KPMG

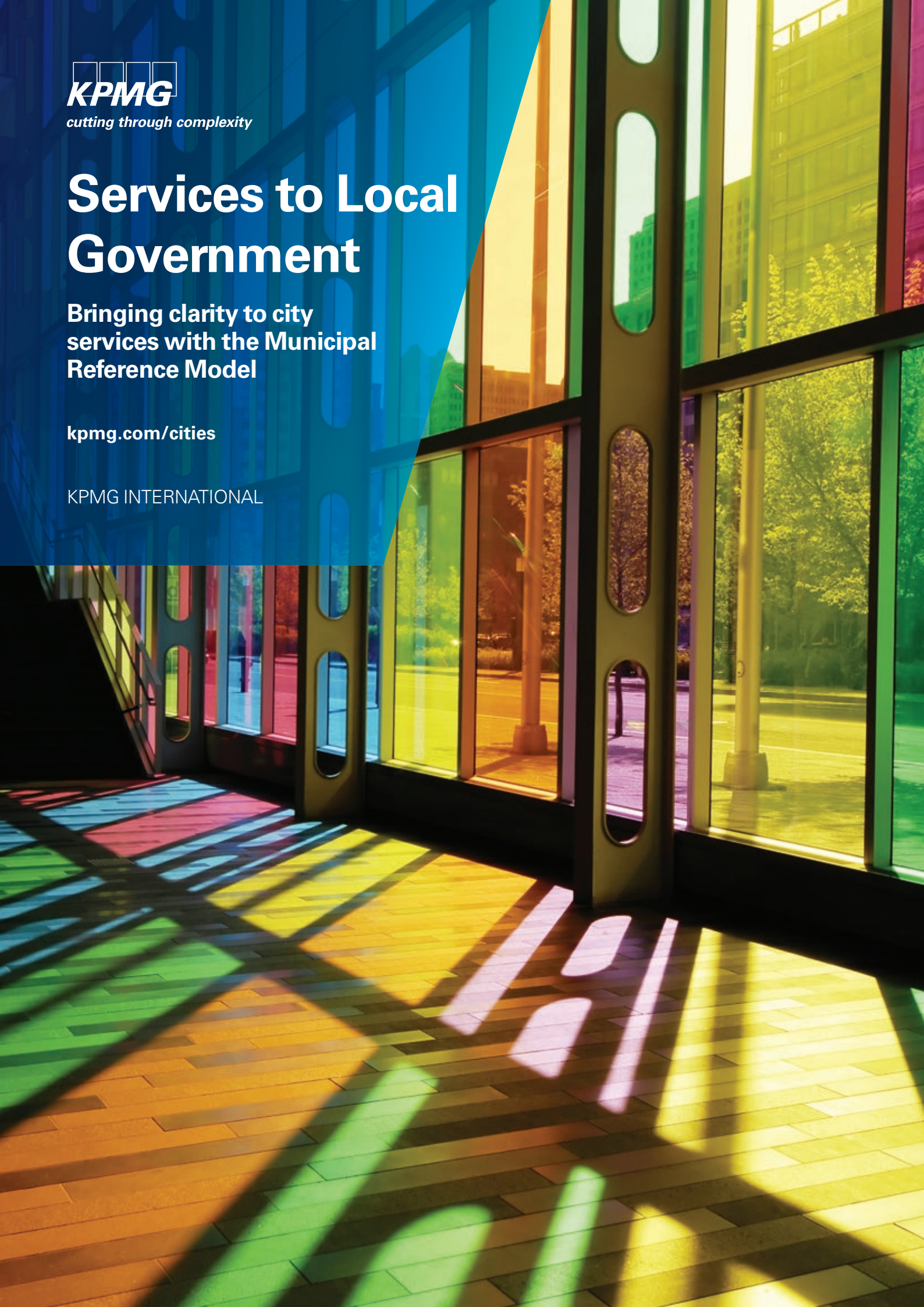*cutting through complexity*

Services to Local Government

Bringing clarity to city services with the Municipal Reference Model

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Cities around the world exist because of the services that they deliver to their customers. Still, over time, city administrators can lose touch with what these services are and how they can deliver them more efficiently and effectively. While they understand the detailed activities and processes used to deliver a service, the customer's view of those services can completely elude many senior city officials. The challenge may seem very basic, but without an agreed-upon inventory of services and a vocabulary to define them consistently across a city administration, cities can struggle to clearly understand what services they deliver, who they deliver them to, why they deliver them and how to measure service performance.

The Municipal Reference Model[1] (MRM) is a proven methodology that brings clarity and a common language to understand the business of delivering city services (a customer view of city business) versus carrying out the day-to-day operations at the activity level (an employee view of city business). By providing convergent views of a city's business, the MRM becomes an integral tool to help transform a city to meet new and innovative approaches to service delivery.

City services can be overwhelming to assess

Any given city may offer as many as 150-200 public services (services delivered to customers) and 75-100 internal services (services delivered to employees who perform public services). Each service, in turn, typically involves 20-25 processes and a further 5-10 activities per process. After fully defining the business of running cities, there may be upwards of 25,000-75,000 activities performed by city employees. While most city staff can speak to the complexity of a city's business quite knowledgeably, many fail to see the big picture and struggle to understand how everything fits together to form the set of services understood by customers such as water supply, transit or business licensing, to name a few.

What is the Municipal Reference Model (MRM)?

The Municipal Reference Model (MRM) is a set of concepts and tools that help cities define and explain their business – in other words, a model of how a city works. Think of it like a blueprint or jigsaw puzzle (see Figure 1) that makes reference to **what** the city's services are (services), **how** the services are delivered (processes), **why** they're delivered (programs) and **who** receives them (customers). The MRM, when customized for a particular city or local government, forms the foundation for the puzzle (the picture on the puzzle box) so that local governments can then review their services and subsequently develop and implement plans to improve the city's service delivery.

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1.   MISA/ASIM Canada is the owner of the Municipal Reference Model. KPMG in Canada, along with its member firms, have been granted rights to promote and apply the MRM concepts and methodology in countries around the world.

Figure 1: MRM puzzle pieces
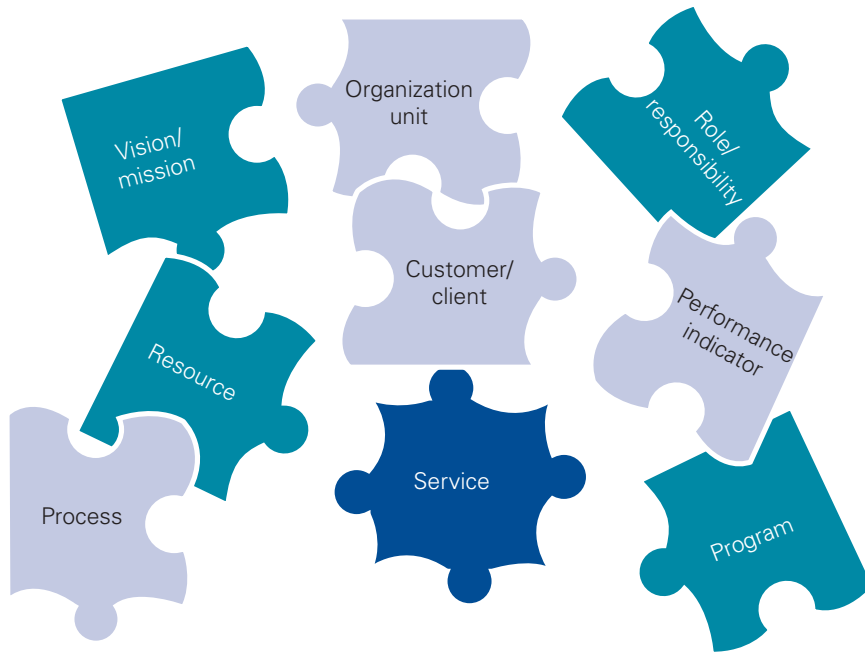
Source: KPMG International, 2014

There are a number of ways that the MRM can be illustrated, but each model has the same important features:

≫ **Adaptable.** The MRM recognizes that cities might want to tailor and adapt the service content to best suit their individual needs. For example, a Canadian city might include a snow clearing service in its inventory, while this would not be offered in desert cities such as Phoenix, US or Jeddah, Saudi Arabia. Similarly, two cities might have different ways of delivering their accounts payable service. This flexibility enables cities to prioritize services and learn better practices from each other.

≫ **Well structured**. The MRM establishes standard definitions for business model terms, such as 'service' and a 'process' or 'program'. This helps to reduce ambiguity within local governments, but also allows cities to communicate with each other using the same terminology.

≫ **Linked or interrelated:** The MRM links the puzzle pieces of the business model together into an organized collection, enabling city administrators to see the complete picture of their business (see Figure 2).

The various components of a city's business model can also be interconnected through a series of relationships (see Figure 3). In this model, the components – resources, processes, services, programs, customers – all ladder up to the city's vision/mission, which provides the context to drive how a city operates (e.g. how the city might look in 5-10 years).

"Well-constructed reference models, consisting of a common framework and language to describe the business of government, can assist in "doing government better." Focusing on what governments do (activities and processes) leads to doing more of the same – perhaps, more efficiently. Focusing instead on outcomes, and how governments are achieving those outcomes through their programs and services, moves the discussion to a new level – asking first whether governments are 'doing the right things,' before any discussions of efficiency: 'doing things right'."[2]

Roy Wiseman

2. Wiseman, Roy. (2014). Canadian Governments' Reference Models: Using Reference Models for Government Improvement. In Kijima, Kyoichi (Ed.), *Service Systems Science*. New York: Springer.
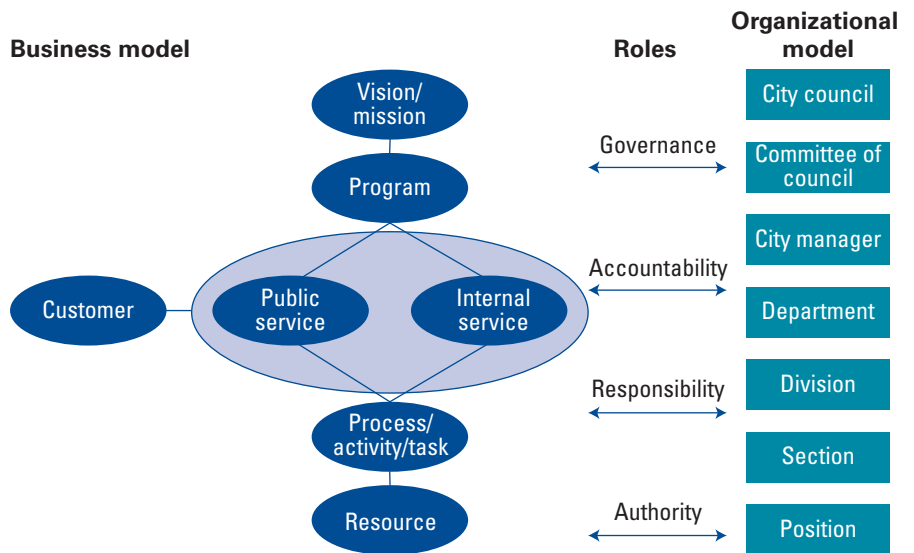
Figure 2: MRM pieces form a picture on the puzzle box

Vision/ mission	Organization unit	Program
Process	Service	Performance indicator
Resource	Customer/ client	Role/ responsibility

Source: KPMG International 2014

Figure 3: Relationships between MRM pieces

Business model — **Roles** — **Organizational model**

Vision/mission → Program → Public service / Internal service ← Customer; Process/activity/task → Resource

City council — Governance — Committee of council — Accountability — City manager — Department — Responsibility — Division — Section — Authority — Position

Source: KPMG International 2014

To achieve its vision/mission, a city will offer a number of programs, each with its own goal. For example, a city might offer a public safety program with a goal to be a safe place to live, work, play and visit. The services associated with a program help to achieve this goal. In this case, the city might have a fire rescue service where firefighters reduce the loss of lives and property due to fires and other life threatening incidents.

City services are broken down into public and internal services. Public services deliver value to named customers, such as issuing restaurant business licenses, or providing registration for city yoga classes. Internal services deliver value to employees who deliver public services. For example, a fleet management service tunes up fire trucks, while a payroll service compensates city employees.

How KPMG can help

KPMG professionals work with city leaders to help create high performing local economies. KPMG member firms offer integrated services for cities around the world in key areas, as illustrated by Figure 4:

Figure 4: KPMG's city services proposition

Source: KPMG International, 2014

As a critical first step in developing the MRM for a city, KPMG works with government officials to profile their public and/or internal services and identify characteristics for each, such as: direct and indirect client, service output, program supported and accountable organization unit. The inventory provides simple benefits, such as defining a project's scope, and can also be used for more complicated purposes, such as forming the basis for electronic service delivery or developing a comprehensive set of performance indicators.

To accurately profile local government services, managers and/or supervisors need to first understand what constitutes a service and from there, construct the inventory of services one by one. KPMG will conduct workshops acting as an experienced facilitator to lead city administrators, often from one department or another, through this process. Following the workshops, KPMG will work with government officials to bring the results back to senior management to confirm the inventory, as necessary, and to deal with any anomalies that may have been discovered.

The results of the MRM can be used to help inform and support up to 40 different types of transformation initiatives that a city might want to pursue (see Table 1 for a list of 15 types of transformation initiatives).

Using the MRM tool, KPMG member firms help cities articulate their business model using a common language – the what, how, why and who – in order to evaluate and implement more efficient, effective or economical means of delivering services.

Table 1: Potential benefits of using the MRM for 15 types of initiatives

Initiative type	Description	Value in using MRM
1. **Transformation portfolio management**	Oversee all transformation initiatives in a municipality to ensure there is no overlap. Integrate initiatives where the change can serve multiple purposes and prioritize the value and allocate scarce resources.	Prioritizes transformation initiatives based on their intended impact on improving services.
2. **Customer satisfaction survey**	Canvas public opinion or satisfaction with respect to the services offered by a municipality.	Focuses the customer satisfaction results on those customers that benefit from specific services.
3. **Program design and review**	Develop a new program by defining its profile, respective service offerings to achieve the program outcome and link to the overall municipal strategic plan. Could also include a review of an existing program to determine whether the program is achieving its desired outcomes.	Provides a valuable link between the program's services and the intended outcomes and goal of the program.
4. **Service design and review**	Develop a new service by defining its profile, link to its respective program(s) and organization unit accountable for its service delivery. Could also include a review of an existing service to determine whether the service is delivered efficiently and effectively.	Establishes a clear view of the services being designed or under review. Provides a basis for studying the intended costs and value of the services relative to each other.
5. **Service integration (internally & inter-jurisdictionally)**	Find opportunities for services to more closely interact with each other in support of common program outcomes and/or an initiative that would seek to find opportunities for different jurisdictions to better collaborate in serving one or more target groups.	Finds common ground for enabling service integration, such as the customers being served and/or the needs being addressed.
6. **Strategic plan development (community/ corporate/ department)**	Set out a vision, mission, core values, program goals and service objectives for a municipality. Often includes elected officials and public input, and may embrace the entire municipality, a portion of the municipality (Departmental Strategic Plan) and/or focus on a specific program (Program Strategic Plan).	Provides a balance between affected strategic directions and targets that marry up with program goals.
7. **Performance measurement design and benchmarking**	Develop mechanisms to measure program outcomes, service outputs, and process to determine whether a municipality is optimizing service delivery.	Enable efficiency, quality and effectiveness for all services.
8. **Business process re-engineering and certification**	Examine services identified for streamlining of business processes. Detailed process flows are mapped out to identify processes that can be eliminated or modified to speed up processing time or improve the quality of work performed.	Identifies the processes that fall within scope of a re-engineering exercise and provides the basis for clearly articulating processes consistently.
9. **Software requirement specification**	Map out the requirement specifications for new application system solutions based on clearly defined program, service, process, activity and information requirements.	Forms the basis for understanding what services and processes are within scope. Provides a basis for seeking out similar processes across services for a richer software solution.
10. **Information technology strategic planning**	Identify current ICT investment, new target investments, migration strategies to transition from current to future state, and proposed operational actions to affect the migration.	Defines processes using a structured technique that can then be used for developing fulsome data and application architectures.
11. **Electronic service delivery (eService)**	Automate services through the Internet.	Creates the basis for bundling services to address target audiences. Offers a basis for determining the priority for automating services.
12. **Organizational review and restructuring**	Examine the current municipal organizational structure – either by departments, divisions, or across the entire corporation – in search of a better way to deliver programs and services.	Provides a complete, unbiased picture of roles and responsibilities and opportunities to correct overlaps.
13. **Performance-based budgeting**	Provide management and elected officials with improved ways of submitting, reviewing and approving budgets, based on the programs and services offered, rather than on organizational structures that deliver the programs and services.	Enables performance-based budgets and allows for an alternate view to capture and value reported costs.
14. **Fees review**	Examine service costs and whether current fees reflect true cost or can generate greater revenue to cover costs.	Creates a structure for analyzing all service costs and determines if the current fee is appropriate.
15. **Public-private partnership development**	Develop an agreement between two parties around the efficiency and effectiveness of the output delivered in the event that the service is a candidate for outsourcing and/or privatization.	Delivers a structure for determining service characteristics that need to be retained in an agreement should the service be outsourced.

Case studies

KPMG member firms have worked with over 40 cities in North America and internationally to customize and apply the MRM to transformative initiatives, as described above.

Canadian regional municipality
Service inventory development

One of the largest regional governments in Canada needed to accurately describe its programs and services in order to advance other projects and priorities and provide a useful business planning tool for future transformative initiatives.

KPMG in Canada developed a program and service inventory based on the MRM to identify and catalogue 22 programs and 143 public and internal services.

Since completion, the region has gone on to achieve success in a number of strategic initiatives, including a corporate performance measurement framework, service reviews, corporate reorganization, information management and the annual planning and budget process.

Canadian mid-sized city
Service delivery review

A mid-sized Canadian city initiated a service delivery review and engaged KPMG in Canada to carry out the first phase of the project, an organizational scan to determine what services the city should look to improve in a subsequent program evaluation.

A key component of KPMG's methodology and approach for the city was to identify what services the city offers to its customers. Overall, the project identified 14 programs (6 sub-programs) and 244 services (173 public services and 71 internal services).

Working with a team of city staff, KPMG in Canada consultants defined the services, identified opportunities for service improvement, prioritized these opportunities and developed a service delivery review transformation program to implement high priority initiatives.

Developing country government
Strengthening local government capacity

The national government of a developing country needed to strengthen local government capacity in the reconstruction of one of the hardest hit districts after a devastating tsunami.

Through a Canadian-sponsored and funded initiative, KPMG in Canada consultants used the MRM to understand local government services within this district and to understand the current state of those services years after the tsunami.

Contact us

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