	2,563,400	2,660,000	96,600
Silverwater	5,702,500	5,850,000	147,500
Tamworth	1,333,600	1,435,000	101,400
Wagga Wagga	1,924,300	2,025,000	100,700
Total	**44,073,774**	**45,475,000**	**1,401,226**

Source: Audit Office research 2015.

Of the 56 former RMS owned properties:

- 14 were sold in 2014-15 (nine are being leased back for general government use)
- 15 properties valued at $39.6 million are due for sale in 2015-16
- 25 properties valued at $12.4 million are to be sold in 2016-17
- two properties are not scheduled for sale.

Whole-of-government savings from property consolidations may not be realised

Savings from the initiative realised through property consolidation may not lead to whole-of-government savings as these expenses have been transferred to other NSW government agencies.

SNSW is leasing most properties to house its service centres. This includes eight of the former RMS properties that have been sold. By 14 August 2015, SNSW was leasing 49 former RMS motor registries. Most of the FT and BDM properties continue to be leased to house other NSW government functions.

3.2.7 Customer service and satisfaction

The second business case had a goal to improve customer satisfaction with government services. There was no target or metric for this goal detailed in the second business case. SNSW later established a customer satisfaction target of a four out of five rating by its service centre and call centre customers.

Reported customer satisfaction reflects the experience of almost a third of SNSW customers

SNSW reports consistently high levels of customer satisfaction, exceeding 95 per cent. These scores represent almost a third of customers that access SNSW services through the service and call centres, and provide their feedback. Customer satisfaction results for customers using the SNSW website are not included, even though the primary purpose of the second business case is to increase digital access to NSW government services.

Service centres have received positive feedback from their customers, mainly in relation to the concierge and longer opening hours.

The website only allows customers to provide feedback on SNSW by completing a free-text form or writing a letter, rather than being prompted to record their satisfaction. SNSW advised that it will request and measure feedback as part of digital service developments.

User agency concerns about accuracy of information provided to customers

User agencies have expressed concerns about the quality of information provided to customers by SNSW. As described in section 2.3, SNSW holds regular meetings with user agencies to address concerns and issues.

SNSW has provided us with its quality assurance framework for call centres, but not for its service centres. The results of call centre compliance with the framework are not reported to user agencies.

User agencies have advised of instances where SNSW call centres provided incorrect advice to customers. This included providing advice that contradicted user agencies' procedural and document requirements, resulting in user agencies later rejecting customer applications. User agencies have also advised of instances where SNSW service centres have accepted applications for licences with insufficient proof of identity. These issues required further follow-up from user agencies, and added to user agencies' costs to resolve and process transactions. SNSW sharing the results of its quality assurance monitoring for its call and service centres would assist user agencies to see improvements in service quality, and would demonstrate its accuracy rate.

Inconsistent measures over time make performance comparison difficult

Service delivery performance measures have changed over the life of the initiative. The performance measures currently reported on by SNSW are different to the performance measures previously used by RMS.

For example:

- RMS measured the percentage of calls answered within 30 seconds, whereas SNSW measures it within 60 seconds
- RMS measured its total time taken per call, which includes a customer's waiting time, the time to handle the call, as well as any necessary after call work; whereas the SNSW measure only includes waiting and handling time
- SNSW measures the percentage of customers served within ten minutes in service centres, whereas RMS measured the level of customer satisfaction with waiting times
- RMS' measurement of customer service for motor registries covered 12 items that contributed towards total customer satisfaction, with factors such as overall service, staff knowledge and helpfulness, treatment of customers and communication. SNSW use only one item, overall customer satisfaction.

SNSW's performance measures and results show that SNSW is providing a positive and cost effective service. However, due to the differences in the above performance measures we could not meaningfully compare results.

Appendices

Appendix 1: Responses from Service NSW and the Customer Service Commissioner

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Ref: D16/1029

11 February 2016

Mr A T Whitfield
Acting Auditor-General
Audit Office of NSW
Level 15, 1 Margaret Street
SYDNEY NSW 2000

Dear Mr Whitfield,

Performance Audit: Realising the benefits of the Service NSW initiative

Thank you for the opportunity to respond to the report by the Audit Office of NSW dated 14 January 2016 in relation to the Performance Audit referred to above.

1. Background

The concept of Service NSW was borne out of the NSW Government's *Simpler Government Services Plan* to lift customer service standards and provide a one-stop shop model for the delivery of government transactional services across three channels – a digital service; a single access 24 x 7 phone service; and a network of service centres.

This followed a major customer insight study conducted in 2012 which found the level of citizen satisfaction in NSW was significantly lower than in other states, the Commonwealth sector and other international jurisdictions. The aspirations as set in the plan were translated into the NSW Government's *2021 Plan* of which Service NSW was a key driver to achieve Goals 30, 31 and 32.

Service NSW was created as a Government agency on 18 March 2013 and launched its services in July 2013 taking a customer lens in the design of its service delivery channels – from the website to the design of the initial 18 "Tranche 1" service centres and to the operation of the single access telephone concierge service.

Since launch, Service NSW has provided an award winning omni-channel customer experience, and the initiative has been well accepted by citizens with very high levels of customer satisfaction. It is now providing transactional services on behalf of more than 40 NSW Government agencies across telephone, digital and physical channels. This includes investment in a cloud-based enterprise architecture that can enable a whole-of-government payments platform; the Service NSW App; and the launch of the Service NSW *Customer Service System* (CSS) to further facilitate the digitisation of transactions.

The first business case governing the Service NSW initiative was approved by the Expenditure Review Committee of Cabinet (ERC) in June 2012, before Service NSW was established as an agency. Service delivery operations commenced in July 2013 on a "proof-of-concept" basis as required by ERC pursuant to the 2013-14 budget process. Following a report to ERC in December 2013 setting out the results and learnings from the proof-of-concept, the implementation of the first business case was stopped, a post implementation review was completed, and it was ultimately replaced by the *Accelerated Distribution Strategy* (ADS), the second business case, which was approved by ERC in April 2014.

This approach was strongly recommended by the Customer Service Commissioner as providing a sound foundation upon which to build Service NSW and managing risk through a rigorous approach to stage-gate funding.

The ADS program is centred on the transition of all of the Roads and Maritime Services (RMS) distribution network, and is now in its second year of implementation. Whilst it is far too early in the lifecycle of the ADS program to assess overall success, performance and results to date have been very positive. A pragmatic approach to implementation has enabled learnings, citizen feedback and changing expectations to be incorporated in the delivery of the program, with issues and risks arising dealt with in accordance with the ongoing governance and accountability processes in place. Any implications regarding costs and funding are reflected in the underlying benefits model.

The Customer Service Commissioner (CSC) and the Minister for Finance, Services and Property (the Minister) are co-sponsors of the ADS program, and have accountability to drive the benefits from the ADS program and the Service NSW initiative. They are kept fully informed of progress and have been very supportive to date. The ADS initiative is governed by a Program Steering Committee (PSC), which is chaired by the CSC, and includes representatives from Department of Premier and Cabinet (DPC), Department of Finance, Services and Innovation (DFSI), NSW Treasury, and RMS as well as Service NSW senior management. In addition, Service NSW also provides regular reports to the NSW Customer Advisory Board, which has a broader role than Service NSW and was established after the termination of the first business case.

Service NSW has reported to the ERC as required to date, with another report proposed for March 2016 in relation to next steps for this initiative. Progress is always regularly reported to other appropriate central agencies, sponsors and key stakeholders as required including our portfolio Minister.

Customer service and the digital migration journey are integral components of the NSW Government's State Plan launched in 2015, and Service NSW is playing a key role in the delivery of these key policy priorities.

On a cumulative basis, Service NSW has to date received over 30 million customer visits since launch with an unchanged customer satisfaction score of around 98 per cent, which is measured in real time and provided as live data to Service NSW management and other key stakeholders including the Minister. The key technology enablers, the CSS and payments platforms, are on-track to drive digital transaction capability across a broader range of NSW Government agencies.

Noting the progress to date, Service NSW is still in the early stages of a long term customer transformation journey which will impact the majority of NSW citizens, businesses, and government agencies. There are many ongoing and emerging risks and challenges associated with such a wide-ranging transformation program, and the learnings and experience acquired to date have provided opportunities to refine the nature and implementation of the initiative to ensure better outcomes.

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2. The Audit Approach

i. *Timing and scope of the audit:*

When the NSW Audit Office first informed the CSC and Service NSW in late 2014 it was considering conducting a performance audit into the Service NSW initiative, it was strongly contended that such an audit was premature at the very least, being less than one year into the ADS program. We remain of this view, and have considered the report of the Audit Office from this perspective.

The audit objective was stated as "assessing whether there was an effective benefits approach to realise the anticipated benefits of the initiative". We do not accept that the approach to benefits management, no matter how effective, will result in the benefits of the program actually being realised. Whilst acknowledging that effective benefits monitoring is an integral part of the program, the *realisation* of benefits is dependent upon the overall success of the program, not the reporting system, and as noted above, it is still very early in the life of the overall initiative.

ii. *Two separate business cases:*

The Audit Office has not adequately distinguished between the two distinctly separate business cases that have governed the implementation of the Service NSW initiative to date. This has resulted in confusion in terms of Audit Office comments regarding accountability and governance.

The ERC approved the replacement of the first business case with the ADS program, and Service NSW and the CSC are implementing this program in accordance with the second business case. The commentary in the report around the implementation, reporting, governance, and funding of the two business cases as though they are being delivered as one sequential program of works is incorrect.

For example, the Audit Office notes that the second business case did not report on the expenditure or the value of the benefits and savings achieved under the first business case. Whilst expenditure to date was noted in the financial model supporting the second business case, any further consideration of this issue was not the purpose or a requirement of the second business case.

The substantive point to note in this regard is that the first business case was stopped and replaced by the second business case, the ADS program, which focussed on the transition of the RMS distribution business. The decision to stop the first business case was based on a number of factors, including the learnings from the Tranche 1 proof-of-concept, the need to scale operations, the need to accelerate digitalisation, and the complexities of the unworkable benefits model.

The governance and benefits implications applicable to situations of this nature, where a business case is replaced by a new case, requires clarification and further guidance for impacted agencies. However, this is a matter for the central agencies of Government to consider, and not one that the CSC or Service NSW can resolve.

iii. *Governance of "whole-of-government" benefits:*

The overall governance responsibility for benefits management, including the definition, identification, measurement, realisation, and reporting of the whole-of-government benefits requires buy-in at the agency level and further support from central agencies such as Treasury and DPC in order to complement what Service NSW is currently doing in this regard. The current lack of clarity in this regard may impact existing and new program initiatives being implemented by Service NSW.

In our view, this is also a matter for consideration in conjunction with the key central agencies of government, as the CSC or Service NSW do not have the resources or authority to address this matter. As Service NSW extends its reach well beyond the current focus on RMS, a robust and centralised approach to whole of government benefits governance is necessary to achieve the benefits to the overall government sector from the Service NSW initiative.

iv. *Accountability of other agencies for benefits management:*

The Service NSW initiative is a major NSW Government reform program that involves the implementation of key government policies in respect of customer service and the digitisation of government transactions. It involves multi-agencies, with the focus of the ADS business case on the transition of the RMS registry business and digitisation of RMS transactions. This initiative is well governed by a Program Steering Committee which is chaired by the CSC, and includes representatives from DPC, DFSI, NSW Treasury, and RMS as well as Service NSW management.

The Audit Office notes that agencies have not developed benefits realisation frameworks and that baseline measures were not established and validated to enable the measurement of savings and benefits over time. This was the primary reason the benefits approach in the first business case was unworkable, and why the benefits approach of the second business case is specifically focussed on the independently assessed baseline cost of the RMS business that is being transitioned to Service NSW. The accountabilities of impacted agencies in relation to benefits management need to be clarified and enforced.

The Audit office report focusses heavily on the responsibilities of the CSC and Service NSW for benefits from the overall initiative. It is critical that the roles and responsibilities of impacted agencies in relation to benefits management are centrally determined and governed.

3. Recommendations

i. Recommendation 1:

Service NSW should, by June 2016:

1. *Submit a report to the Expenditure Review Committee (ERC) which:*
   - 1.1. *explains the changes made to the proposed scope, outputs, timing, benefits and savings of the initiative since the second business case was approved*
   - 1.2. *lists the outputs and the type and value of benefits and savings that will not be delivered from the second business case*
   - 1.3. *clearly defines the outputs, timing, benefits, savings and the approach to benefits management that will be delivered by 30 June 2017, and whether any funding adjustment is necessary*

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1.4. re-assesses the cost benefit analysis and payback period for the initiative compared to the second business case

1.5. requests the ERC's approval for the forward plan outlined in 1.3 above

1.6. outlines an accountability process to gain approval for any further changes deemed necessary.

Service NSW and CSC response: Noted.

The Service NSW initiative is an ongoing major transformational program being implemented in accordance with the ADS business case, which was based on historical information and assumptions regarding the future. Underlying assumptions, risks and circumstances can and do regularly change. Service NSW is currently planning to present a submission to the ERC in March 2016 in relation to the next steps for the program, which will include consideration of current issues and risks, and the implications for underlying funding and benefits models.

The matters raised by the Audit Office above will be reviewed as part of this process, noting that, in respect of the reference to 30 June 2017, the majority of estimated savings from the ADS program in relation to the fully transitioned RMS distribution network, are not expected to be realised until 2019-20 onwards.

ii. Recommendation 2:

Service NSW should, by June 2016:

Develop a benefits realisation register to link its existing scorecard reporting to all the benefits and savings that SNSW is responsible for achieving, as approved by the ERC in recommendation 1.5.

Service NSW and CSC response: Noted.

Service NSW does have a Benefits Realisation Framework that has been supported by ERC and the program Sponsors (the CSC and the Minister) as well as NSW Treasury through the Program Steering Committee. This framework utilises a Scorecard, which has been progressively refined and enhanced since introduction, to record progress on key operational metrics that drive performance and realisation of benefits.

If a benefits realisation register as recommended by the Audit Office is a value adding process improvement beyond the current approach utilising the Scorecard, and does not result in duplication of program reporting, Service NSW will consider this recommendation and implement accordingly.

It is important to note that reports covering all operational and performance data and metrics, including detailed analysis of transactional and enquiry volumes by channel, are available for all Service NSW stakeholders and reported on a regular basis, including daily.

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iii. Recommendation 3:

The Customer Service Commissioner should, by June 2016:
Define the whole-of-government benefits and savings expected to be achieved by the initiative since its commencement to 30 June 2017.

Service NSW and CSC response: Noted.

This is outside the responsibilities and authority of the CSC. Neither the CSC nor Service NSW has the resources, funding or authority to identify the whole-of-government benefits and how they would be managed and realised. This would require the baselining of largely unknown cost structures in multiple impacted agencies across the entire sector, and enforcing cost savings in these agencies through the budget process. We are not aware how this would actually be achieved and are seeking guidance in this regard as no process has been put forward to support this recommendation.

Difficulties with the concept and approach to whole-of-government benefits management was the primary reason the benefits model in the first business case was unworkable. The CSC and Service NSW would support and participate with the central agencies of Government in relation to finding a solution in this regard that is a shared outcome, and is a practical, measurable and enforceable model for agencies to demonstrate "bankable" savings from the initiative as part of the annual budget process. However, central agencies including DPC and Treasury would need to take the lead role in this regard.

A major learning from the Service NSW experience to date is that a key component of any proposed benefits model is credible baseline data. Contrary to the Audit Office comments in this regard, establishing and validating a robust cost baseline of the RMS distribution network is a key financial component of the ADS benefits model, however, this has been a complex process and is ongoing.

Based on our experience, particularly in relation to the first business case, there is a need for strong central governance in relation to agencies participating in the Service NSW initiative, including the provision of independently verified baseline cost and operational data, which is reviewed and approved by Treasury for inclusion in the related benefits realisation model. In this way, whole of government benefits from the Government's investment in the one-stop shop model would be able to be more effectively identified, captured and reported.

iv. Recommendation 4:

The Customer Service Commissioner should, by June 2016:
In conjunction with central agencies of government, clarify who should be monitoring and reporting on the achievement of whole-of-government benefits and savings, and communicate this responsibility to the nominated agency head/s."

Service NSW and CSC response: Noted.

This recommendation does require leadership from the central agencies of the Government, and is related to Recommendation (3) above. As noted under Recommendation (3) above, this is not the role of the CSC, however, the CSC could support and participate in an advisory role in the determination of responsible ownership.

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4. Other Matters

The report contained various comments where we believe additional context and/or clarification needs to be noted in the interests of completeness and balance. The following are examples of the more significant items.

i. Approvals and governance processes over project implementation:

The Audit Office has noted that since the second business case was approved, Service NSW has made changes to the approved outcomes, deliverables, benefits, savings, costs and performance indicators without appropriate approval documentation. These comments are not accepted.

The implementation approach for the ADS program has been rigorously controlled by the established governance processes in place including regular and ongoing engagement with all relevant stakeholders. Given the size of the program, the nature and timing of the network design and roll-out plan was indicative, and subject to a pragmatic and delivery focused approach to implementation which included appropriate consideration of due diligence, stakeholder and customer engagement, careful and due consideration of impacted staff and customer experience as well as the learnings and feedback of the program rollout to date.

Similarly, the Benefits Realisation Framework and Benefits Scorecard reported to ERC in August 2014 were also indicative in nature, with further work to be completed prior to approval by the program sponsors, the Minister and the CSC. This support was duly obtained, and the Scorecard approach implemented and refined as required based on the criteria of usefulness. The performance measures listed in Appendix 4 of the report are as per the second business case, and thus indicative in nature; these measures are being compared to the measures currently in place. The purpose of Appendix 4 requires clarification.

In addition, the suggestion that there was limited engagement with participating agencies and a lack of governance in relation to the delivery of the first business case is also strongly rejected. Key decisions were made at the Transformation Steering Committee which was chaired by the CSC and any major decisions then communicated to other key stakeholders. Changes to the delivery schedule were appropriately documented at the time, some of which were out of the control of Service NSW, for example, the extended matter in the Industrial Relations Commission, which resulted in an approved recruitment framework which is still being used effectively today, and the need to find appropriate locations for our physical points of presence.

ii. Inclusion of committed funding in the cost of investment:

The Audit Office has noted that an amount of $969.8 million as being allocated to the Service NSW initiative. This would infer that this is the amount of new funding to support the investment in this program. Of this amount, $735.9 million has been attributed as recurrent funding and $233.9 million as capital funding. Of the recurrent funding amount, approximately 83 per cent ($610 million) was transfered from RMS out of existing and committed recurrent funding to deliver the services that Service NSW is acquiring from RMS in the period to 30 June 2017. The inference that the committed funding for the cost of recurrng frontline services is an incremental cost of the Service NSW initiative is very misleading.

The balance of the recurrent funding was to assist Service NSW as a "start-up" entity and to fund the program management office.

Capital expenditure has been predominanty invested in the essential upgrade of the RMS registry network, and development of the CSS and payments platform to facilitate the transition to greater digitisation. These investments included updating network technology which was no longer supported, and addressing many embedded risk management and compliance issues which would need to have been addressed in any case.

The incremental cost of the investment in the Service NSW initiative, when compared to the long term quantitative and qualitative benefits that can be generated in terms of customer service and transition to the digital age, is considered strong value for money.

iii. Transaction volumes:

The Audit Office has noted that the second business case reported that Service NSW would conduct 33.5 million transactions by 30 June 2015, and based on 4.5 million service centre customers for the same period, that there was a significant shortfall in target transaction volumes.

In the period from commencing operations in July 2013 to 30 June 2015, Service NSW has had 30.4 million interactions and served 17.3 million customers (4.6 million in Service Centres). These figures have increased to 48.3 million interactions and 27.4 million customers by 31 December 2015.

The Audit Office also noted that the second business case stated that Service NSW would conduct 36.9 million transactions through its digital channel in 2013-14 and 2014-15, however, as at 30 June 2015, the website had been accessed 9.0 million times.

During 2013-14 and 2014-15, Service NSW served 9.0 million customers representing 21.4 million interactions. The number of interactions had increased to 33.8 million by 31 December 2015. These volumes of total customers and customer interactions are very strong and indicative of the progress of the Service NSW initiative with no adverse implications for benefits realisation.

iv. Customer service and satisfaction:

The Audit Office has noted that whilst Service NSW is providing a positive and cost effective service, comparison of Service NSW service levels and performance with the service levels of the agencies previously delivering the service (for example, RMS and Fair Trading) could not be undertaken because of differences in performance measures.

Service NSW measures customer satisfaction based on feedback from customers. In designing its customer feedback survey approach, Service NSW has ensured focus on the statistical significance of the sample sizes that are representative of the customer base, and the critical ability to action research insights and learnings. This is used in building and driving cultural change and customer focus and a more efficient and cost effective Government – the core purpose of Service NSW.

Customer satisfaction surveying was built into the Service Centre operating model with the inclusion of two feedback kiosks in each centre, with more in those centres with more than one entrance. These kiosks have collected customer feedback and satisfaction information from the very beginning of Service NSW operations.

Service NSW uses a "recent events" survey approach, where the customer is given the ability to provide feedback *immediately* after receiving service – not days or weeks afterwards or after they have exited the service centre.

This is best practice to measure customer experience, however, is not applied by many organisations due to logistical issues or technology limitations. Service NSW has designed the customer survey process to enable this approach from day one given the importance of customer feedback to the Service NSW "DNA" of passion, teamwork and accountability and the service value chain which has been the cornerstone of the success of Service NSW.

One of the measures used by Service NSW in its first year of operations was a "Did you find this visit a better experience than previous service?" survey. Over 200,000 customers responded to this question, with an overwhelming 96 per cent of these customers saying it was a better service experience than before. This question was dropped in year two of operations for obvious reasons. Given the sample of 200,000 respondents, these results are statistically reliable and generalisable to the population at a 99 per cent confidence level.

In short, Service NSW measures are, by contemporary standards a better reflection of the actual customer experience and journey across the entire network. Further, as they are linked to each Service Centre, there is an ownership of the results at the front line which leads to service improvement and a level of action not generally seen with other surveys.

Maintaining the previous methods for consistency purposes to enable comparison was not considered to be in the best interests to the objectives of improving customer service and innovation and positioning NSW as a leader in this space.

It is clear that service standards are higher than being delivered previously.

v. Rural and regional coverage:

The Audit Office has noted that fewer service access points have opened in regional and rural communities representing a significant change to the approved business case, and that this indicates a reduction in the anticipated benefits to the community.

Service NSW is continuing to roll out new one-stop shops in rural and regional NSW and is expected to improve overall service coverage to 80 per cent of the State. As at the end of December 2015, Service NSW had opened 30 one-stop shops in rural and regional NSW (outside the Sydney region) including Orange, Batemans Bay, Warrawong, Maitland, Albury, Tamworth, Armidale, Tweed, Lithgow, Wagga Wagga and Goulburn. There are more service centres on track to be delivered by December 2016 with the majority planned to be in the same town or region as an existing motor registry.

These stand-alone service centres provide longer trading hours than previously provided through motor registries, with access to more Government transactions for citizens in rural and regional locations under one roof than previously provided in some locations. In addition, Service NSW has transitioned 29 council agencies to Service NSW delivering multi-government transactions in communities such as Cobar, Bourke, Barham, Crookwell and Gilgandra delivering expanded services. The learnings from the agency program are also being considered as Service NSW continues to plan out the rural one-stop shop network to meet the Service NSW objectives of customer service, the one-stop shop proposition and contributing to the digital migration journey.

It is also important to note that a distribution footprint will be refined over time as parameters change, such as changes in population demographics, customer requirements, and availability of suitable premises etc.

vi. Mandatory government requirements for benefits management:

The Audit Office has noted that the second business case did not comply with all mandatory requirements for benefits management, although also noting that all gaps were subsequently addressed by Service NSW.

It is important to note that the second business case specifically noted that there were certain matters, including the benefits realisation strategy, that would need to be completed subsequent to the business case being submitted due to timing pressures (the business case needed to be considered as part of the 2014-15 budget process), and that these matters would be seperately reported back to ERC. This was completed in August 2014, and included an approach to benefits management (Benefits Realisation Framework and Scorecard) that were to be supported by the program sponsors, the CSC and the Minister.

In terms of governance and oversight, the second business case was jointly prepared and signed-off by Service NSW and RMS, with preparation completed under the governance of the ADS Program Steering Committee chaired by the CSC and also with representatives from DPC, the then Office of Finance and Services, and NSW Treasury, and subject to review by two Ministers (the Premier and the Roads Minister) plus the Treasurer's Office; and then ultimately approved by ERC.

Yours sincerely,

Rachna Gandhi A/Chief Executive Officer Service NSW	**Michael Pratt** Customer Service Commissioner

cc: Ms Kathrina Lo, Assistant Auditor-General, Performance Audit

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Appendix 2: Service NSW initiative timeline

Event	Date
Announcement of the Service NSW initiative	Early 2012
First business case approved - *Implementation of the Government's Simpler Government Services Plan*	5 June 2012
Administrative Order to create SNSW	18 March 2013
Service NSW (One-stop Access to Government Services) Act 2013 passed	21 June 2013
Launch of the Service NSW website (digital channel)	28 June 2013
Opening of first call centre in Parramatta	30 August 2013
Opening of first service centre at Kiama	5 July 2013
Second business case approved - *Accelerating Rollout: The Case for accelerating the rollout of SNSW* (Accelerated Distribution Strategy)	1 April 2014
Forecasted completion of the implementation of the Accelerated Distribution Strategy (second business case)	30 June 2017
Service NSW to become a full fee for service entity	1 July 2017

Source: Audit Office research 2015.

Appendix 3: Forecast and actual opening dates of service centres in 2013-14

Location	Approved opening date under the first business case	Actual opening date	Number of days difference between approved and actual opening dates
Kiama	31 January 2013	5 July 2013	156
City South (Haymarket)	31 May 2013	2 August 2013	63
Tweed Heads	31 March 2013	12 August 2013	134
Orange	30 April 2013	8 September 2013	131
Dubbo	28 February 2013	17 December 2013	292
Tamworth	28 February 2013	4 October 2013	218
Parramatta	30 April 2013	8 October 2013	161
City North (Wynyard)	31 May 2013	14 October 2013	136
Gosford	28 February 2013	25 October 2013	239
Newcastle	31 January 2013	12 November 2013	285
Wagga Wagga	31 May 2013	15 November 2013	168
Port Macquarie	31 March 2013	22 November 2013	236
Wollongong	31 January 2013	10 December 2013	313
Chatswood	31 March 2013	13 December 2013	257
Queanbeyan	30 June 2013	16 December 2013	169
Lismore	28 February 2013	8 April 2014	404
Liverpool	31 May 2013	30 May 2014	364
Penrith	30 April 2013	19 June 2014	415

Source: Audit Office research 2015.

Appendix 4: Changes made over time to planned benefits and savings measures from the second business case

Second Business Case (March 2014)	Scorecard approved by government (August 2014)	Scorecard approved by the PSC (November 2014)	Current scorecard (June 2015)
Financial			
Total cost of investment	Removed	Project spend: recurrent expenditure Project spend: capital expenditure	Project spend: recurrent expenditure Project spend: capital expenditure
Operating revenues – fee for service	Removed	Fee for service revenue	BAU (business as usual) fee for service revenue
Operating revenues – merchant fee recovery	Removed	Merchant fee recoveries	Merchant fee recoveries
Realisation of property	Capital cost savings – property release	Property – net sales proceeds	Property – net sales proceeds
Not included	Recurring cost savings (RMS related)	Recurring cost savings (RMS related)	Recurring cost savings (RMS related)
Not included	Recurring cost savings (whole-of-government)	Removed	Removed
Service access points			
Number of RMS physical branches	Number of closed locations	Net site closures	RMS registries - closures
Not included	Number of closed locations – other agencies	Removed	Removed
Physical coverage	Improved access (customer service demand coverage)	Customer service coverage	Removed
Establishment of digital pods	Improved access (points of presence*)	Removed	Removed
Establishment of smart branches	Improved access (points of presence*)	Removed	Removed

Second Business Case (March 2014)	Scorecard approved by government (August 2014)	Scorecard approved by the PSC (November 2014)	Current scorecard (June 2015)
Establishment of store-in-a-store	Improved access (points of presence*)	Store-in-a-store: council agencies Store-in-a-store: digital	Store-in-a-store: council agencies Store-in-a-store: digital
Establishment of service centres	Improved access (points of presence*)	Service centres – openings this year	Service centres – openings
Transactions			
Number of transaction types	Improved access (transaction types)	Agencies serviced	Removed
Percentage of transactions conducted online	Digital volume (raw RMS transaction volumes)	Digital transactions (percentage of total)	Digital transactions (percentage of total – RMS only)
Frontline service delivery FTEs			
Number of FTEs	Number of FTEs required	Removed	Frontline service delivery FTE: service centres Frontline service delivery FTE: driver testers (SNSW) Frontline service delivery FTE: contact (call) centres
Customer			
Improved satisfaction with NSW government services	Customer satisfaction	Customer satisfaction: service centre Customer satisfaction: contact (call) centre	Customer satisfaction: service centre Customer satisfaction: contact (call) centre

Second Business Case (March 2014)	Scorecard approved by government (August 2014)	Scorecard approved by the PSC (November 2014)	Current scorecard (June 2015)
Not included	Time saving (customer wait times)	Grade of service (percentage served within 10 minutes in service centres) Grade of service (percentage of calls answered in 60 seconds): contact (call) centre – Newcastle Grade of service (percentage of calls answered in 60 seconds): contact (call) centre – Parramatta	Grade of service (percentage served within 10 minutes in service centres) Grade of service (percentage of calls answered in 60 seconds): contact (call) centre – Newcastle Grade of service (percentage of calls answered in 60 seconds): contact (call) centre – Parramatta
Transaction volume			
Service centre transaction volume (RMS related)	Service centre volume (raw RMS transaction volumes)	Removed	Removed
Contact (call) centre transaction volume (RMS related)	Contact (call) centre volume (raw RMS transaction volumes)	Removed	Removed
Service centre transaction volume (whole-of-government)	Service centre volume (raw whole-of-government transaction volumes)	Removed	Removed
Contact (call) centre transaction volume (whole-of-government)	Contact (call) centre volume (raw whole-of-government transaction volumes)	Removed	Removed

* points of presence are referred to as service access points in this report.

Source: Audit Office research 2015.

The types of stores are described in section 3.2.3.

Appendix 5: About the audit

Audit objective

This audit assessed whether there is an effective benefits realisation approach to realise the anticipated benefits of the Service NSW initiative.

Audit criteria

We addressed the audit objective by examining whether:

- the business cases for the Service NSW initiative clearly defined the anticipated benefits and savings, and their measures, from implementing the Service NSW initiative
- the agencies involved in the initiative (Service NSW and the participating agencies) are effectively managing the realisation of planned outcomes, benefits and savings for which they are responsible
- the planned benefits and savings have been, or are progressing towards being, achieved.

Audit scope and focus

This audit covered the tracking and management of benefits defined in the 2012 and 2014 business cases, and other public statements, such as budget papers and media releases.

We audited the framework applied to benefits realisation, measurement and oversight for the initiative as a whole.

We looked at whether, and how, Service NSW and a selection of the participating agencies are monitoring and tracking savings and benefits gained. This included whether there were systems in place to track, record and report progress, and whether responsibilities for achieving and monitoring outcomes, savings and benefits had been identified and assigned to the correct agency.

We also considered the achievement and monitoring of whole-of-government savings and benefits.

Seven entities were included in the audit: Service NSW, the Customer Service Commissioner, Roads and Maritime Services, NSW Fair Trading, Registry of Births, Deaths and Marriages, The Treasury, and Department of Premier and Cabinet.

The audit reviewed:

- the benefits realisation approach adopted for the Service NSW initiative
- the results of any reviews of the business cases
- whether appropriate and accurate baseline measures had been established
- the identification of potential outcomes, benefits and savings, including their value and likelihood of achievement
- the process used to measure and report on benefits and savings being achieved
- reports and registers maintained or received by relevant internal and external committees, boards and agencies
- the level of involvement of participating agencies in establishing, achieving, measuring and reporting progress in benefits realisation
- whether outcomes, benefits and savings have been achieved to date, or are on schedule to be achieved.

The audit did not question the merits of Government policy objectives.

Audit approach

The audit team collected performance information and evidence and produced its report by:

- conducting interviews
- collecting and analysing performance information, reports and documents
- corroborating and assessing performance against criteria
- documenting findings
- conducting exit interviews to consult on the audit's findings, conclusion and recommendations for improvement.

The approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing. The Standard requires the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

Acknowledgements

We acknowledge the co-operation and assistance provided by Service NSW, the Customer Service Commissioner, Department of Premier and Cabinet, Roads and Maritime Services, NSW Fair Trading, Registry of Births, Death and Marriages, The Treasury and Government Properties NSW officials. In particular we would like to thank our liaison officers, and the staff who participated in interviews and provided material relevant to the audit.

Audit team

Sandra Tomasi and Huntley Evans conducted the performance audit. Giulia Vitetta and Kathrina Lo provided direction and quality assurance.

Audit cost

Including staff costs, printing costs and overheads, the estimated cost of the audit is $385,000.

Performance auditing

What are performance audits?

Performance audits determine whether an agency is carrying out its activities effectively, and doing so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include a government program, all or part of a government agency or consider particular issues which affect the whole public sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in the *Public Finance and Audit Act 1983*.

Why do we conduct performance audits?

Performance audits provide independent assurance to parliament and the public.

Through their recommendations, performance audits seek to improve the efficiency and effectiveness of government agencies so that the community receives value for money from government services.

Performance audits also focus on assisting accountability processes by holding managers to account for agency performance.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, the public, agencies and Audit Office research.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing. They can take up to nine months to complete, depending on the audit's scope.

During the planning phase the audit team develops an understanding of agency activities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the agency or program activities are assessed. Criteria may be based on best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork the audit team meets with agency management to discuss all significant matters arising out of the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with agency management to check that facts presented in the draft report are accurate and that recommendations are practical and appropriate.

A final report is then provided to the CEO for comment. The relevant minister and the Treasurer are also provided with a copy of the final report. The report tabled in parliament includes a response from the CEO on the report's conclusion and recommendations. In multiple agency performance audits there may be responses from more than one agency or from a nominated coordinating agency.

Do we check to see if recommendations have been implemented?

Following the tabling of the report in parliament, agencies are requested to advise the Audit Office on action taken, or proposed, against each of the report's recommendations. It is usual for agency audit committees to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee (PAC) to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report is tabled. These reports are available on the parliamentary website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards.

Internal quality control review of each audit ensures compliance with Australian assurance standards. Periodic review by other Audit Offices tests our activities against best practice.

The PAC is also responsible for overseeing the performance of the Audit Office and conducts a review of our operations every four years. The review's report is tabled in parliament and available on its website.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100.

OF NEW SOUTH WALES

Our vision

Making a difference through audit excellence.

Our mission

To help parliament hold government accountable for its use of public resources.

Our values

Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

Professionalism – we are recognised for our independence and integrity and the value we deliver.

Professional people with purpose

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