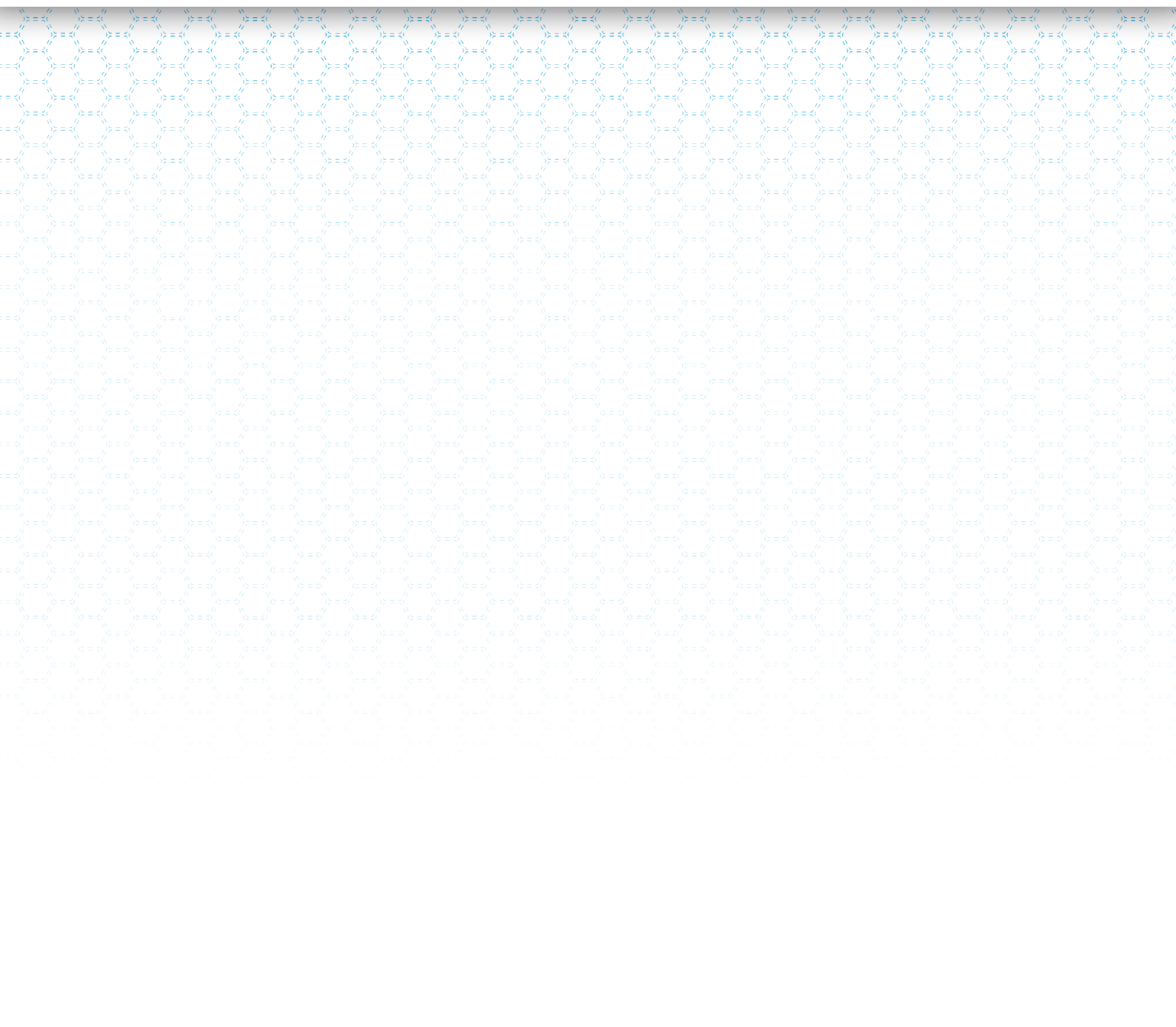




**Local Government
New Zealand**
te pūtahi matakōkiri



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About this report

For the 2010/11 financial year, funding was approved by the *Local Government New Zealand* (LGNZ) National Council for a shared services programme of work. The objective of this exercise was to better understand shared services and the opportunities this provides in the context of improving efficiencies across local government, whether at a local, regional or national level.

WHO THIS DOCUMENT IS FOR

There are multiple local government audiences, each of whom will have a greater or lesser interest in various parts of the report. The concepts and rationale for shared services are aimed at political leaders, whereas the research and operational detail is targeted more at senior management level.

DOCUMENT FORMAT

The Local Government Shared Services project consists of two parts consolidated into this report. It is designed to help local government understand and implement collaborative activity and shared services, at both a national and regional level.

Part 1 Review of shared services practices – international and New Zealand

This provides lessons from international and New Zealand literature on shared services drivers, models, activities, success factors and constraints. These are then applied to a New Zealand local government environment.

Part 2 Council shared services planning guidelines

This provides planning guidelines and tools for the assessment of shared services opportunities across all of council activities and a planning process for councils to undertake such an exercise. It could form part of the "KnowHow" professional development programme.

Executive summary

1. The project was conducted in three stages:
 - 1) A literature review of international and New Zealand shared services experiences and learnings.
 - 2) A framework and guidance for councils to determine what activities might be suitable for shared services, and what internal factors councils would need to consider (essentially a "how to" guide.)
 - 3) An initial assessment of potential shared services activities that were deemed appropriate to action at a national level.
2. This report contains the findings from these stages. The literature review is to provide a body of knowledge on shared services to inform these activities in New Zealand. The planning guidelines can be applied at a local, regional or national level, whereas the assessment of national shared services is provided for LGNZ as the audience.
3. The impetus for the report from a national perspective was to better understand shared services practices and their function in terms of cost efficiencies. The sector also viewed shared services as a preferred option for consolidation to amalgamation. This assertion needed to be tested at least at a national level.
4. While the report was produced for LGNZ, much of the content is targeted at a wider local government audience who need to better understand shared services and how these might be implemented. A list of key findings is provided.
5. International (United Kingdom (UK,) United States (US,) Australia, Europe) and New Zealand shared services programmes were reviewed in order to identify common drivers for change, the activities delivered through shared services, the benefits accrued, different delivery models, success factors and the challenges that need to be overcome. Understanding these dimensions better allows LGNZ to develop a national shared services programme with an increased chance of success, and with some certainty of benefits to members and the sector collectively.
6. Even where there are international differences in the legislation that governs local authority activity, varying economic environments and different political imperatives, there appears to be an increasing trend towards shared services as a mechanism to reduce costs and improve services to citizens. The means by which this occurs, what the primary drivers are and what benefits are sought from shared services arrangements by councils demonstrate many similarities.
7. The drivers for efficiencies in the public sector, the nature of collaborative activity and implementation processes in the US, UK and Australia largely mirror what New Zealand is now embarking on.
8. The 2002 US President Management Agenda set out how shared services would improve efficiencies and reduce costs for the taxpayer. Similarly in the UK, the Gershon Efficiency Review (2004) set out a programme of action with savings targets. This was followed up in 2009 with the Operational Efficiency

Programme Report, which identified shared services as a potential route to cost savings and improved services.

9. Australia's state governments have progressively implemented efficiency agendas since 2002. In all the above cases, local government has been part of the programme and / or certainly been impacted by government activities and policies in shared services programmes.
10. The literature on shared services or joint arrangements purports a range of common benefits that can be derived from such collaboration. Empirical evidence of such benefits is less documented, although there is a growing body of evidence on cost savings. In fact the general lack of evidence demonstrating cost and delivery efficiencies is often cited as a constraint to progressing shared services models.
11. Other than the direct cost savings, more mature shared services have been able to demonstrate other organisational and reputational benefits. The common ones are increased access to skills, improved strategic planning, improved service delivery, and improved compliance with regulations and standards.
12. There are many possibilities for shared services in local government. These share some common characteristics that determine the suitability and ultimate success of collaborative activities for local government. Typically activities will have transactional consistency, national standardisation and a regulatory component. Standard practice is to start with procurement, back office and technology-based functions before progressing to other council services.
13. There is general agreement that models fit into four categories based on the service requirements and the delivery mechanism. These are centralisation, collaboration, aggregation and commercialisation. Governance arrangements reflect the model used for different shared services activities. New Zealand examples typically fit into the collaboration and aggregation models.
14. Shared services reports prepared for different jurisdictions in the last 10 years have all recorded similar findings in determining factors that seem common to successful local government collaboration.
15. Leadership throughout the process is critical. This can be at an elected member (political) or management level; however, local government tends to be driven at a senior management level. Leadership will be multi-faceted in that it will be required not only to promote initiatives, but also to preserve decision-making powers and ensure that resources are available.
16. Scope and project management involves having a clearly defined project that can demonstrate the benefits to be achieved, and understands the challenges to implementation. Most shared services arrangements are for a single function as opposed to an integrated approach across organisational activities. Having consistent project management throughout the change lifecycle is another critical factor identified.
17. Parties to shared services arrangements need to agree on common objectives and share the same strategic vision. Often getting to this point takes time and negotiation but its importance should not be overlooked. A common objective is the retention of local decision-making, influence and identity. Most governance arrangements involve the constituent local authorities and

there will be service agreements with individual councils to help ensure that all parties benefit from efficiencies and improved services.

18. It is regularly reported that there is a relationship between successful shared services examples and the culture of the organisations involved. Where there is a culture of performance improvement, acceptance of change and trust of other parties, the development of shared arrangements is far easier. Such a culture may result from a history of collaborative activity with one or more of the parties involved that evolves into more formal arrangements.
19. International public sector efficiency programmes have often included funding that promotes the development of shared services business cases and their subsequent implementation. Such resources overcome barriers and reduce risks by ensuring that robust business cases are developed and initial set-up costs are subsidised. Associated with these incentive programmes is expertise and good practice material to help with developing good practice shared services arrangements. While incentives are not identified as a critical success factor in the literature review, many projects have acknowledged the catalytic effect of support funding from the state and central government in the UK, Australia and the US.
20. Implementing shared services is not easy and takes time. It should involve a staged development to help ensure success. Queensland took six years to roll out its human resources and finance services, while Western Australia reviewed options for three years before progressing to implementation stages for its shared services programme.
21. International experience suggests that the development of shared services as a model to drive cost efficiencies and improved services to citizens has often been slow to progress. The constraints to progressing local government shared services fall into four broad categories.
22. Protecting local autonomy can be a strong political motivator. The idea of locating staff and services outside a local jurisdiction can be unpalatable for local politicians; as can sharing or buying support services from neighbours, even at a lower cost. At an operational level, generally there is no incentive to reduce staff levels as a cost-saving measure. Thus efficiency drives through shared services may find internal resistance and strong desires to protect individual careers.
23. Assuming that the primary drivers for shared services are cost efficiencies, improved services or improved standards, the ability to demonstrate in a business case that such benefits can be accrued will be critical at an early stage. While there is an increasing body of international evidence, international surveys suggest that there is comfort that shared services do provide a range of benefits, but often with limited data outside cost savings to support this belief.
24. The ability of parties to agree on what a shared service can provide can be constrained by the presence of multiple agendas and different objectives for each participating council. Factors such as the maturity of an organisation and the differing levels of experience with joint arrangements can equally result in frustration in advancing shared service projects. In their UK report, Deloitte noted that delays or directional changes often defeated the outcomes sought and increased established costs.

25. For some shared services projects there will be multiple requirements and stages to implementation, all of which require commitment and leadership from the participating councils. Progress can be constrained here because of complexity factors such as initial investment costs, an absence of internal expertise, having multiple processes and systems to integrate, and legal requirements.
26. Part B of this report provides councils with a process for considering and analysing the opportunities for shared services across local government activities. This shared services planning guide will provide an initial shared services deliverable to member councils.
27. For each section of the planning cycle, detail is provided on factors to consider, some planning tools, and what outcomes would be sought. A comprehensive list of local government activities categorised by function (eg procurement, asset management, administration, infrastructure) is also provided.
28. In terms of nationally co-ordinated shared services, these were assessed as being in the general areas of procurement and the standardisation of processes and / or systems.
29. The rationale for national interventions in this relates to ensuring that the interests of councils and local decision-making are not significantly compromised by the current government's moves towards a more centralised service delivery model for the public sector. For local government, it is hypothesised that the efficiency gains and improved customer service sought by central government for councils can equally be achieved through shared services arrangements.

WHY LGNZ WANTED TO KNOW MORE ABOUT SHARED SERVICES

Across central and local government there is a drive to improve service delivery to citizens, increase efficiencies and reduce costs. One mechanism to achieve such benefits is through shared services. However, international and local experience indicates that significant step changes through shared services have been slow in appearing, except where there has been a mandatory requirement to do so.

The new governance arrangement in Auckland fundamentally creates a single system approach as a means of driving efficiencies and improved services through the amalgamation of existing councils in the region. The Australian experience, however, shows that demonstrated efficiencies are not so evident through local government amalgamations, and that shared services may provide a better option, while retaining local democracy.

Thus the basis of this report is to demonstrate where cost savings can be accrued, services improved and collective benefits gained through collaborative activity, without significantly compromising local democracy and governance.

International experience demonstrates that there are common barriers to developing shared services at a pace that meets both central government's and citizens' expectations. These are explored in the report as a basis for focusing on where efficiency gains and other benefits appear to be most evident and therefore presented as likely areas for action in local government.

Since reported cost savings are not always realised or take time to eventuate in local government jurisdictions, greater value can be placed on other collective benefits. This poses challenges in the current fiscal environment, where costs will be a primary driver for entering into shared services or collaborative arrangements.

It is important to note that it is not always possible to make direct comparisons with the shared services experiences of Australian, British or American local government because:

- the type and scale of activities suitable for shared services will differ. For example, overseas councils often have greater responsibilities in the delivery of health, social and policing services
- revenue-sharing between central and local government is greater in international examples, which provides a stronger link to standardised public service systems and processes
- the economies of scale evident in countries with a far greater population will not be so evident in New Zealand
- costs associated with servicing geographic spread in areas of low population may counter efficiency gains reported through shared services
- other countries have greater experience with collaborative arrangements.

However, learnings from international experience and practice can be adapted for a New Zealand context. This may need new funding and governance models in order to generate any magnitude of efficiency gains and savings.

It is widely acknowledged that establishing and operating shared services in local government is not an easy process. It takes strong leadership, good planning and time to be successful. This report can aid the understanding for local government and support a regional or national approach to shared services activities.

Defining shared services

Wikipedia defines shared services as the provision by one part of an organisation or group where that service has previously been found in more than one part of the organisation or group. Thus the funding and resourcing of the service are shared and the providing department effectively becomes an internal provider.

For the purposes of this report, the concept of "shared services" is viewed broadly. In some cases there is no provision of service but collaboration of parties to achieve efficiency gains and improved local outcomes. Shared services is closely linked to partnering and collaboration, which is already prevalent in New Zealand councils, so there is benefit in taking a wider view of shared services.

This is particularly so given that international experiences demonstrate a strong link between successful shared services models and having a previous history of collaboration before establishing formal arrangements (as will be described in the following sections). The Department of Communities and Local Government in the UK describes collaboration as:

...the various ways in which councils and other public bodies come together to combine their buying power, to procure and commission goods, works or services jointly or to create shared services.

Strategy or policy alignment across a region may result from collaboration or joint working, but does not necessarily result in shared services. Hence the approach of including wider collaboration across local government is used here as a starting point that may ultimately lead to shared services and more formal arrangements.

Indeed, the 2004 report by the New Zealand Office of the Auditor General, *Local Authorities Working Together*, noted that the opportunities for working together are many and varied; a systematic, criteria-based approach is therefore warranted to guard against wasting scarce resources or pursuing unproductive arrangements.

In summary, shared services and collaboration are used generically to describe councils working together, while acknowledging that specific shared services refers to the actual production of service by whatever arrangements.

The conceptual basis for shared services in local government

It is widely acknowledged that there is both a political and an economic rationale for local government to be involved in shared services arrangement at a local, regional or national level as applicable.

The economic aspect is achieving efficiency gains and cost savings by effective use of local resources through reduced duplication and maximising the use of expertise. The political rationale arises in the question of efficiencies being gained through structural change, particularly amalgamation. Shared services may be a more appropriate response to achieving the same objectives as amalgamation but without compromising local democracy.

Professor Brian Dollery states that the conceptual basis for shared services in local government is the arguments in favour of equity and efficiency with decentralised, democratic decision-making. He argues that local councils are likely to “possess superior knowledge of both local demand side and local supply conditions.” The term “subsidiarity” is used to describe this notion that local government powers should be exercised at a community level.

The principle of subsidiarity is an important concept in the Local Government Act 2002 (LGA.) This empowers local decision-making and, in the instance of shared services, promotes maximising local resources through joint arrangements. This factor is important in making a distinction between shared arrangements in the private and local government sectors.

As opposed to the private sector, where shared services generally involve the aggregation of departments, subsidiaries or locations of a single organisation accountable to a central group, shared services in local government involve multiple organisations with separate accountabilities. This poses additional challenges in establishing shared services across councils who will have different priorities, constituencies and operational procedures to consider when establishing shared services.

Another factor for local government is making the distinction between the provision and production of local services. For the purposes of defining shared services, Dollery draws on the work of Oakerson (1999) to make a distinction between local service provision and production. Provision involves the determining of if, why and how a service might be provided, whereas production of that service is the delivery mechanism. Oakerson argues that almost all local

public services depend on the availability of specific time and place information to support effective production choices.

Thus locally informed analysis, judgements and decisions are important in the delivery of shared services activities across a region involving multiple parties. The importance of this is highlighted later in the report with shared services governance models that aim to retain local autonomy and decision-making.

Joint arrangements may arise as a consequence of numerous factors, not least of which is political and public pressure for efficiencies and cost savings. At a more pragmatic level, however, shared services can develop in response to a number of considerations. These will include meeting new statutory obligations or standards (eg health inspection) and the alignment of policies, plans and activities to help ensure a consistent process (eg District Plan rules), to enable smaller councils to build capability, and to deliver more effective services as expected by citizens. New Zealand examples of this are discussed in Part C of this report.

Legal considerations

The LGA requires local authorities to carry out their activities as effectively and efficiently as possible. One way that local authorities can meet this requirement is by collaboration. Sections of the LGA establish a framework for local authorities to work together.

Under section 12, a local authority has full capacity and powers to undertake any activity, for the purposes of giving effect to its role, including the ability to undertake activities together.

Further, section 14(1)(e) specifies the principles determining such activity:

- ensure prudent stewardship and efficient and effective use of its resources in the interests of the district
- sound business practices and sustainability
- prudent management promoting current and future community interests.

The section also states that, in performing its role, a local authority should:

... collaborate and co-operate with other local authorities and bodies as it considers appropriate to promote or achieve its priorities and desired outcomes, and make efficient use of resources.

Section 12(6) notes where there may be exceptions, especially related to the activities of council-controlled organisations and the transfer of responsibility, for example. Generally, councils cannot contract out of regulatory responsibilities, so the nature of governance structures or shared services models needs to be mindful of provisions in the LGA.

Part A. Review of shared services practices

1. International practice

1.1 APPROACH

To inform the first phase of understanding shared services, information has been drawn from international and New Zealand material across the public sector. While the focus of this report is on local government, there are comparisons with state and central government services that can be used as a basis for determining opportunities, benefits and the risks associated with shared services. Research material had been drawn largely from the United Kingdom (UK) and Australia as their local authority system and governing legislation are similar to those of New Zealand.

Some examples and experiences are also taken from the United States of America (US) and Europe to demonstrate similar approaches and drivers for shared services.

New Zealand shared service experiences and research material are drawn from the work of the Society of Local Government Managers (SOLGM) which has promoted a shared service programme since 2007. This has included regular workshops for councils. The Association of Local Government Information Management (ALGIM) also produced a shared services report in 2010 with a focus on technology-based activities.

International shared services practice is examined to identify common drivers, derived benefits, the types of activities suitable for collaborative activity, success factors, and challenges experienced by local government in other countries. The international experience is then applied to the New Zealand context, where applicable, and takes into account scale and the legislative framework and commonality of services provided by councils.

Generally, a central government focus on public sector efficiencies and improved levels of services translates to local government activities at some point. Local government involvement can be through mandated requirements, financial incentives, council amalgamations, or proactive responses to retain local democracy through efficiency gains derived from shared services.

1.2 UNITED KINGDOM (UK)

There is ample material from the UK on shared services. Much of this has been commissioned by the Department for Communities and Local Government (DCLG) Strategic Partnering Taskforce and is based on local government successful examples throughout the country, research findings and shared services good practice from many years of experience.

DCLG publications cover collaboration delivery models, business case development and the decision-making process. In addition there are technical notes related to employment, monitoring and payments considerations for shared services. Such material will be referred to in subsequent stages of this report.

In the UK there are many examples of shared services arrangements, some with their genesis in the 1990s. With a maturity of practice has come the formation of shared services centres throughout the country. The majority of these centres

provide back office and information / communications technology (ICT) type services, although some have expanded into core council services.

Some examples (with recorded benefits) are included below (Table 1.)

Table 1 Examples of UK shared services centres

| Location | Activities | Reported Benefits |
|--|--|--|
| Bromley Shared Services Centre: a centralised office that provides services to 14 councils in the South East London area | <ul style="list-style-type: none"> back office support services ICT support functions | <ul style="list-style-type: none"> reduced costs improved processing and collection times improved customer service and access to expertise reduced staff turnover |
| Service Birmingham: joint venture (JV) with a private sector partner established in 2006 | <ul style="list-style-type: none"> ICT systems procurement services customer services | <ul style="list-style-type: none"> \$10m procurement savings over first two years integrated systems |
| Coventry Shared Services Centre: a centralised office started in 1993, servicing 18 councils 200 staff | <ul style="list-style-type: none"> call handling payments processing database management 24 hour services | <ul style="list-style-type: none"> cost efficiencies functions as if 18 individual councils ability to scale as required technology advancements applied |
| Salford: Urban Vision JV model | Core council services: <ul style="list-style-type: none"> landscape and engineering design building control road services property and development traffic and transportation | Not recorded |

1.2.1 Drivers of shared services

The initial driver for shared services began in the early 1990s with the need for complex and expensive technology requirements for local government functions. However, wider scrutiny of public spending and government services took another decade to emerge.

In 2004 the Gershon Efficiency Review was produced, which sought to cut spending on services across the public sector by 2.8 per cent by 2008. While the review was primarily for central government, councils were also expected to deliver cost efficiencies. Areas for such savings were expected in back office services, policy-making and procurement functions.

One of the areas identified where cost savings and efficiencies could be gained was through shared services, noting that these had the potential to capture economies of scale in the delivery of common functions. Such activities were to include back office functions and technology use. Numerous programmes and incentives were provided to promote shared services in local government. These

included the establishment of Regional Centres of Excellence to promote the National Procurement Strategy for Local Government. A core function of this is to “promote collaborative procurement where this could lead to improved value for money in the acquisition of assets, services and supplies.”

Local government was also incentivised to look at new ways of collaboration and developing innovative projects with the ability to draw on funding. New trading powers to compete for the provision of services in the market place were also introduced for high performing local authorities. This was to promote greater freedom and flexibility for councils to deliver services in a commercial environment.

1.2.2 Shared services activities

UK experience of shared services demonstrates that activities broadly fit into four categories:

- back office transactional activities – eg payroll, finance
- professional support services – eg legal, procurement, human resources (HR,) organisational development
- frontline services – eg waste management, customer services, reserve/parks maintenance
- technology (ICT) – eg software, technical support, hardware platforms.

By 2007 shared services with local authorities in the UK were predominantly purchasing consortia, joint procurement, and joint commissioning and procurement of construction services. A survey conducted by PricewaterhouseCoopers (PwC) for DCLG identified that 72 per cent of all councils in the country were involved in some form of procurement arrangement.

However, only 29 per cent were involved in back office shared services, despite there being many good practice examples. Thus there was less evidence of wholesale back office services across councils than might have been anticipated at the earlier stage of the national efficiency programme.

In the same PwC survey, a further 35 per cent of councils were actively considering back office shared services options. This demonstrated a high degree of “in principle” support for shared services and collaboration by councils.

1.2.3 Outcomes and benefits

A year after the Gershon Review, Serco Solutions surveyed 26 per cent of all councils at manager level to determine what cost-saving measures had been initiated. Results were reported in *Shared Services as a Long-term Solution for Local Government*, which highlighted the following observations.

- Local authorities were relying on budget savings, streamlining of business processes through use of ICT, and reducing head count in the first year of Gershon. However, in the next two years, they expected to be relying much more heavily on a combination of ICT and shared services to meet their targets.

- An overwhelming majority of finance directors were planning a shared services initiative in the next two years.
- Finance directors saw shared services as delivering most benefit in informational and transactional services. However, there is caution around sharing human resources and payroll services and procurement functions.
- The greatest barriers lie in the high costs of negotiating collaborative arrangements and aligning different objectives.

The findings of this survey relating to procurement are in contrast to later results in the PwC survey of councils, where a majority of councils were involved in some form of procurement arrangement with other councils. A possible explanation is that the Serco Solutions survey tested the views of finance managers that may have differed from the organisational position.

Business cases had been developed for various collaborative approaches to stock procurement. It was estimated, for example, that for 149 library authorities, savings of 35 per cent on existing arrangements could be achieved. Because the benefits were direct and easily measurable for all parties, collaborative procurement arrangements presented an attractive option.

The rationale for shared services, particularly as this related to cost savings, was often predicated on what the private sector was able to achieve. They had reported reductions of 20 to 30 per cent in the ratio of management to staff, process re-engineering and standardisation yielded a 10 to 25 per cent baseline saving, and common ICT services and licensing up to 30 per cent savings.

However, it appears that robust monitoring of benefits based on pre-determined measurement frameworks was lacking in the early stages of local government shared services development. Cost savings will have been easier to determine than other expected benefits associated with improved service, like the access to professional expertise, improved processing times and more innovation through the application of shared technologies. Some examples of such benefits are included in the examples above (Table 1.)

The PwC survey on shared services and the council examples acknowledge more than just the financial benefits. Where there are shared services in processing type activities, improvements in processing and response times have been noted.

From a staff perspective, early reductions in numbers in administrative activities can be offset by improved retention rates, increased training opportunities and higher productivity due to new innovations. Sharing staff resources provides the opportunity to develop best practice processes and systems that would otherwise not be possible for a single local authority to achieve.

Other reported benefits relate to those derived from technology advancements that allow better communications, sharing of information and process standardisation across councils. Managers report that these factors aid in good decision-making on councils' roles and performance that in turn lead to improved community outcomes.

A 2009 survey of 11 councils in the UK by the Chartered Institute of Public Finance and Accountancy (CIPFA) demonstrated a favourable correlation between the cost of finance and participating in shared services. However, this survey did not take a wider view in quantifying other cost benefits.

The benefits of shared services examples are further assessed in section 2.2.

1.2.4 Constraints

Reported success factors and constraints in implementing shared services arrangements are essentially two sides of the same coin.

Across the studies reviewed it can be seen that leadership was at the head of the list for success and challenges. Uncertainty and fear within an organisation manifest themselves in a lack of commitment and leadership, at both the political and managerial levels. Conversely, strong leadership through any change process was identified as critical to the success of a project. Where the culture of an organisation embraced change and demonstrated a strong customer focus, the path to success was easier. Otherwise, internal staff and manager resistance translated to slow progress being made.

The need for good planning and project management was also highlighted, particularly because of the complexity of many shared services activities. Where processes were poorly designed, the lines of responsibility were unclear and quality controls and monitoring were absent, then shared services could prove an arduous undertaking for councils. The complexity of shared activities means that without the development of a compelling business case and good planning, progress would be slow.

Shared services complexity arose from factors such as legal considerations, different systems and processes across councils being difficult to integrate, funding requirements, and staff having to take on additional/new roles in the early stages. Overcoming such constraints was a result of good project management and communications with staff.

The 2005 survey of local council managers by Serco Solutions after the first year of the efficiency programme identified a significant degree of scepticism and concerns related to slow progress in the development of shared services. Twenty-nine per cent felt that general cynicism of the government recommendations was the primary cause, with a further 25 per cent citing lack of internal ownership and a lack of co-operation between councils.

Some felt that the Gershon recommendations were seen from a legislative perspective rather than a separate exercise of collaboration and good business practice. Such observations from managers demonstrated the challenge for some councils to make the required step changes to improve performance through shared services.

Common reported success factors and challenges faced fitted into the following categories: leadership, organisational culture, capacity, financial management and risk management (see Table 2.)

These factors are considered with those of other regions in sections 2.5 and 2.6.

Table 2 Summary of UK reported success factors and constraints

| Factor | Success | Constraint |
|---------------|---|--|
| Leadership | <ul style="list-style-type: none"> • strong political and planning leadership • fits with council vision and objectives • keep staff involved and informed during change processes • sharing common vision and objectives • preservation of local decision-making powers | <ul style="list-style-type: none"> • lack of leadership at the development stage • desire to retain local autonomy and service delivery • no incentive to reduce staff levels • different expectations from arrangements |
| Culture | <ul style="list-style-type: none"> • history of collaboration • staff involved in the process • communications internally and with external parties • strong customer focus | <ul style="list-style-type: none"> • protecting individual careers • resistance to change across the organisation • internal work focus |
| Capacity | <ul style="list-style-type: none"> • existing expertise available or contracted • realistic timeframes set for implementation • ICT system supports standardisation of processes and local flexibility | <ul style="list-style-type: none"> • councils do not have the necessary expertise • requires additional resourcing and focus away from existing roles • different ICT systems make integration difficult |
| Financial | <ul style="list-style-type: none"> • business case developed • leadership committed required resources | <ul style="list-style-type: none"> • additional set-up costs • uncertain cost savings • benefits difficult to apportion |
| Risks | <ul style="list-style-type: none"> • organisational, performance and reputational risks identified and planned for • balancing the risk of change vs doing nothing | <ul style="list-style-type: none"> • concern for impact on local economy if initial job losses • concerns that shared services will lead to privatisation • concerns over data management |

1.3 AUSTRALIA

There are many good examples of shared services arrangements promoted in both state and local government throughout Australia. Prominent among these are the Hunter district, five councils (referred to as the G5) in the northern Sydney area, and examples in Queensland and New England, New South Wales (NSW.) These provide a cross-section of geographic spread, urban versus rural environments, and shared services activities that could be relevant to New Zealand councils.

The similarities, differences, lessons learnt and type of activities undertaken in shared services arrangements are explored in some detail using the range of examples above.

Table 3 Examples of Australian shared services arrangements

| Description | Activities | Learnings |
|---|--|---|
| <p>New England (NSW) Five councils with total budget of \$75m Population: 40,000 Area: 18,000 sq km</p> | <p>Fourteen functional areas across:</p> <ul style="list-style-type: none"> • core administration - ICT, payroll, records, stores, plant, fleet, HR • work management - works planning and control, engineering services • major works - works crews, roads and bridges (local crews retained for maintenance) | <ul style="list-style-type: none"> • annual cost savings of \$1.5m • able to provide more services within existing budgets • local decision-making and representation retained |
| <p>Hunter Councils Ltd Eleven councils formed strategic alliance in 2005 Wider council involvement in some activities eg 46 councils for procurement</p> | <p>Professional teams developed for many council activities:</p> <ul style="list-style-type: none"> • records management (commercial) • recycling services • training provision • regional planning • procurement (\$18m turnover) <p>Assessing other commercial opportunities for consultancy services</p> | <ul style="list-style-type: none"> • better outcomes with same resources • reduced administration and consultancy cost for individual councils • ten per cent annual reduction in contributions • private sector confidence in procurement process –118 industry partners |
| <p>G5: North Sydney area Five metropolitan councils with a total population of 768,000</p> | <ul style="list-style-type: none"> • Councils Online: web-based customer services including payments, property services, submitting applications, permits, tracking requests, library catalogues • joint activity has nine software vendors, one hardware supplier and two consultancies | <ul style="list-style-type: none"> • required good planning and resourcing: project a first for local government in Australia • huge change required to get integration of IT and all councils' services • high-level (CEO) project management required |
| <p>Queensland (state government) State-wide Shared Services Initiative – 157 councils in 2007</p> | <ul style="list-style-type: none"> • ICT systems • procurement • back office: finance, HR, billing • infrastructure planning • asset management | <ul style="list-style-type: none"> • savings of \$42.5m 2002–07, including \$12m from procurement |

Despite some good shared services examples, there has been recent criticism in the media that reported shared services outcomes may have been embellished to counter any case for local government amalgamation.

Western Australia (WA) certainly experienced some initial difficulties when the Police resisted participation in the state programme. The 2007 shared services project report by the WA Auditor General was critical of slow progress and budget overruns in establishing shared services centres. It also considered that the original timelines and forecast savings were optimistic; however, the intent should proceed subject to budget and output controls. Initial problems were related to the "management by committee" structure that resulted in less leadership and unclear accountabilities.

Regardless of challenges and operational changes, the WA shared services programme had reached a halfway point by mid-2010 with consolidation of financial, procurement and HR back office functions for 120 agencies into service centres. This exercise is forecast to save \$55 million annually. The project does involve a large technology component, however, with \$67 million invested over 10 years for migration to new systems.

1.3.1 Drivers of shared services

The focus on gaining efficiencies through collaborative activities has been politically, financially and service requirement driven. Central and state government threats of council amalgamation certainly promoted the development of shared services activities as a counter strategy to forced amalgamations, particularly in Victoria and NSW.

In 2007 several Victorian councils participated in a study tour of the UK, looking at successful shared services examples there. They considered that Australia was 10 to 15 years behind in the development and operation of shared services arrangements. The Municipal Association of Victoria (MAV) presented the study findings at the 2008 Australian local government conference and started with the following statement:

| | |
|---|------------------------|
| If only we have the choice | |
| OUT: | Amalgamations |
| IN: | Shared services |
| Take our advice, do it before someone else does it to you. | |

Clearly the MAV had formed a strong view following their study tour findings that shared services could provide the types of benefits being sought by central and state government through amalgamations.

In the case of New England, two small councils (Armidale and Dumaresq) amalgamated in 2000 and three surrounding ones were targeted for further amalgamation in 2003. By early 2004 a strategic alliance of the five affected local councils was formed, promising the Local Government Minister a total of \$1 million to \$1.5 million annual savings. This was the figure cited by the Minister that would result from legislated amalgamation.

The New England alliance covers a population of 40,000, a total area of 18,000 km² and an aggregate budget of \$75 million. Thus small economies of scale and geographic spread posed challenges in gaining cost efficiencies.

From a financial perspective, local government budgets were being increasingly squeezed as a consequence of constrained revenues, reduced government funding, higher operational and capital cost, and, in the case of New South Wales, rates pegging. Combined with an increased demand for services, this situation meant that shared services were increasingly looked upon as a mechanism to maximise resource use across councils while maintaining local decision-making.

1.3.2 Shared services activities

As in the UK, the range of shared services activities has varied depending on local authority need and circumstances. Still very evident are back office and administrative functions, technology, environmental services, procurement and waste management activities.

There are, however, some more innovative examples of shared services. The G5 project, involving five councils north of Sydney, established a joint web-based customer service portal from which residents could directly access information and services related to all five councils. Many of the services are front office functions such as submitting applications and requests for permits, tracking enquiries, requesting facilities and general payments provisions. To enable such an integrated service across multiple councils required common ICT systems and the standardisation of processes.

The New England example is important in that it demonstrates how a large area with a low population base can still benefit from a shared services arrangement. This has been achieved through integrated telecommunications and a clear understanding of needs to be retained locally. Otherwise, resources can be pooled for regional delivery without compromising local services and decision-making.

In roading, for example, which is a significant proportion of total budgets in these rural communities, there is a shared approach to major infrastructure project planning, procurement and implementation. However, for road and infrastructure maintenance functions, local crews are retained. This approach helps ensure maximum productivity from staff and scarce resources.

The MAV has considered different shared services projects such as a carbon trading alliance, regional land use and employment planning, and developing a consistent method of collating and maintaining property and address data.

1.3.3 Outcomes and benefits

The nature of benefits and outcomes of shared services arrangements very much mirrors those reported in the United Kingdom experience. Specific Australian examples are included in section 2 rather than reporting the same observations here.

One benefit that appears stronger in the Australian literature is that of increased staff performance and access to expertise. In remote locations that experience skill shortages in many areas of council responsibilities, shared services has provided improved access to scarce expertise to support local functions. In larger centres, the sharing of staff expertise is reported as raising the overall performance of a group and promotes the development of new solutions.

1.3.4 Constraints

Common challenges recorded in the Australian examples used were of both an organisational and an operational nature. In most cases, getting councils prepared through political support and staff management required considerable time and effort. Without strong leadership and a shared service champion, progress to implementation could be slow.

Staff resistance to change was another recurring theme. However, it was acknowledged that limited resources and time for staff to undertake additional project work in planning phases were often a factor in creating this resistance.

Technical challenges related to the variances in systems and processes across councils and the ability to integrate these in a standard way, yet allow councils some flexibility to meet their individual needs.

In 2007 the Australian Institute of Social Research (AISR) reported on research undertaken for the Public Service Association of South Australia to assess what trade-offs were being made in reducing staff numbers as a consequence of collaborative arrangements. There were concerns that most initial cost savings were from staff reductions, so they wished to highlight realities of entering into shared services. A summary of key factors follows.

- The introduction of shared service models is often costly and complex, requiring detailed research and the development of a business case which includes comparisons with existing modes of delivery, workforce impact and service delivery assessment.
- There is a high risk that hasty imposition of an inappropriate model might dissipate, rather than harness, corporate memory, knowledge and skills.
- While cost savings can be achieved, savings targets are rarely met and the main source of savings is normally significant job losses.
- The costs of shared services are often underestimated because implicit costs and externalities are often not measured.
- The wider benefits of shared services are often overestimated.
- Job losses in regional areas are a likely consequence of centralisation of functions. This will have a negative impact on the viability of regional communities.
- Shared services may be a viable method of providing some business services, but they are not appropriate in all situations due to the diversity and complexity of services that need to be provided.
- The introduction of inappropriate shared services arrangements is likely to damage staff morale at a time when the public sector needs to position itself as an employer of choice to retain and attract skilled workers in the face of growing skills shortages.

Such findings are consistent with reported observations in other jurisdictions and are analysed further in section 2.6.

1.4 UNITED STATES OF AMERICA (US)

Formal shared services arrangements in the US have a 20 to 30 year history of development. These are commonly directed by state government for

implementation at a county level. Primary drivers, as for other jurisdictions, are cost savings and efficiencies.

While the role of local government in the US (as in the UK) extends to education and health also, there are shared services arrangements in activities comparable with those of New Zealand councils. For example:

- storm and waste water management
- economic development and tourism
- regional planning
- library systems
- training programmes
- maintenance of parks and recreational facilities
- fleet purchasing
- records management
- animal and pest control
- information technology.

There are examples of states enabling legislation (eg Interlocal Services Acts in New Jersey) that gives authority for voluntary co-operation between one or more local councils.

Several states have active shared services programmes to promote collaboration across local government. New Jersey, for example, has a Shared Services Association that promotes and incentivises local authority initiatives. It has an incentive programme, called SHARE, that provides seed funding to develop business cases and implement shared services arrangements. Associated with the SHARE programme is a best practice manual on developing shared services arrangements, which includes successful examples.

Running counter to promoting shared services across local government is concern in some quarters that aggregation of public services is a natural progression to privatisation. Similar views may be held in New Zealand, although the scale of commercial type activity will be more limited than in US states, where health, education and policing services are provided at a local level.

Learnings are consistent with other international experience, particularly related to developing trusted relationships with neighbours and having a programme of incremental change that all parties have agreed to.

1.5 EUROPE

Because of the diversity of public sector models and activities across Europe, limited research was undertaken on shared services activities here. However, the international surveys referenced¹ use European examples to highlight particular aspects of shared services arrangements. Most references are to central government.

¹ AT Kearney, *Shared Services in Government 2*

With the emergence of the European Union, shared services have also been established across European Ministries related to finance and defence, for example. In defence, the ICT, catering, real estate, training and HR functions involving 10,000 employees and a budget of 1.2 billion euros in 2006 were centralised as appropriate. This resulted in one-off savings of 200 million euros and staff reductions of between 30 per cent and 50 per cent across individual services.

Similarly the European Ministry of Finance shared services resulted in a 20 per cent reduction in staff numbers, a 90 per cent improvement in service quality, and considerably reduced processing times. There were technology factors that contributed to improved performance.

In the Netherlands, central government established market mechanisms for collaboration with the private sector resulting in reduced costs estimates of US\$750 million by 2011 and increased levels of service.

In Denmark the Department of Finance is driving mandatory sharing of financial functions and in Scotland ICT functions are shared across policing.

Again, the primary driver for shared services is to reduce costs and gain efficiencies where there is duplication of functions and systems across the public sector. The demand for public services via web and mobile applications translates into ongoing capital expenditure on technology that can be reduced by establishing central ICT solutions to service multiple agencies.

2. Synthesis of international findings

From the review of international shared services experiences and examples, this section draws together those factors and activities that will assist in achieving successful outcomes for local government in New Zealand.

Even where there are international differences in the legislation that governs local authority activity, varying economic environments and different political imperatives, there appears to be an increasing trend towards shared services as a mechanism to reduce costs and improve services to citizens. The means by which this occurs, the primary drivers and the benefits sought from shared services arrangements by councils demonstrate many similarities. These are explored as a basis for determining what findings might be applied in a New Zealand context.

2.1 DRIVERS OF SHARED SERVICES AND COLLABORATION

At the highest level, the drivers for collaboration and shared services fit into the categories of external, business and good practice.

External factors are generally related to central government pressure or requirements for efficiency gains. Expectations of local government to reduce costs and develop innovative solutions to improve services have been incentivised in some countries with funding programmes. The development of shared services has been a regular local government response to government efficiency drives and pressures of amalgamation.

The business drivers can be a combination of the enabling provisions for local government, the nature of activities councils are required to deliver, and operating in a financially constrained environment. Rising community expectations about the level of services provided by councils within existing budgets also contribute to these business drivers.

Good practice drivers will tend to be cultural- and performance-based. Where there is a drive to improve service delivery, shared services will be explored as an option to achieve this. Some councils will aspire to be the best and pursue recognition for this through various awards.

At a national level, both central and local government will support struggling councils on the basis of raising the performance of the entire sector. Shared services is used as a mechanism to share scarce resources and achieve efficiency gains, particularly in the case of smaller local authorities. The ability to attract and retain skilled staff is an international challenge, so in some instances shared services arrangements provide the impetus to overcome such resource constraints.

At the operational level, an international survey of shared services across government by AT Kearney (US, 2008) identified three common drivers for the development of collaborative functions. These were to reduce costs, improve services and modernise processes through ICT. Whether these drivers have been a consequence of government policy, internal reviews, historical collaboration or council culture varies, however.

Although this international research centred more on central government, there are similarities and linkages between the shared services drivers for local government also. In the UK, US and Australia over the last 10 years, there has

been a national focus on rationalising public spending and improving public services. In New Zealand, the Treasury has established a programme office designed to generate cost savings in back office and technology functions across government.

As in other countries, national efficiency agendas have filtered through to local government activities, where financial constraints are also a significant problem. While finance problems can be a driver for change, it is also the adverse consequences of not addressing financial concerns on the quality and responsiveness of council services that can be addressed. Community expectations and service needs for the maintenance and improvement of local services remains high despite financial pressures, so councils are required to better maximise resources without compromising community outcomes.

The search for improved cost-effectiveness is particularly demanding for smaller public services. Acting alone such organisations have limited scope for generating savings through the redesign of business processes and service delivery structures. Nor do they have ready access to the skills and technologies that might support other forms of business innovation. If they are to maintain the quality of frontline services, more radical steps will need to be countenanced - among them collaboration and shared services. (CIPFA 2010, Sharing the Gain)

2.1.1 Mirroring international efficiency programmes

The drivers for efficiencies in the public sector, the nature of collaborative activity and implementation processes in the US, UK and Australia largely mirror what New Zealand is now embarking on.

The 2002 US President Management Agenda set out how shared services would improve efficiencies and reduce costs for the taxpayer. Similarly, in the United Kingdom, the Gershon Efficiency Review (2004) set out a programme of action with savings targets. This was followed up in 2009 with the Operational Efficiency Programme Report, which identified shared services as a potential route to cost savings and improved services.

Australia's state governments have progressively implemented efficiency agendas since 2002. In all the above cases, local government has been part of the programme and / or certainly been impacted by government activities and policies in shared services programmes.

2.1.2 Technology: a driver, an enabler or a shared services activity?

Where international examples have recorded success factors as having a standardised ICT platform, this opens up the question whether ICT is a shared service in its own right, a driver of shared services or just an enabler of collaborative activities. Circumstances will vary. In cases where the driver is related to cost efficiencies and duplication of existing IT functions, ICT procurement is an appropriate shared service in the first instance.

Certainly Australian examples, such as that of New England, highlight the importance of rolling out shared services in conjunction with a telecommunications and ICT platform that enables each council a degree of flexibility and the ability to share as required.

Technology innovations will increasingly extend to automated operations such as remote sensing monitoring, parking monitoring, powering and control of traffic flow and signage systems, and public facilities servicing.

The need to match technology advancements, and the associated costs of installing and maintaining these, is a driver in many instances. Shared services based around an ICT solution are a common driver, with the objectives of reducing costs and improving the services provided by local government.

The future of shared services is heavily dependent on technology that is creating demand and driving service advancements. (AT Kearney, Shared Services in Government 2)

2.2 BENEFITS

The literature on shared services or joint arrangements reports a range of common benefits that can be derived from such collaboration. Empirical evidence of such benefits is less documented, however, although there is a growing body of evidence on cost savings. In fact the general lack of evidence to demonstrate cost and delivery efficiencies is often cited as a constraint to processing shared services models.

Benefits will be more obvious where there are economies of scale, which becomes an important criterion in considering joint arrangement options. In rural areas, however, the benefits accrued from aggregating activities to get critical mass can soon be dissipated by the limitations of geographic spread. Cost savings in staff, for example, may merely be transferred to travel and other such expenses. Also, locally provided services such as regular facilities maintenance or building inspection can soon have economies of scale exhausted and therefore questionable cost or efficiency benefits.

Early surveys of councils, particularly in the UK, to test the degree of actual benefits being generated, highlighted a lack of measuring outcomes in any consistent manner. Thus much of the literature gives a good sense of what councils consider the benefits to be from various shared services activities, but less quantifiable information. Cost savings analysis in particular has tended to be based on collating a number of specific examples for providing evidence of benefits.

The literature provides better evidence in the cost savings area for state and national government. This is understandable where there is a higher degree of centralised control and monitoring.

Common benefits reported fit into seven categories, as follows.

2.2.1 Cost savings

International and local experience demonstrates that cost savings can accrue from collaborative activity. These are largely the result of reduced staff, and of procurement practices and ICT consolidation. International examples have been provided in previous sections.

Quantifying reduced costs for local government has been largely reliant on presenting a range of practical examples, as will be reported in section 2.6. There is less evidence of a national systematic approach to measure cost savings.

Where surveys have been conducted to determine cost savings, these have predominantly focused on state and central governments. AT Kearney's international survey (2008) of government shared services across the US and Europe identified that reduced costs varied considerably by country and activity. The reported aggregated savings were:

| | |
|-------------|-------------------|
| UK | 10 to 35 per cent |
| US | 10 to 25 per cent |
| Canada | 10 to 20 per cent |
| Netherlands | 30 to 50 per cent |

While Australia and New Zealand were included in this total survey exercise, no cost savings information was presented.

The report concluded that while there was general optimism regarding the benefits from shared services in government, this was tempered by a degree of caution on the robustness of measurements. They also noted concern over the gap between ambition and reality in many cases.

The international shared services examples provided in this report certainly show cost savings associated with procurement activities and ICT, where the direct savings are easily measured. Process and transaction service benefits tend to focus on performance improvement and measure cost savings only from staff overheads, compared with the business as usual option.

2.2.2 Access to skills and expertise

There is an improved capacity to make best use of scarce professional specialism, particularly in relation to regulatory services, by providing them on a draw-down basis across a sub-regional or regional area. Where multiple sets of expertise have been pooled into a centralised function, opportunities to expand into commercial services have also resulted.

Shared services delivery models can provide a platform for the development of trading with other local authorities or groups of authorities, because they provide a "critical mass" of delivery capacity, which may be one of the barriers to individual authorities seeking to trade on their own.

Staff sharing from across councils for particular functions has several benefits. The exposure to new projects and the ability to provide more training can result in not only improved performance but also better staff retention. In instances where external parties are contracted to provide expertise (eg aggregated ICT servicing) this gives organisations access to private sector expertise to complement internal capabilities.

The assumption is that access to better skills and expertise translates to performance improvement across councils and to the provision of services to citizens.

2.2.3 Exchange of best practice

Shared services have demonstrated the ability to support a learning environment by sharing ideas and promoting good practice across the councils involved. Such a learning environment of constant improvement is reported to result in innovations and processes being developed that may otherwise take longer to emerge.

The complexities associated with many shared services arrangements may require new funding and government arrangements, previously unfamiliar to some councils. Thus the ability to share practices is valued by newer entrants to such activity.

Because international jurisdictions have either regional or national local authority associations, often this best practice material is captured and promoted to the wider membership. Discrete examples such as New Jersey in the US do demonstrate a link between the growing numbers of successful local government shared services activities, and the support provided by a best practice programme.

2.2.4 Procurement savings and practices

Some form of procurement activity is often the first activity that local authorities will collaborate on. This is on the basis that cost benefits are easily identified, and there will be similar needs and common practices across the parties.

What are also reported as a result of aggregated procurement are improved practices and relationships with private sector suppliers. Whether this is a factor of scale presenting a more attractive option for suppliers to pursue, or the result of it being easier to do business through shared services, is unclear. It is reasonable to assume that cost savings to the supplier generated through aggregated scale can be passed on to councils.

In the case of large ICT projects, for example, the vendor has greater purchasing power and can therefore apply more conditions in contracts. The research provides no evidence of monopolistic behaviours resulting from aggregated procurement. In fact the reverse is true, with procurement contracts for a particular product or service involving multiple suppliers. For example, the G5 (Australia) online services project has nine software vendors, one hardware supplier and two ICT support providers within a single project.

2.2.5 Improved community outcomes and strategic action

The attribution of shared services to improved community outcomes would be difficult to determine. What is clear from the literature is that councils develop greater confidence in their decision-making as a result of having access to more information and expertise through shared services activities.

The shared services investigative and planning processes also allow councils to take a longer-term strategic view of the delivery of services and the roles within individual councils. Policy and district planning issues may also emerge at these early stages and can result in unified policies and greater certainty for citizens and business.

2.2.6 Improved service delivery

Since one of the drivers of shared services is improved delivery and efficiencies, one would expect the evidence to reflect this. Numerous delivery benefits are recorded, such as reduced processing times, higher levels of customer usage and satisfaction, and staff being able to spend more time on customer services rather than on administrative functions.

The way that improved service delivery is defined and measured is not consistent. In the case of early UK surveys of councils involved in shared services, improved delivery reporting was more intuitive than quantifiable.

The international shared services surveys reviewed did report "improved service delivery," but this was not backed up with consumer evidence. Improved delivery was often a factor of internal processes and one assumes that improved services to consumers were determined more by anecdotal measures.

2.2.7 Improved compliance with legislation and standards

Many shared services examples centre around compliance functions like environmental services and building inspection. Sharing expertise, information and capability across councils has resulted in improved performance as determined by formal audits. Integrated ICT systems give greater accessibility to data from multiple sources, leading to improved monitoring and accountability.

The standardisation of functions and services across participating councils might imply that a lowest common denominator approach may be warranted to overcome some of the complexities of shared services. What in fact is more obvious is the reverse happening. New and innovative solutions are found in the successful models of shared services.

2.3 TYPES OF SERVICES SUITABLE FOR SHARED SERVICES

There are many possibilities for shared services in local government. They share some common characteristics that determine the suitability and ultimate success of collaborative activities for local government; these are described below.

2.3.1 Transactional consistency

This relates to support services where there will be minimal variations in the nature for services required across local authorities. Generally such activities will be high volume transactions and required on an ongoing basis. Back office and some professional support services tend to fit into this category.

Transactions that can be automated will be particularly suitable for shared services and provide efficiencies. However, a distinction still needs to be made between the actual transaction and the decision-making that leads to that transaction; that is, tactical services that inform a delivery function would more likely be retained in-house and generate questionable efficiencies if shared anyway. For example, the point at which the need for stationery supplies is identified as opposed to the ordering and purchasing of them.

2.3.2 National standardisation

Increasingly, technology-based solutions fit into the area of a national systems approach to providing access to, and the delivery of, services. Many of councils' procurement practices related to contracting of services have a degree of standardisation in response to legal requirements, industry practices and the sharing of good practice amongst councils, for example roading contracts, vehicle fleets and grants application processes.

2.3.3 Regulatory component

Where the law delegates operational responsibilities to local government, there will be both national standardisation and a legal obligation to undertake such activities. Common examples are environmental and building controls.

2.3.4 Locational emphasis

This relates to services with a strong locational emphasis, although applies more in the international context to health, community social services, education and housing. For New Zealand local government these are less applicable, but could be applied to areas such as waste management, community safety programmes and facilities maintenance, for example.

The international literature predominantly focuses on back office, professional support services and technology-based functions as being most suitable and common for local government shared services. Common examples are included in below (Table 4.)

Table 4 Examples of common shared services functions

| Back office | Support services | Technology / ICT |
|---|--|---|
| <ul style="list-style-type: none"> • payroll • accounts • record-keeping • collections, eg rates • travel and expenses | <ul style="list-style-type: none"> • HR • staff training • procurement • call centre • legal services | <ul style="list-style-type: none"> • data processing and storage • hardware and software acquisition • desktop and technical support |

Such optimum areas for consolidation have no or minimal contact with citizens and by implication no impact on frontline services. Political risks in these types of activities are minimal, efficiencies can be gained through aggregation, no additional expertise is required and there is evidence of cost saving over time. Thus these back office type functions and services are often considered obvious first candidates for shared services. However, the complexity of shared services projects that involve multiple functions can mean they are less likely to progress.

CIPFA (UK) estimates that the resource consumption by back office processing and reporting transactions can be reduced from a current level of 70 per cent to 30 per cent with new shared systems and processes. This not only leads to cost efficiencies but also then allows greater staff resource for planning, financial risk management and customer service functions.

Where there have been international examples of mandated shared services in central or state government sectors, these are generally in technology and

administrative areas. For example, WA has three shared service offices for payroll, finance and human resource functions.

Frontline services such as waste management, customer services and asset maintenance are also considered suitable for shared service models in local government. However, there is less international evidence of these types of services being delivered by a central body to the same extent as back office type functions. This situation may be a factor of the need for more localised service provision and expertise rather than merely a cost-saving consideration.

What is clear from the research is that shared services develop around a single function (eg ICT, HR) rather than integrated functions across councils. Business cases are developed for discrete activities, although there may be a progressive plan to roll out shared services as new ones are consolidated.

Observations from this section will be applied to the criteria developed for Part B to assess the suitability of council functions in New Zealand to shared services.

2.4 SHARED SERVICES MODELS

In the literature, local government shared services models (and subsequent governance arrangements) vary from three to seven models. However the general characteristics are all the same, with some examples merely expanding some models for commercially based delivery options.

There is general agreement that models fit into four categories based on the service requirements and the delivery mechanism. Each of these is explored and examples given of the type of services and governance arrangements evident in each.

Table 5 Shared services categories

| Centralisation | Collaboration | Aggregation | Commercialisation |
|---|--|--|---|
| Integration of functions within a single organisation | Integration of processes across councils | Integration of end-to-end delivery across councils | Integration of end-to-end delivery for councils into discrete organisations |

2.4.1 Integration of functions within a single local authority (centralisation)

Internal integration is effectively centralisation or simplification of common functions across departments in a single organisation.

In the UK, US and to some degree in Australia, where services extend to health, education and community services, centralisation is a model commonly adopted. In New Zealand, where the scale of councils and the scope of activities are more limited, the internal integration model does not readily apply.

Evidence from UK surveys conducted in 2005 following the Gershon Efficiency Review suggest that initial cost savings were gained from internal rationalisation. However, New Zealand councils may argue there is limited scope here for such cost efficiencies without compromising the quality of services.

2.4.2 Integration of front or back office processes across local authorities (collaboration)

This is where two or more councils collaborate to develop a shared solution and is commonly referred to as the collaboration or standardisation model.

Collaboration across multiple councils is a common starting point for shared services activities. A common need for a service and the potential for efficiency gains through reduced duplication also provide fertile ground for integrated processes.

The Communities and Local Government (UK) *Structures for Collaboration and Shared Services* material also refers to strategic approaches fitting into this model of shared services. Local strategic partnerships and local area agreements are established to address a particular issue or regional approach. New Zealand is familiar with this model through a range of collaborative activities including, at the more formal end of the spectrum, the establishment of regional economic development units.

Standardisation of common processes and systems is another characteristic of this integrated model of front and back office services. Business processes get standardised around customer and stakeholder needs, particularly as they relate to finance, human resource, procurement and asset management. One of the reported benefits of standardisation is increased productivity, as staff spend less time on core administrative functions and more on customer services.

Other examples of this collaboration shared services model are:

- corporate services – a contact centre provides a single point of initial customer contact for two or more local authorities
- regulatory services – a single planning service is established across two local authorities, retaining separate member planning committees (the integration of policies and plans across a region.)

Governance structures in this collaboration model vary markedly and often depend on the maturity of a relationship, the scale of the resources required, organisational risk and the complexity of activities. It also depends on whether collaboration on delivery is joint or there is a lead authority providing services to other councils where a contractual service agreement is sufficient.

In New Zealand, examples that fit into this general model for integrated services and planning operate on a basis of trust, councils' mandates and communication rather than formal structures and agreements. However, a longer-term vision and commitment to shared services activity is more likely to result in formal governance arrangements being established at the beginning of a project, as is the case with international experience.

2.4.3 Integration of end-to-end delivery processes / functions across local authorities (aggregation)

This model represents a more pure form of shared services, where collaboration occurs between local authorities to improve services, share resources and reduce costs. Joint production is achieved by aggregating common services and functions of the participating councils.

This model most commonly applies to sharing essential back office and routine transactions, procurement activities and regulatory services. Some examples include:

- corporate services – integrated provision of customer service centre(s) and transaction processing of rates across two (or more) local authorities, but separate accountability and governance
- regulatory services – joint management and delivery of inspection, enforcement, and associated support functions across two (or more) local authorities, but separate accountability and governance
- library services – integrated provision of end-to-end stock management and book procurement across two (or more) local authorities.

An important aspect of this model is the retention of each council's accountabilities and decision-making influence. Thus governance structures reflect this through joint committees, service agreements or establishing a company from which councils then contract. New Zealand examples of the latter are council-controlled organisations (CCOs.)

At the 2007 SOLGM session on shared services, Simpson Grierson expressed a view that the appropriate model for collaborative structures under the provisions of the Local Government Act 2002 (LGA) is a joint committee.

There are instances where the collaboration is between different types of public bodies, most notably local authorities with central government agencies. Whether such arrangements extend to shared services is a moot point. In the case of councils leveraging off central government procurement opportunities, a shared agreement or partnership can be established. However, in most cases the shared arrangements are to meet a common objective for both parties and can involve some form of joint resourcing.

2.4.4 Integration of the end-to-end delivery processes and functions across local authorities into entirely discrete organisations (commercialisation)

This is where a shared solution is developed by parties and taken to the market, hence the term commercialisation attached to this model. The delivery mechanism and governance structures can take many forms depending on the demand for such services and the nature of the activity.

There are many examples of the adopters of the previous "aggregation" model now looking to provide services on a commercial basis to other councils and into the private sector. This potentially provides a revenue stream for the councils involved and a means of recovering any set-up costs.

The UK DCLG also includes franchising and vouchering as a commercial approach. Franchising is where a council gives a commercial party the exclusive right to produce a given service, which residents can purchase from the commercial party. Vouchering is where a council sets standards and the level of provision, but allows households to select their own producer using a voucher.

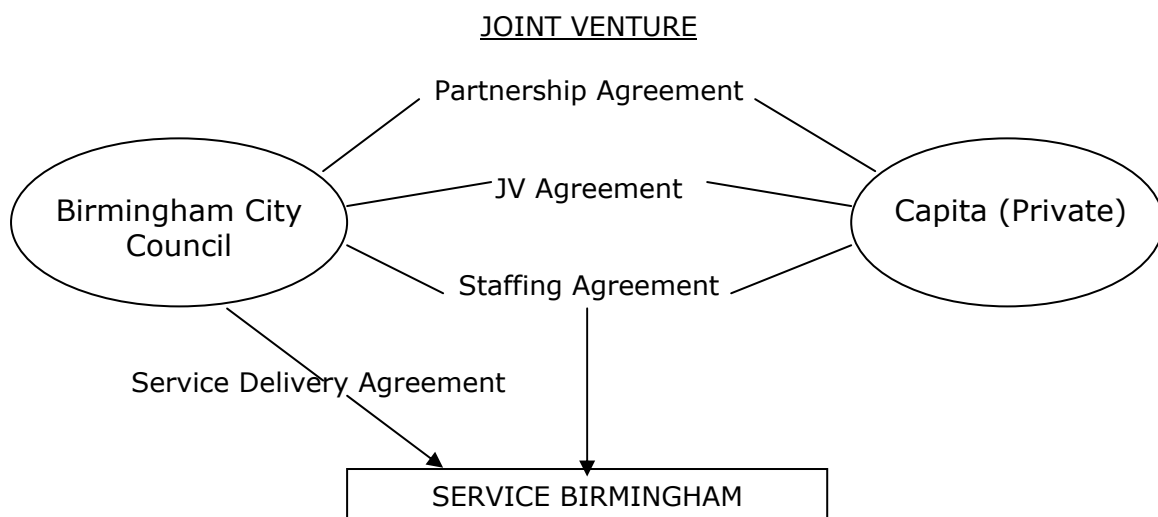
Although such concepts are uncommon in practice, it is worth noting from a New Zealand perspective that the government is introducing a voucher system for

business training services. These training services will be provided by registered suppliers, from which businesses can access them. The opportunity for a similar approach for local government services in New Zealand is not immediately obvious.

Because of the scale of opportunity presented in countries with larger populations, number of local authorities, scope of activities and scale of transactions, there is a trend to use joint venture structures with private sector partner(s.) These can still be structured to accommodate local flexibility and decision-making, access to shared resources and the retention of council staff to support the functions of the delivery mechanism. Service Birmingham provides a good example of such a joint venture arrangement as represented below (Diagram 1.)

Commercial opportunities for shared services activities could in effect result from aggregation and commercialisation models. In Australian examples of establishing expertise in particular functions, commercial opportunities through the provision of consultancy services to third parties are being explored, eg Hunter Councils Ltd.

Diagram 1 Joint venture structure for Service Birmingham



2.4.5 Advantages and disadvantages of models

The advantages and disadvantages of the various shared services models are presented in a 2010 report by CIPFA (UK.) This framework has been adopted and modified for the New Zealand local government context

Table 6.)

Note that “centralisation” is not included for the New Zealand local government context, as there is not the scale to centralise multiple branches of the same organisation.

Regardless of the shared services model adopted in the international examples referenced, the principles of retaining local autonomy and local flexibility were always upheld in the both the establishment and management of formal arrangements between parties. Thus the concept of subsidiarity remained a primary factor in considering shared services between councils.

Table 6 Advantages and disadvantages of shared services models

| Model | Advantages | Disadvantages |
|--|---|---|
| Collaboration across councils | <ul style="list-style-type: none"> • where done on a “lead authority” or “joint service” basis it can minimise legal and procurement costs • allows for resource and expertise pooling • avoids need to cater for commercial returns • can be more rapidly implemented (esp. if CCO in place) | <ul style="list-style-type: none"> • limits the injection of capital and expertise from specialist providers • may limit innovation and growth opportunities if vision only extends to a few neighbouring councils |
| Commercialisation: joint venture-type models | <ul style="list-style-type: none"> • can bring in external expertise and experience – minimising design and implementation risks • may provide for injection of investment capital • likely to produce more rapid results once implemented • opens up new opportunities for innovation and growth | <ul style="list-style-type: none"> • will demand more legal / procurement resources than informal collaboration • need to cater for a partner’s requirement for financial returns • time involved in design, procuring partners and agreeing contracts and governance will defer the delivery of benefits |
| Aggregation: outsourcing services (eg ICT) | <ul style="list-style-type: none"> • simpler and quicker to implement than setting up a new shared services arrangement • transfers many risks to the third party outsourcer • provides access to new technologies and processes, as well as specialist expertise • quality and service levels can be clearly set out in contracts and service agreements | <ul style="list-style-type: none"> • limits benefits of partnering, eg learning from peer councils • if waste / inefficiency are not removed before transfer, the outsourcer may be chief beneficiary of any cost savings • influence is limited to contractual arrangements and user groups, rather than via governance of a shared services structure • while shared services may reduce costs and secure profits, councils which just “outsource customers” to the agreement may see few benefits themselves |
| Aggregation: procurement | <ul style="list-style-type: none"> • simple and easy to implement • minimises staff disruption • minimises costs and risks associated with change | <ul style="list-style-type: none"> • where limited to a managed technology service, may miss the opportunity to redesign processes / delivery structures • limits the opportunity for innovation / injection of new expertise |

2.5 SUCCESS FACTORS

Shared services reports prepared for different jurisdictions in the last 10 years have all recorded similar findings in determining factors that seem common to successful local government collaboration. These findings are explained below.

2.5.1 Leadership

This can be at an elected member (political) or management level; however, for local government it tends to be driven at a senior management level. Leadership will be multi-faceted in that it will be required not only to promote initiatives, but also preserve decision-making powers and ensure that resources are available.

Leadership may or may not extend to governance arrangements. Where it does, it is important to make a distinction between governance in the transition phase as opposed to that in a steady state. Different skill sets and / or experience could be required for different phases that need to be considered as part of the planning process.

With leadership comes the ability to mobilise staff and resources to commit to a project. Because a common constraint to the development of shared services is staff resistance, the importance of involving, and communicating with, staff through the entire process is emphasised in all the research.

2.5.2 Scope and project management

This involves having a clearly defined project that can demonstrate benefits that can be achieved and understands the challenges to implementation. Most shared services arrangements are for a single function as opposed to an integrated approach across organisational activities. Having consistent project management throughout the change lifecycle is another critical factor identified.

Good management also extends to stakeholder management including affected staff involved, sharing power and influence and ensuring the necessary resources are available to implement the project.

Having the ability to scale a service up or down, and the flexibility to respond to individual council needs, is also important. Even in larger service centres in the UK and Australia, there remains the ability for services to be provided as if a particular council were delivering them independently. Thus local identity and flexibility are retained.

Service level agreements are recommended to be in place to ensure the delivery matches what was proposed in the scope of the project. These would include a measurement framework to determine whether agreed objectives were being met and, in the case of cost savings, whether these matched the business case projections.

2.5.3 Common objective and shared strategic vision

Parties to shared service arrangements need to agree on common objectives and share the same strategic vision. Often getting to this point takes time and negotiation but its importance must not be overlooked. With different parties' objectives will come different expectations that may be difficult to deliver on.

Thus agreeing on common ground and direction in the first instance is cited as critical to a successful shared services project.

One common objective is the retention of local decision-making, influence and identity. Most governance arrangements involve the constituent local authorities and there will be service agreements with individual councils to help ensure that all parties benefit from efficiencies and improved services. The larger shared services centres in the UK establish specialist teams for each council, who behave as if they were in the council. Thus from a customer perspective the identity of individual councils is maintained.

The development of a business case for shared services may come before or after a council has political agreement on the objective and strategic direction of a project. The case for shared services may be required in the first instance to demonstrate the value for change. Where there is already a culture of collaboration and trusted working relationships, the business case is still essential, but will be based on a discrete project.

In the event of any changes to an agreed position or approach, renegotiation of the project plan should be sought from all parties.

2.5.4 Organisational culture and history of working together

It is regularly reported that there is a relationship between successful shared services examples and the culture of the organisations involved. The development of shared arrangements is far easier where there is a culture of performance improvement, acceptance of change and trust of other parties.

Such a culture may result from a history of collaborative activity with one or more of the parties involved that evolves into more formal arrangements. Without good leadership and an organisation ready for change, shared services commentators warn not to enter into collective arrangements that have complexities beyond eg standard procurement activity.

2.5.5 Incentives or mandate for collaborative arrangements

International public sector efficiency programmes have often included funding that promotes the development of shared services business cases and their subsequent implementation. Such resources overcome barriers and reduce risks by ensuring that robust business cases are developed and initial set-up costs are subsidised. Associated with these incentive programmes are expertise and good practice material to help with developing good practice shared services arrangements.

While incentives were not identified as a critical success factor in the literature review, many projects have acknowledged the catalytic effect of support funding from the state and central government in the UK, Australia and the US.

Many private sector commentators and large international consultancy companies subscribe to the view that many back office functions that are duplicated across government should be mandated as shared activities. They consider that only this way does the public sector constitute change in a timely fashion. For example, Deloitte (UK, 2009) express this view in their shared services delivery in local government publication *Stop, Start, Save*.

Mandating of shared services is more often a function of central government agencies, whereas for local government the response is to amalgamate councils. It is more often the case that voluntary collaboration provides a more successful model; however, the driver for this in the first instance can be persuasive central government action.

The argument for mandated shared services is that the process speeds up and benefits are accrued early. Examples are WA with whole-of-government offices for finance, payroll and human resources; Denmark and financial functions; and ICT sharing for the Scottish Police.

Local government in New Zealand would question at what cost benefits accrue from these mandated requirements.

2.5.6 Incremental change

The key message here is that implementing shared services is not easy and takes time. It should involve a staged development to help ensure success.

Queensland took six years to roll out its HR and finance services, while WA reviewed options for three years before progressing to implementation stages for its shared services programme.

In many instances a transformational process to shared arrangements is two-staged. Initially the culture of the individual organisation may require change to its business practices, followed by organisational transformation that supports staff in the new business processes. Undertaking small shared services projects in the first instance may help remove the fear barriers from staff. It also provides the opportunity for leadership to keep staff involved and informed.

Agencies working with local government on shared services in the UK promote a progressive approach starting with simplification, then standardisation of processes, followed by shared service integration across other functions.

The table below (Table 7) is taken from work produced by CIPFA (UK) (2010.) It illustrates a staged shared services development, how the levels of maturity might be defined and what factors might characterise each. These stages are titled basic, standardised, stabilised and optimised.

Table 7 Shared services stages of maturity

| FACTORS | Stages of Maturity | | | |
|-------------------------------|---|---|--|--|
| | Basic | Standardised | Stabilised | Optimised |
| Processes | Processes are decentralised and subject to potential non-achievement of service delivery to an acceptable standard. | Processes are standardised and centralised but shared services concepts are not yet adopted. | Shared services is in place as a concept but processes are still operated "as-is" (ie not yet redesigned in the agreement) and subject to quality / productivity issues. | Shared services have reached a good level of maturity and processes used are attaining best practice performance. |
| Delivery systems | Systems are not common, and basic in nature, with little integration. | Systems are standardised and centralised but shared services operating concepts are not yet adopted. | Shared services is in place as a concept but systems are still operated "as-is" by the arrangement. | Shared services have reached good level of maturity and systems are attaining best practice performance. |
| Quality assurance | Quality checking is unstructured and subject to potential risk of processing failure. | Quality assurance is a standardised process and centralised but shared services concepts are not yet adopted. | Shared services are in place as a concept but quality assurance is still applied "as-is" by the SS arrangement. | Shared services have reached a good level of maturity, quality assurance is well-embedded and achieving best practice results. |
| Governance arrangement | Governance is unstructured, with no clear lines of responsibility and accountability. | Governance is standardised within a common, centralised structure but shared services concepts are not yet adopted. | Shared services are in place as a concept but governance is still applied "as-is" by the SS arrangement. | Shared services have reached a good level of maturity and governance is well-embedded / achieving best practice results. |
| Efficiency mechanisms | Efficiency mechanisms are decentralised and ad hoc in nature. | Efficiency mechanisms are standardised and centralised but shared services concepts are not yet adopted. | Shared services in place as a concept but efficiency mechanisms are still operated "as-is" by the arrangement. | Shared services have reached a good level of maturity and efficiency mechanisms help to drive best practice performance. |
| Technology support | Access to technology support is limited and unsophisticated. | Technology support mechanisms are standardised and centralised but shared services concepts are not yet adopted. | Shared services are in place as a concept but technology support mechanisms are still operated "as-is" by shared services arrangement. | Shared services have reached a good level of maturity, technology support mechanisms help drive best practice performance. |

2.6 LIMITATIONS AND CONSTRAINTS

International experience suggests that the development of shared services as a model to drive cost efficiencies and improved services to citizens has been slow to progress. Amalgamations of local authorities and legislative requirements (more in the central government sector) as a driver to provide for shared services have arguably been a more effective basis for change. Conversely, such legislative requirements in Australia, for example, have largely failed to deliver the benefits initially sought from the likes of amalgamation.

The constraints to progressing local government shared services fall into the following four broad categories.

2.6.1 Political and behavioural

Protecting local autonomy can be a strong political motivator. The idea of locating staff and services outside a local jurisdiction can be unpalatable for local politicians, as can sharing or buying support services from neighbours, even at a lower cost. Thus, to overcome such political concerns, any joint arrangements or shared services need to firstly develop a robust business case that is publicly defensible. Secondly, any governance arrangement will need to account for local representation so that an element of local control is maintained.

At an operational level, generally there is no incentive to reduce staff levels as a cost-saving measure. Thus efficiency drives through shared services may find internal resistance and strong desires to protect individual careers. The 2007 research conducted by the AISR demonstrated the need for robust planning, clear objectives and realistic expectations when dealing with organisational change.

Staff-related concerns are countered by messaging, in shared services good practice material and surveys, on the need to involve staff during the change process to implementing shared services. Mature shared services centres in the UK have demonstrated improved staff benefits, better training and job opportunities arising from centralised processes that offset any initial staff losses.

2.6.2 Uncertain benefits

Assuming that the primary drivers for shared services are cost efficiencies, improved services or improved standards, then the ability to demonstrate in a business case that such benefits can be accrued will be critical at an early stage. While there is an increasing body of international evidence, international surveys suggest there is comfort that shared services do provide a range of benefits, but often with limited data outside cost savings to support this belief.

Thus, in the absence of compelling information and evidence in support of shared services arrangements, it can be difficult to convince constituencies of the merits of collaboration across councils. Other than direct procurement activities where cost savings can be easily demonstrated through contestable processes and historical information, demonstrating significant cost benefits for back office and technology projects can be more difficult. This is particularly so where projected benefits from existing shared services have not resulted once tested.

Other than numerous individual local government examples of shared services benefits being quantified in international reports, the more compelling cost-saving benefits can be found in central government. This is likely to be a factor of scale,

centralised monitoring functions and common performance measures being in place.

Table 8 International examples of public sector cost savings

| Agency | Activities | Savings | Period |
|---------------------------------------|---|-----------------|-------------------------|
| Queensland Shared Services Initiative | Procurement and administration functions | \$42.5m | 2002-07 |
| Victoria State | Procurement, integrated ICT, administration, fleet management | Forecast \$209m | Four years to 2010/11 |
| WA | Procurement, administration, ICT | \$55m pa | 2007-09 |
| Two UK Councils | ICT outsourcing | \$1.5m | Over five-year contract |

As for other benefits gained, such as resource sharing, expertise gained and improved service delivery, these can be more difficult to measure and / or have a "value" placed on them. Having some clarity on performance measures and benefits sought from any initiative will aid in managing expectations and deciding the viability of a proposed shared service.

Government agencies in most jurisdictions surveyed are still in the transition phase as far as the implementation of shared services arrangements is concerned. There is no clear evidence that improvements in service delivery outcomes are a major objective of shared services arrangements (Firecone Ventures Pty Ltd, Background Paper on Shared Services for Victoria State Government, July 2007)

2.6.3 Conflicting objectives

The ability of parties to agree on what a shared service can provide can be constrained by the presence of multiple agendas and different objectives for each participating council. Factors such as the maturity of an organisation and the differing levels of experience with joint arrangements can equally result in frustration in advancing shared services projects. In their report Deloitte's noted that delays or directional changes often defeated the outcomes sought and increased established costs.

Thus clarity of purpose and a commitment to implement appear to be essential ingredients to successful models.

2.6.4 Complexity of process

For some shared services projects there will be multiple requirements and stages to implementation, all of which require commitment and leadership from the participating councils. Progress can be constrained here because of complexity factors such as:

- initial investment costs being high or being unable to reach agreement on the necessary funding contributions. Any need for additional funding will generally be in the context of existing financial constraints. Also it may be difficult to apportion benefits so the funding model becomes difficult to agree on. Front-end capital costs are most often associated with ICT projects
- an absence of internal expertise for project management or the ability to provide the required technical skills. This situation can be a factor of skill shortages or the need for expertise outside what the councils already provide. Having to contract the necessary expertise can become expensive
- limited internal capability beyond business-as-usual activities. In rural areas, for example, there will likely be increasing skill shortages for professional and technical occupations. However, if structured appropriately, shared services arrangements allow for scarce expertise to service multiple councils
- multiple processes and systems having to be integrated into a centralised function take planning and time. There are likely to be numerous prerequisites to enabling an integrated delivery function, each of which has the potential to derail progress. Examples are common collection processes, common datasets and the use of common software applications
- legal and structural requirements associated with governance and the provision of shared services can be outside traditional experiences of local government.

Being able to plan for and address the above constraints as appropriate for individual councils is crucial to the overall success of shared services.

2.7 COMPETITION AND MARKET ISSUES

Risks associated with outsourcing of services following aggregation of delivery and procurement are raised in UK shared services examples. These risks relate to the potential for the creation of oligopolies or monopoly situations, which in time might lead to a single supplier ramping up costs and facilitating the demise of competitors and smaller enterprises.

Aggregation of an activity to a large scale could also make it difficult for small and medium enterprises to effectively compete and therefore the competitive pricing sought may not in fact eventuate. Collusion by major suppliers is also a possibility that can work against cost-saving objectives in the long term.

There are commercial risks associated with tying councils into very large contracts. These might be associated with supplier requirements for long-term agreements to offset competitive pricing, and thus limit the ability of councils to change providers in the event of unsatisfactory performance.

Trade-offs will be required between such risks associated with large contracts and benefits accrued through the aggregation of services and activities. In addition, specifications in large contracts with prime contractors might include incentives to use smaller enterprises or local suppliers where there is a need to spread or reduce risk.

Although the risks associated with large contracts are raised in the international literature and discussions in New Zealand, there appears to be no strong evidence

of monopoly situations emerging or benefits from aggregated procurement not eventuating. As indicated, being aware of commercial risks will result in the appropriate design of contracts and conditions to mitigate them.

An example of maintaining competition while still securing the benefits of aggregation would be to establish a national list of preferred suppliers for any product and service, and then allow different regions to draw upon these for contracts.

3. The New Zealand experience

3.1 INTRODUCTION

There is a good history of regional collaboration in New Zealand since the 1998 local government reforms and again after the introduction of the LGA.

Shared services activities to date have often been in response to a particular problem, and operational arrangements conducted on an informal basis through regional fora. As relationships have matured, so have the number of shared services activities.

Some examples of shared services activities are drawn from case studies presented to the SOLGM 2007 Shared Services conference and further council surveys conducted in 2009. These demonstrate many similarities with international practice relating to shared services activities, the drivers for collaborative projects and the challenges faced.

The results of a shared services survey of council ICT managers conducted on behalf of ALGIM in 2010 also supports the findings of international experiences. One noticeable difference, however, is from a technology perspective, where the driver is generally related to internal business and requiring an immediate response.

At a national level, the library shared ICT system is explored below as an example of where a national approach may maximise gains for the local government sector.

Shared services activities identified in 2007 by SOLGM demonstrated a diversity of collaborative projects. These were classified as being of a single desk, joint purchasing or development nature. Single desk examples were after-hours services for multiple councils, a shared valuation function (13 Waikato councils) and a common dog policy for greater Auckland.

Joint purchasing or procurement was occurring at a regional level in services such as waste management and roading contracts. At a strategic level, collaboration was common in regions for functions related to economic development and district planning. This recognised that development, planning and business activity transgressed local authority borders and there was thus value in developing some consistency in approach and delivery of services.

As in the international experience, formal collaboration is also occurring between central government and councils in areas such as housing (Christchurch, Wellington) and other community services. Regional joint ventures exist for infrastructure services including water in Wellington and landfill in Taranaki and Canterbury.

While there is an increasing number of shared services in New Zealand (currently 71 per cent of councils, based on the ALGIM survey,) the reported constraints and pre-conditions to progressing such arrangements mirror those experienced internationally. Constraints relate to political behaviours, uncertain benefits and the complexity and / or costs associated with establishing shared services. All of these reflect the common findings in section 2.6 above. Of particular note is the limited progress in shared services in Auckland before the formation of the Auckland Council.

More importantly, data on the benefits of shared services is emerging. While the focus has been on reduced costs, surveys demonstrate that value is also being placed on improved customer services, access to skills and maximising the value of expenditure by pooling of resources. In the ALGIM survey, respondents already involved in shared services were asked if they would recommend this approach to others. The response was 100 per cent "yes."

Shared services and collaboration examples are explored in more detail to demonstrate the different arrangements and services being delivered by councils.

3.2 AUCKLAND

During the past decade there have been attempts to establish formal shared services projects across Auckland. What have resulted are numerous collaborative projects involving some or all of the eight councils that formally operated in Auckland. Because of well-established regional fora at a political, chief executive and project level, the opportunity to explore shared services has been evident but less supported in practice.

In 2000, five shared services pilots – procurement, rates billing, finance, geographic information systems (GIS) and call centres – were investigated. A report was presented at a workshop, where it was agreed to work on joint projects for geospatial information, street addressing, e-libraries, fleet management, a joint recycling project and a regional procurement group.

These projects were overseen by the Auckland Shared Services Representatives Group (SSRG,) although no formal structure was ever established. Thus joint projects were of a collaborative nature and progressed at various rates. Most successful was the geospatial work. In 2006 the SSRG reported back to the region's chief executives, highlighting a lack of commitment from senior management and the limited ability of staff to commit to projects outside their existing responsibilities.

This report further recommended the establishment of a CCO to manage a range of shared services initiatives. This was not progressed and the SSRG was disbanded.

A survey of Auckland region council chief executives (or their representatives) by MacLennan in 2008 sought to identify the constraints to progressing the recommendations made by the SSRG in 2006. The problems identified were:

- lack of political leadership – a desire to retain local control and support local suppliers
- limited commitment to resource a shared services structure and projects
- concerns about councils' capacity or capability to commit staff to additional projects
- lack of certainty about sufficient drivers for shared services
- difficulty in getting agreement on an approach and objectives.

These findings are consistent with international experiences.

By 2007 the Strengthening Auckland Regional Governance work included a recommendation to investigate the expansion of shared services to improve

delivery and provide efficiencies. However, there was little progress while awaiting the outcomes of the Royal Commission on Auckland Governance. Regional collaboration did continue at a strategic planning level on infrastructure, facilities and economic development, for example. This work culminated in the Auckland One Plan.

As appropriate, these shared services projects will now be incorporated into the Auckland Council structures.

3.3 TARANAKI

The three councils in the Taranaki region have a number of different collaborative arrangements in place centred on discreet activities. Current shared services are a regional landfill, refuse and recycling collection, common codes of practice for subdivision and construction, civil defence, community outcomes exercise, elections, regional tourism and GIS.

Management and governance arrangements vary depending on the nature and driver of each activity. Examples are joint committees, contracts for service, and tripartite agreements. Just as governance arrangements vary from activity to activity, so did the initial driver to develop shared services. As is commonly the case, cost efficiencies could be gained from economies of scale, new legislation that provided an opportunity for regional responses (eg waste minimisation, Civil Defence) and maximising the use of local expertise and resource.

Although not quantified in survey results, expected benefits of these shared services were believed to have been realised. Such benefits include cost savings, standardisation of processes, and the retention and use of local expertise.

3.4 BAY OF PLENTY

This region was an early adopter of a formal structure under which to review and implement shared services across a region. Bay of Plenty Local Authority Shared Services (BoPLASS) is a company model with nine councils in the wider region being the shareholders. Company directors are appointed by the shareholders.

Activities to date have centred on procurement and ICT projects; however, services are being extended for back office functions such as after-hour services. As well as shared services activities, BoPLASS has led regional initiatives associated with broadband deployment and established a subsidiary company (Bay Broadband) to help facilitate improved telecommunications services and capability throughout the region.

The BoPLASS chair recently reported initial direct savings of around \$1 million for the councils. This resulted from \$850,000 in insurance costs and further procurement savings from GIS systems and stationery. Future plans include centralised rates processing and managed ICT services.

3.5 HORIZONS (RANGITIKEI / MANAWATU AREA)

Near neighbours to Taranaki, this region has adopted a more formal structure, closely aligned with the BoPLASS model, that provides a vehicle for collaboration across the constituent local authorities in the region. Close collaboration between

the Bay of Plenty and Manawatu-Wanganui companies continues as a means of sharing learnings, experiences and procurement opportunities.

The Manawatu-Wanganui company (MWLASS) based within the regional council has been in operation for a year. In that time it has achieved an improved insurance deal for participating councils, improved HR and legal services, and is establishing regional archive storage services.

Projects currently under development are centralised fleet management, regional debt recovery, rating and valuation services, and aerial photography. As with the international experience, early wins are gained with back office and procurement-based initiatives.

Business cases are yet to be developed for a further 60 projects across management services, information systems, regulatory services, back office processes, procurement, strategic planning and regional functions such as emergency management.

Because MWLASS relied heavily on the resources and expertise provided by participating councils, projects are being limited to four per year so that there can be a progressive rollout of shared services.

3.6 LIBRARY SERVICES

The National Library, in partnership with the Library and Information Association of New Zealand Aotearoa (LIANZA,) is leading a project to initiate a common ICT platform across the national network of local libraries. The driver for this was the cessation beyond 2012 of servicing for the most prevalent library software system used in New Zealand.

Rather than individual councils looking to establish their own ICT systems, it was decided in 2008 to develop the business case for having a common system across all libraries in New Zealand. A solid business case was completed by mid 2009 based on calling for Requests for Information from ICT companies, and information supplied by councils through LIANZA.

One constraint noted in this process was a general lack of appreciation of all the costs involved in managing and supporting the library ICT systems, including staff time. Thus developing the cost-benefit arguments could be subject to some scrutiny.

The greatest challenge faced, however, was in developing an acceptable governance and funding model to progress to any form of implementation. To circumvent any issues of local autonomy and governance, the National Library established a subscription model and underwrote the set-up costs. Without this catalytic investment, the National Library manager believes that the shared services arrangement would not have proceeded, at least not in a timely fashion.

The subscription model also allowed for the different scale of library activities across councils, with the ability to buy in at a level that reflected the number and size of services operated by any council. With the subscription model, the full establishment cost is repaid over a 10-year period.

As at 30 June 2010, 23 councils had signed up to the initial stage that was sufficient to proceed to the next stage of calling for Requests for Proposals.

It appears that success in getting to an implementation stage has been the result of four factors.

1. There was a solid business case with the cost implications and benefits understood.
2. The libraries had themselves a long history of collaboration.
3. LIANZA was a respected advocate for the project.
4. Central government provided incentivisation through funding for the set-up costs. This avoided the vexed issue of agreeing and establishing a national governance group and funding for the project.

3.7 OTHER PROJECTS

The Waikato region was an early adopter of a formal structure for shared services. In 2005, 13 councils established a CCO and committed a total of \$2 million for a common valuation database. Subsequent investigations into further shared services included aerial photography, joint rates billing and call centres. Up to 13 councils in this region have collaborated on numerous projects including common building consent forms, insurance and energy supply.

Under the umbrella of Greater Wellington, councils in the region have been exploring shared services options since early 2009. The drivers for this were "in response to current financial, economic, operational and capability challenges." It was also acknowledged that the changing local government environment, particularly Auckland, was a factor in reviewing shared services possibilities.

Working groups were established and focused on building controls, waste management, emergency management, and procurement. The last included a diverse list of common purchases including energy, stationery, printing, insurance, archives and fleet vehicles. A consortium of councils arranged for aerial GIS services early in 2010.

Progress has been reported as slow and challenging, particularly where there have been philosophical differences in the ways shared services might be undertaken.

West Coast councils are currently looking at shared ICT services, primarily to allow shared arrangements for common processes including rates collection and a single valuation database. Progress has been slow, as no funding has been committed to undertake detailed work.

Media reports in October 2010 on the new Auckland Council noted that merging ICT systems can involve significant set-up costs. It is estimated that the cost of setting up ICT systems and software licenses will be \$60 million, with a further \$66 million to be picked up by the council after November 2010.

3.8 GOVERNMENT'S COLLABORATION PROGRAMME

Central government is aiming to reduce its spending by \$1.1 billion per annum (or 2 per cent of its budget) through to at least the 2015/16 financial year. This is partly to offset the relatively high level of debt borrowing currently required to provide public services.

Part of the cost saving measures involves the promotion of collaborative and shared services across government agencies, with an initial focus on back office, procurement and technology activities.

3.8.1 Better Administrations and Support Services (BASS)

Within the Treasury a programme office has been established to determine how efficiencies and cost savings can be made across back office functions in government. Areas being reviewed include finance, ICT management, human resource management, procurement, corporate services, facilities management, real estate and travel arrangements.

Based on overseas government experience, the Treasury anticipates overall cost savings in the magnitude of 20 to 25 per cent on existing budgets.

Phase one of the BASS project is benchmarking and target setting. KPMG is currently undertaking a benchmarking review across nine government agencies. Their final report will identify baseline performance, cost information and opportunities for increasing transparency, and recommend improvement targets.

Subsequent phases will involve developing the business case for selected functions, design and business case validation, and then implementation.

The Treasury has also established a cross-agency management office that will facilitate collaboration initiatives in government agencies where cost savings and efficiencies can be generated without affecting levels of services.

The Treasury also provides incentive funding for collaboration projects through the Cross Agency Initiatives Process. This fund was established to help overcome common barriers to collaboration, such as the difficulty in establishing funding and / or charging mechanisms across different size organisations. An example being explored at present includes legal services.

Full cost models for collaborative projects are required. That is, all staff time dedicated to any project by participating agencies is accounted for.

3.8.2 Information and communications technology (ICT)

A July 2010 Cabinet paper on the Direction and Priorities for Government ICT sought greater efficiencies, better services and less duplication for the public sector.

There is an appreciation that new funding separate from agency appropriation may be required to better enable shared services and collaborative projects to proceed. Initial work undertaken in this ICT area has highlighted the need for strong leadership and developing a collective view of what is to be achieved as critical first steps. This is consistent with international and local government experience.

The ICT priorities will focus on achieving a range of objectives:

- ICT leadership across government
- open government (eg common access to data and information)
- improved service delivery

- common capability across agencies (eg grants processes)
- improved ICT performance.

Ministers with key interests in technology have established an ICT Strategy Group that is supported by the chief executives of the Ministry of Economic Development (MED,) the Department of Internal Affairs (DIA) and Land Information New Zealand. Work programmes are currently being developed for data and information use, and common ICT capability.

While the current focus is on government agencies, the practicalities of achieving the above objectives will ultimately also have to involve local government. For example, where there will be a push for standardisation of processes, access to common datasets and reducing "registration"² requirement using technology, councils carry out some of these functions.

DIA will be advocating system-wide projects, where the future state may result in some systems being non-negotiable for agencies. A "roadmap" for government ICT activities was produced in August 2010. The first step will be ridding areas of duplication, which are most likely to be back office and technology type functions. Services that require citizen contacts would have some flexibility in the way these may be provided.

Data access and use work is likely to focus on sharing information across agencies to reduce the need for multiple registration processes, and on having information more publicly available. Thus the approach will be on developing a better system of government rather than a continuation of the current "star" department competitive model. The same comparison may apply to local government, where a degree of friendly competition may in fact present a barrier to developing a national systemic approach for activities that have a common objective and process.

3.8.3 Government procurement

MED is leading the central government procurement reform programme. Officials had identified 200 procuring agencies; such a large number inevitably leads to duplication, inefficiencies and a limited ability to leverage cost savings.

The procurement programme objectives are to reduce costs, improve the procurement profession and practices, and support economic growth. The reform programme is targeted at the public and state agencies, with universities, Crown Research Institutes and State Owned Enterprises being able to opt in on a voluntary basis. Local government is excluded, although there are trials planned for Auckland in March 2011.

At this early stage, only cost saving benefits are being captured. As at February 2010, supply contracts have been signed for computers, passenger vehicles, office consumables and print devices, resulting in \$20 million of savings in the first year and \$115 million over five years. In addition it is estimated that a further \$40 million in savings is possible if agencies purchase the cheapest option when exercising their brand discretion.

² Registration refers to the some 120 registration type activities that citizens may be required to perform across all of government (eg dogs, Goods and Services Tax, property, passport, driver's licence.)

Although there was initial scepticism from some agency chief executives that further procurement savings could be achieved through a central process, results to date have demonstrated otherwise. Additional savings of up to 30 per cent on computers, seven per cent on office consumables and around \$3,000 per vehicle have resulted from current supply contracts.

Further contracts are proposed for legal services, utilities (energy) and travel. In addition to supply agreements, MED has attempted to reduce compliance for suppliers by simplifying and standardising procurement documentation and processes.

The procurement programme includes a commercial model where government agencies pay a 1.5 per cent of total purchase levy but retain any other savings accrued over current budget allocations or previous contract prices.

3.8.4 Implications for local government

The open government objective will have implications for local government which holds multiple sources of information that both citizens and government agencies will increasingly expect to be publicly available and in real time. Whether this be road works locations, availability of facilities, progress on applications or network entry points, everyday technology applications will rely on such key council data.

Apple's new iPad came with 20 applications. There are reportedly now 20,000 that have been independently developed based on access to open data sources. In some US cities you can be directed to empty parking spaces, for example. Such public expectations change councils' business model for collecting and maintaining information in that the value shifts away from the data itself to the application of it.

As indicated in the following quote, Australian local government has recognised the importance of ICT in enabling efficiency gains and shared service arrangement.

Improving the efficiency, effectiveness and efficacy of service delivery is considered central to mitigating the risks of service failure. A sound ICT infrastructure and services platform is seen as an essential foundation to enable many of the proposed shared services initiatives. ICT business applications provide critical support that enables councils to collaborate in shared services delivery and for this reason the MAV has dedicated a major part of the resource to establishing an ICT shared service project.
(MAV, 2008)

Procurement

In the area of procurement there will be many similar supply requirements for councils and government agencies. However, the favourable supply arrangements negotiated for the state sector are currently not open to councils. This situation may change in the future; however, in the interim, local government would be advised to be prepared. An important action will be to quantify the aggregated demand and current spend by councils in order to develop the national business case.

The other consideration is to what degree standard procurement templates and contracts across all government agencies will find favour with suppliers, who in turn put pressure on local government to do the same. Thus there is a range of risks for local government where its activities are not included or aligned with the central government programmes.

Government officials are aware of the risks associated with shared services and collaborative activities, particularly the organisational behaviours resisting change and defence strategies from the private sector, where procurement might be rationalised.

Government was anticipating defence responses from major companies to prevent single supplier initiatives as a way of reducing government costs. For ICT this would apply to telecommunication services, desktop hardware and ICT architecture. However, procurement exercises to date have allayed such initial concerns and supply contracts have generally included multiple supply options. This has largely avoided any monopoly type situation.

Indications from senior officials are that government Ministers wish to see collaborative activity across government agencies develop organically (but quickly.) Mandating some requirements for back office and ICT standardisation and centralisation will, however, remain an option in the absence of limited progress. To what degree any mandated functions will, or need to, affect local government will be determined once detailed work programmes are developed through the ICT Strategy Group and Treasury functions looking to manage government expenditure.

4. Summary

From the shared services surveys of councils by SOLGM and ALGIM there are themes in common with those shown in the international experience. Thus New Zealand is well placed to apply learnings from local government in Australia and the UK in particular, which are more advanced in some of their established projects.

Similarities with international practice relate to the drivers, constraints, collaborative structures and activities delivery through shared services arrangements. Achieving economies of scale for some functions may be a challenge in some regions with relatively low service demands and larger geographic spread. However, as evidenced in rural Australia, targeted shared services functions are possible and can result in financial sustainability, and retain local democracy.

In the New Zealand examples, the routes to shared services by councils often differ. International experience supports the notion that local government shared services initiatives have largely been driven by external factors, particularly government (central or state) efficiency programmes and agendas.

New Zealand council shared services arrangements have arisen more organically, as a result of regional collaboration exercises and in response to specific regional needs where duplication of activity is publicly or legally unacceptable, for example landfill sites. Budgets for back office functions, for example, may be less protected than those for frontline services. Thus savings can be looked for in shared services for these back office activities.

Efforts over the past decade to establish formal shared services arrangements in metropolitan areas (eg Auckland) where there is a critical mass of activities have resulted in mixed success. A lack of political and senior leadership was generally cited as the principal barrier to progress. This situation will have resulted from factors such as wishing to retain local autonomy, an unwillingness to commit resources to projects, uncertainty over the benefits of shared services, and the absence of compelling drivers for change.

Future local government shared services will now need to be considered within a new financial and political environment. There are now strong efficiency drivers and efforts to improve customer services provided by public agencies.

Senior government officials working in the areas of collaboration, shared services and procurement as cost saving measures generally appreciate the link with local government activities. However, priority appears to be on government agency activities and to what degree local government becomes actively engaged in any processes will reflect its desire to participate as a part of government and the willingness of officials to work with the complexities of local government where mandating may be viewed as an easier option.

This situation contrasts with the international local government shared services programmes, where there are incentives for local government to join with central government and / or across councils. In 2008 the UK government allocated £185 million through nine Regional Improvement and Efficiency Partnerships to promote shared arrangements and local area agreements. This example does, however, highlight the difference of the New Zealand context, where cost sharing of public services with local government is less evident than say the UK, Australia and the US.

Tensions between the government's efficiency objectives and the wishes of local communities are likely to remain where council amalgamations are on the agenda. Local government will uphold the principle of subsidiarity, while central government currently promotes a more centralised system.

Shared services across local government remain a practical alternative to amalgamation; however, the real efficiency gains derived from these shared services in a New Zealand context need a degree of realism. Aggregation activities can certainly achieve efficiency objectives without sacrificing local decision-making and / or access to services where such factors remain a primary driver for councils.

The second main part of this report describes the process for councils to assess the suitability of an activity and their own suitability to partner in shared services arrangements.

Part B. Shared services planning guidelines

It is advised that before embarking on any shared services investigation Part A be read. This provides insights into local and international practices, what the challenges are, what activities may be more suitable for shared services and what benefits can be expected.

5. Shared services planning

5.1 INTRODUCTION

This section provides a process for councils to use in considering their involvement in shared services arrangements, what services might be practically shared, how arrangements are structured and resourced, and a process for implementation.

Because of the different levels of existing collaboration across local government and experiences to date, the process for each council in assessing its future involvement in shared services arrangements may not be a linear exercise. However, some guidelines are provided for the planning stages, which may be actioned in a different sequence depending on the initial drivers for considering shared services.

The guidelines are designed to be generic so they can be applicable to any scale (local, regional or national) and are irrespective of who might be driving collaborative projects. As highlighted in the review findings (Part A) time and resource invested in planning exercises improve the chances of project success and delivery outcomes. Following a structured process is just sound project planning.

5.2 STAGES IN SHARES SERVICES AND PLANNING DELIVERY

There are a number of stages to be aware of when planning and delivering shared services. International surveys on shared services regularly caution the need for considered planning at the early stage to help avoid difficulties further down the collaboration process.

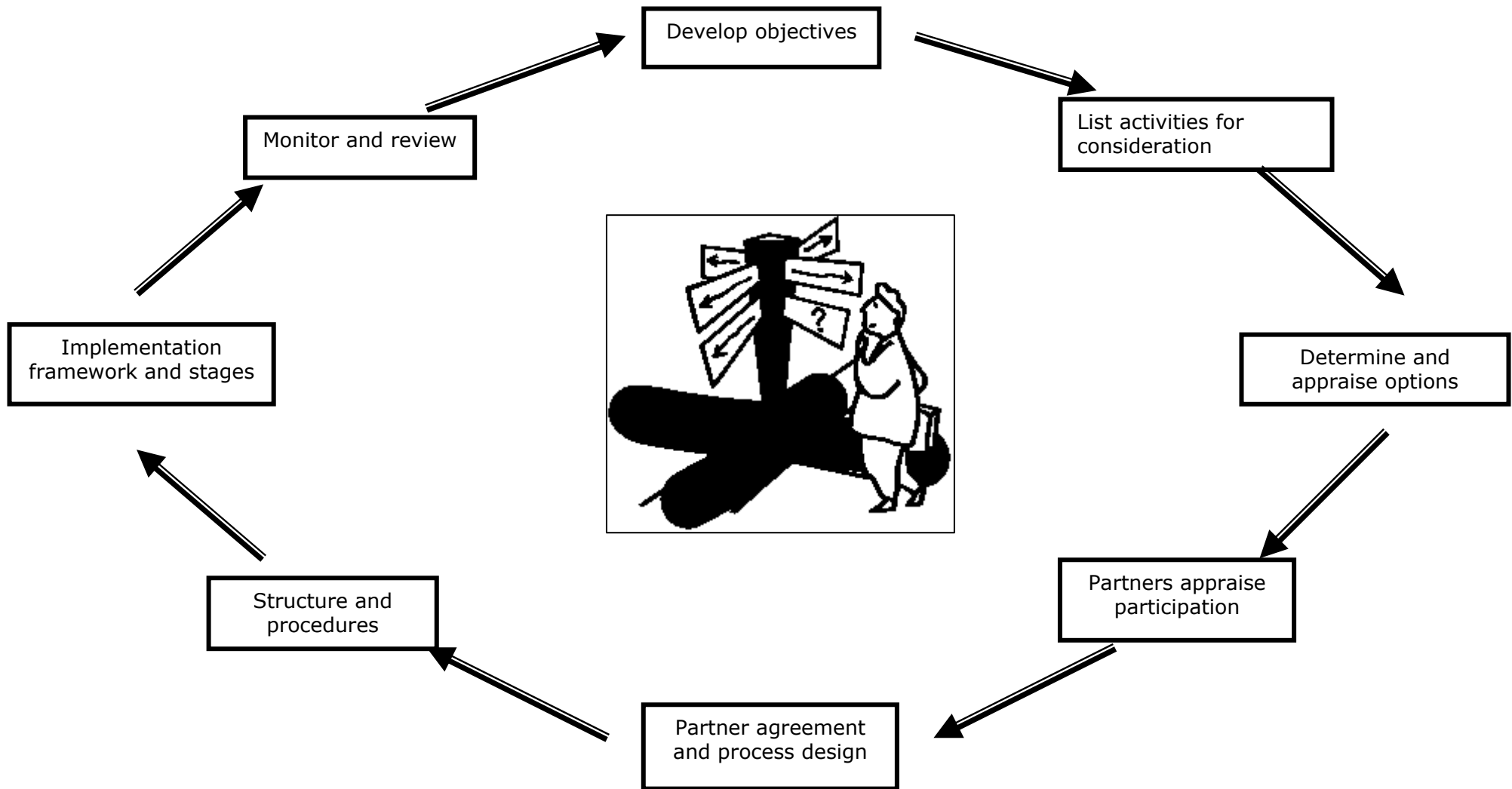
For the planning and delivery process eight stages are recommended. Each of these provides a range of considerations, tools, desired outcomes and / or planning frameworks. These are identified below.

1. develop objectives
2. list activities for consideration
3. determine and appraise options
4. partners appraise participation
5. partner agreement and process design
6. structure and procedures
7. implementation framework and stages
8. monitoring and review

By undertaking a structured, planned and analytical approach, councils will be better placed to make decisions on shared services and have developed clear expectations. It is important that councils collectively agree on the nature of shared services but also that the individual councils involved thoroughly assess their commitment before proceeding with shared services arrangements. Thus assessment guidelines are provided both for the activities to be considered and for the organisations involved.

Diagram 2 Shared services planning and delivery cycle

DRIVERS – Councils have determined a desire to explore shared services as a response to a particular regional need, government efficiency programmes, sustainable cost savings, improved customer services and/or other strategic reasons.



5.3 DEVELOP OBJECTIVES

As is highlighted from overseas experiences in Part A of this report, the need for clear and agreed objectives by participating organisations is paramount to the ultimate success of shared services arrangements. Objectives should be explicit on what is to be achieved and how this will be measured.

Challenges may arise where the councils have differing strategic or corporate objectives that make getting agreement on shared services outcomes more difficult. International examples suggest taking a principled approach in the first instance as a means of identifying common ground. For New Zealand councils, factors such as retaining local decision-making, minimising local employment losses, operating within existing budgets, retaining local flexibility and sharing governance could form the basis for agreed principles.

Based on common practice, subsequent shared services or project objectives might include the following:

Table 9 Examples of common objectives and measures

| Objective | Measure |
|--|---|
| Achieve baseline savings of \$x (for each council) | <ul style="list-style-type: none"> annual operational cost savings from year(s) prior to shared services |
| Deliver a consistent and reliable service across the region | <ul style="list-style-type: none"> processing times common delivery mechanism common policies and programmes |
| Provide services to an agreed professional and quality standard | <ul style="list-style-type: none"> customer survey feedback staff performance measures statutory requirements met |
| Alleviate staff and / or expertise constraints due to skills shortages | <ul style="list-style-type: none"> staff retention rates skill shortage levels (vacancies) |
| Develop an integrated ICT system with common systems and processes | <ul style="list-style-type: none"> degree of interoperability across council activities degree of public access to information and services number of new innovations |
| Maximise use of existing resources (ie reduce duplication) | <ul style="list-style-type: none"> shared or pooled equipment and facilities number of joint initiatives |
| Obtain higher quality products and services from suppliers | <ul style="list-style-type: none"> procurement practices contract conditions met additional services and conditions provided level of complaints, returns etc |

Shared services projects and circumstances will vary, so objectives will be customised to reflect this. There may also be a need to prioritise objectives and even give weightings to those that parties consider to be the primary driver(s). Thus a two-tier set of objectives may be developed. Ultimately, the organisations involved in the shared services initiative will need to agree on the objectives, their relevant importance and what needs to be measured.

Stage Outcome:

1. Shared services objectives and priorities are agreed by parties.

5.4 LIST OF COUNCIL ACTIVITIES

A full list of council activities and services is provided in an appendix as a basis for how they may be rationalised from an operational perspective when considering them for shared services. These activities are listed under the following broad categories:

- procurement
- back office services
- professional and regulatory services
- information and communications technology (ICT)
- core functions and services
- asset management
- commercial activities.

While the table of council activities is designed to be comprehensive, it is by no means exhaustive. For each activity heading there are also likely to be more detailed transactional services that will need to be identified in the planning stages of shared services initiatives. For example, financial and payroll services will need to encompass a number of activities as shown below.

5.4.1 Examples of activities in finance and payroll

- customer invoice processing, debt management and cash collection
- rates billing and collection
- infringements / fines management
- creditor invoice processing
- general ledger maintenance
- finance systems management, interface processing
- planning, budget processing
- financial modelling and 10-year budget
- Goods and Services Tax returns
- period-end / year-end close
- bank reconciliations
- management information report development
- standard report production
- initial review of monthly finance reports
- completion of statutory returns
- community grants process payments and administration
- customer queries
- supplier and asset management

- full payroll activities, including monthly payroll processing, liaison with Inland Revenue, tax code changes, completion of statutory returns, payroll query management
- systems for employee self-service payroll enquiries
- helpdesk for employee enquiries
- processing new staff, departures and transfers
- payroll systems administration
- travel and expense claims

A similar level of detail may apply to a range of council services and activities. It is important to clearly identify all of these in the planning phases of shared services, as there will be staff, process and technology implications in most cases.

For many of the activities to be considered for shared services there will be a range of prerequisites to have in place before service delivery can be progressed. Factors such as aligning the timeframes of existing contracts, developing standard procedures, and making ICT systems interoperable will be common challenges faced by councils. Other examples of prerequisites or project enablers are listed in the table of activities, as relevant to particular activities.

Also as part of the assessing options for a shared services process, some considerations have also been added to the table of council activities. These include business environmental factors, how economies of scale might be generated, cost implications, and opportunities that shared arrangements might provide.

Stage Outcomes:

1. Parties agree on a preliminary list of council activities to review as options for shared services.
2. A process to gather information and appraise options is developed and agreed.
3. Council resources and / or staff are committed to the project.

5.5 DETERMINE AND APPRAISE OPTIONS

From the list of council activities in the appendix, some basis for determining those most appropriate for shared services will be required. Such a discipline enables informed and transparent decision-making, helps maximise effectiveness and value, and provides a framework for future reviews.

Several different approaches to determining what council services may be suitable for sharing are reported in the international literature. Standard intervention logic mapping has been promoted in Australia, for example, where different weighting can be applied to the benefits sought based on local circumstances.

Such a framework may be helpful in determining high level objectives, benefits sought and changes required in the current state in order to progress shared services arrangements with other councils. It is less useful on a service-by-

service basis in determining their suitability for this purpose. A more analytical approach is suggested.

Across all of the international shared services examples and good practice material, there are some common characteristics identified for activities most suitable for sharing or collaborating on. While these are high level, they still provide a framework and discipline for local government to determine what shared services individual councils may enter into based on their circumstances and operating environment.

Such common characteristics are used to provide a set of filters that can be used for assessing the suitability of all council activities for shared services or collaborative projects.

It is important for councils that they determine both the suitability of an activity and the organisation's commitment and ability to undertake change. The latter is covered in the next section. For the activity, it will typically demonstrate the following seven components.

1. High volume: the activity consumes significant resource, yet is low risk to the organisation and is rules based. This would apply particularly to back office and some customer service type functions. There will be instances where low volume activity can still benefit from shared services arrangements if it is logical to do so. Civil Defence is a good example of this.
2. Efficiency-focused: those services requiring access to the latest technologies without ongoing large capital investment or needing specialist expertise could be shared. Activities where there is multiple duplication across councils lend themselves to efficiency gains.
3. Repetitive activity: likely to be transactional support services that have minimum variation and can thus be captured through contractual agreements. This could extend to back office and regulatory functions of council.
4. Performance is measurable: benefits can be readily determined and apportioned as necessary.
5. Consistent customer requirements across councils: services are subject to a high degree of standardisation and therefore local discretion is minimal. They may have a location emphasis in that services that overlap at a geographic level can generate synergies and efficiencies.
6. Transaction or service orientated skill set: a physical service is provided as opposed to tactical decisions and planning.
7. Relatively low risk from a corporate perspective: strategic services requiring expert local knowledge should be retained in-house.

Deloitte in the United Kingdom (UK) proposes undertaking an initial filtering process of all possible services in the first instance. From this a shortlist would be developed and more detailed analysis then conducted on each activity taking into account factors such as scale, risks and opportunity to reduce costs. These overlap to a degree with the activity characteristics above.

The filters that Deloitte promote are, in order:

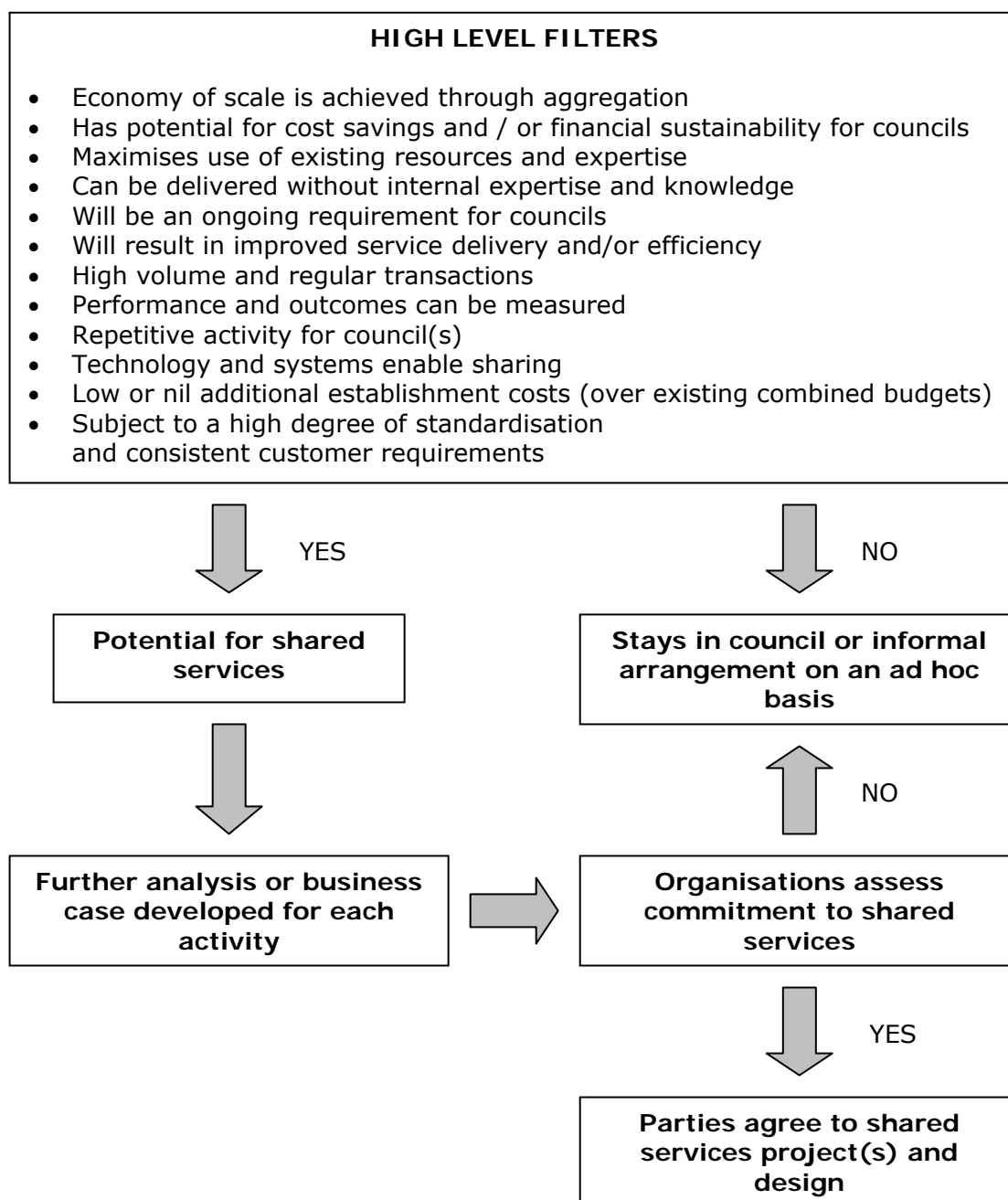
- fit: the activity could be delivered by a third party or without specialist knowledge
- applicability: it is rules based, can be commoditised and has limited internal skill and capability requirements
- uniqueness: it is not unique to the council and does not require a high level of strategic input
- technology: it can have standard systems to support or enable it
- feasibility: it is scalable, repeatable, and there are third parties able to deliver.

Where the assessment is “yes” at any point, the activity is then tested against subsequent filters. At any point where the answer is assessed as “no” then the service would remain local.

There seems to be a bias in using this filter process to back office and technology based services, particularly where they might be delivered by a private sector party. If one were to apply such filters to local councils shared services examples and opportunities in New Zealand, some would be assessed as not suitable for shared services, for example strategic planning-related activity.

As an initial cut of council activities to consider for shared services arrangements, some high level filters can be applied based on the common characteristics listed above. Diagram 3 provides a list of tests that can be applied to individual activities and consideration in the local context. From this process a shortlist of potential projects would be identified and more detailed information and analysis subsequently conducted to determine the most suitable options.

Diagram 3 High level assessment of activities for shared services



Before decisions can be made on what shared services projects should be progressed, there is a need for more detailed information, upon which analysis is conducted and final assessments determined. Part of this process will involve consultations across the various parties. In some instances, project groups can be established to manage the information-gathering and assessment exercise, before reporting findings to the organisations’.

A list of the potential questions that will need to be addressed at some point of the decision-making process is provided below. While not necessarily requiring a full business case, responses to the list of considerations can help highlight potential opportunities, challenges and risks.

- How does it contribute to the objectives?
- What are the current budgets and costs associated with this activity?
- What are the initial set-up cost and resource requirements?
- What are the risk factors for the activity and council?
- How do the current systems and processes align across the councils?
- What design and process requirements will need to be in place before the shared activity can progress?
- What delivery options and structures might apply?
- What are the likely shared costs once operational?
- What are the opportunities for future growth, innovation or commercialisation of the activity?
- What will be the impact on existing staff and activities during project implementation?

Final appraisal and recommendations for suitable shared services activities can be produced following consultations and having developed a clear understanding of the implications of proposals. A structured appraisal process can be formulated using criteria that are most relevant to the activities and parties involved.

However, the criteria should be linked to the objectives and benefits, with different weighting applied based on agreed priorities. A criteria-scoring-weighting example is included in section 5.8 and could be modified for the activity assessment process.

At the point of providing a transparent process and rationale for activities suitable for proposed shared arrangements, it is assumed that these will be reported to the stakeholders for consideration and agreement.

A consolidated business case (ie accounting for all partners) is recommended following an assessment of suitable options for shared services and confirmation of participation from the contributing councils.

Stage Outcomes:

1. Options are appraised and ranked based on agreed criteria and process.
2. Recommendations to the governing body / bodies on which shared services activities to progress and on what basis.
3. Recommendation on what activities require further investigation and / or the development of consolidated business cases.

5.6 PARTNER PARTICIPATION

Not only does the suitability of an activity for shared services need to be tested against some predetermined criteria or decision-making process, the organisations (councils) involved in proposed arrangements will also need to test their appetite for, and commitment to, shared services.

Based on the international literature, the organisation(s) considering shared services arrangements would ideally demonstrate the following characteristics:

- a clear strategic direction that understands partnerships and what could be shared in the short term
- the business case or rationale accepted with commitment from political leaders and the chief executive
- an appetite for risk and / or history of working together that has borne benefits to all parties
- the necessary skills and behaviours that promote change
- the ability to fund strategic investment.

As in section 5.5 above, councils should independently determine their preparedness to undertake the proposed shared services activities. As part of appraising the activities suitable for shared services, councils will have received information on the rationale for proposed projects, the relative costs and benefits, a risk assessment, an analysis of options and recommendations on how to progress projects.

Councils will need to consider such information in the context of their own business and long-term plans. As previously outlined in the success factors for shared services, having strong leadership and a commitment to resource shared services projects is critical to progressing shared services arrangements.

Stage Outcomes:

1. Individual council reports produced assessing rationale, cost implications, risks and opportunities to participate.
2. Individual councils agree, or not, to participate in a shared services arrangement and on what basis to do this.

5.7 PARTNER AGREEMENT AND PROCESS DESIGN

This stage of planning shared services arrangements can be complex and is generally articulated in a comprehensive business case. In the first instance, however, a more principled approach may be required so that there is clarity between the parties on the following:

- what activities and considerations are in and out of scope
- what functions remain in-house
- an understanding of the end-to-end processes involved in the proposed shared services
- what processes will need to be standardised and / or simplified
- that service delivery can meet corporate client services and needs
- what will be the basis of cost allocation. This consideration may be finalised as part of the structure and governance arrangement.

Based on international and New Zealand experience, this planning process and getting agreement by the partners can be undertaken by various means. These include establishing a working party with appropriate expertise and responsibilities from the councils involved, contracting a specialist consultant to

provide a report and recommendations. Another option is to establish a formal structure and resource this to project manage shared services planning and implementation phases.

Depending on the scale and nature of the shared services arrangements proposed, design considerations will be varied but numerous. A generic list of design elements is provided below.

5.7.1 Location

Will the services be provided from across the councils, within a single council, contracted out or from a new centralised location? The structure of the arrangement will be a determining factor here.

5.7.2 Finance

Establishing set-up and operational costs will be a priority for most councils, particularly where an objective of the shared services project is to reduce costs over time. The charging for services will be another consideration.

A challenge for many projects noted in the literature review has been getting agreement on funding contributions. Where a shared services project is between organisations of a similar scale and service needs, achieving an equitable funding arrangement will be easier. However, this is generally not the case, and scale, need and geographic spread can vary, making apportionment of costs and benefits more complex.

In New Zealand there is already considerable precedent in developing funding formulae for regional activities such as economic development, tourism, waste management and water supply. Similar approaches can be applied to other shared services projects. However, the difficulty of establishing a national shared services funding model is highlighted in the National Library ICT systems examples outlined in section 3.6.

Cost allocation arrangements will vary according to circumstances and include equal allocation across all members, charges based on population bands, direct charge for services, and charge per transaction or by share of savings generated from procurement activities.

5.7.3 Technology

Where the shared services proposal is technology based there will be a comprehensive plan developed in partnership with suppliers. However, for other activities, the technology implications may be less clear. Expertise will be required to identify the interoperability, support arrangements, software packages used, supply agreements and the individual council requirements associated with any shared services project. Consideration will also need to be given to scalability and the future delivery mechanisms for the activities being promoted for shared arrangements.

5.7.4 People

As identified in Part A, the management of, and communications with, staff associated with change processes is essential to the ultimate success of shared services arrangements. The threat of job losses or a potential change of roles can engender varying responses from existing staff, all of which will require change management systems to be in place.

Consideration will also need to be given to the roles required under a new delivery process, what existing expertise is available to be shared, what training will be required and whether existing human resource policies and contracts are reviewed.

5.7.5 Managing change

In addition to staff factors mentioned above, the whole process of managing migration to a new arrangement can be complex. The critical message from international experience is to allow ample time in this phase and to develop good communication mechanisms with all stakeholders. Thus identifying the change factors that need to be managed will form part of the project design process.

5.7.6 Governance and delivery structures

Options for these are covered in more detail in the next section. However, where there is not already a suitable and agreed collaborative arrangement in place to manage a shared services project, consideration of the appropriate models can be reported as part of the design recommendations.

5.7.7 Processes

Processes – while many council functions are relatively standardised and common across the country, internal arrangements and delivery mechanisms can vary. Where applicable, such variances in council requirements and delivery will need to be identified, as will options for a common approach.

5.7.8 Regulatory / legal implications

The legal framework within which councils can provide shared services is covered in the Local Government Act 2002 (LGA.) However, in the areas of procurement and environmental services there may be other regulatory and / or legal considerations to be investigated. These will include trade regulations, commerce legislation and the ability (or not) to transfer delegated authority from central government as part of proposed delivery options for shared services.

Collating and reporting all the above design and delivery considerations to decision makers will be a timely exercise, but critical in ensuring the appropriate systems and structures are in place for the implementation phase. Without a clear understanding of all the above design factors and implications for the contributing councils, getting long-term commitment to shared services programmes will likely prove challenging.

Stage Outcomes:

1. For each activity being considered for shared services, a consolidated business case is developed and reported to councils.
2. Individual councils commit to progressing to a more formal shared services arrangement and provide the necessary resources.

5.8 STRUCTURE AND PROCEDURES

Models for shared services arrangements provide the base options around which formal processes and structures can be established. Structures should reflect the nature of the services to be provided and the agreed principles upon which projects are founded. Section 2.4 described the various models commonly adopted for shared services and in what circumstances they would be used.

For the New Zealand context, five structural options are considered upon which parties can assess their relative strengths and weaknesses for any proposed shared services delivery. The five options are:

- informal or semi-formal collaboration: many existing New Zealand arrangements fit into this category and will be evident as projects within regional fora of mayors and / or chief executives, shared services working groups, partnership agreements and memoranda of understanding, for example. For strategic and planning activities, or ad hoc projects, such arrangements can be sufficient. Taranaki and Southland regions tend to operate on this basis.
- joint committee: a committee established with representation from participating councils with a mandate to make decisions on shared services activity on their behalf.
- joint venture: a commercial arrangement between council(s) and an independent delivery body. These are common practice in many of the UK models but less evident elsewhere. Joint ventures with private sector partners or government programmes may emerge in the future as shared services arrangements mature. In New Zealand the proposed library system and the Auckland graffiti database project fit into this category
- council-controlled organisation (CCO): such structures are common in New Zealand where there are commercial activities and / or multiple parties involved from a governance and financial perspective. Bay of Plenty and Manawatu-Wanganui Local Authority Shared Services (BoPLASS and MWLASS) fit into this structure (see section 3.4)
- outsourcing: particularly in the case of the aggregation of ICT services and procurement projects, a simple outsourcing arrangement is an option. As with any of the above structures, the requirements and expectations from the participating councils are included in service level agreements.

In some instances, a commercial contract between councils may be the appropriate option, particularly where there is a dominant party with the required expertise and capacity to provide additional services in a region.

What is evident in New Zealand is that councils will often be involved in multiple shared services structures that are aligned to the nature and scale of the activity.

It is more the CCO model that attempts to umbrella all of a region's shared services activities.

A means of determining which structural option is most appropriate for the circumstances being considered is presented below (Table 10.) It is an adaptation of criteria developed by Chartered Institute of Public Finance and Accountancy (UK) shared services planning material and provides for weightings to be applied to criteria based on agreed importance. The higher the score, the more appropriate the fit of structure for a proposed project.

Councils will be very familiar with the operational aspects of governance and committee structure, so details on these aspects are not included in this report.

Stage Outcomes:

1. An appropriate shared services structure is established.
2. Governance arrangements, rules and representation are agreed by the participating councils.

Table 10 Assessing structural options

| | Weight | Score for each option | | | | | Weighted score each option | | | | |
|---|--------|-----------------------|---|---|---|---|----------------------------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 1 | 2 | 3 | 4 | 5 |
| Criteria | | | | | | | | | | | |
| Fit with strategic vision, objectives and services / project scope | | | | | | | | | | | |
| Scale of net benefits / cost savings to each councils over a defined period | | | | | | | | | | | |
| Councils retain decision-making powers affecting services | | | | | | | | | | | |
| Funding and operational cost implications for councils | | | | | | | | | | | |
| Capacity and capability of councils to deliver and operate services (eg resources, expertise) | | | | | | | | | | | |
| Impact on existing staff (eg job losses, career development opportunities) | | | | | | | | | | | |
| Results in improved standard of services | | | | | | | | | | | |
| Closeness of fit with government agenda and regulatory requirements | | | | | | | | | | | |
| Scalability and sustainability of service, with opportunity for continuous improvements | | | | | | | | | | | |
| Extent to which additional management and professional expertise required | | | | | | | | | | | |
| Individual council acceptability | | | | | | | | | | | |
| TOTAL SCORE | | | | | | | | | | | |

5.9 IMPLEMENTATION FRAMEWORK

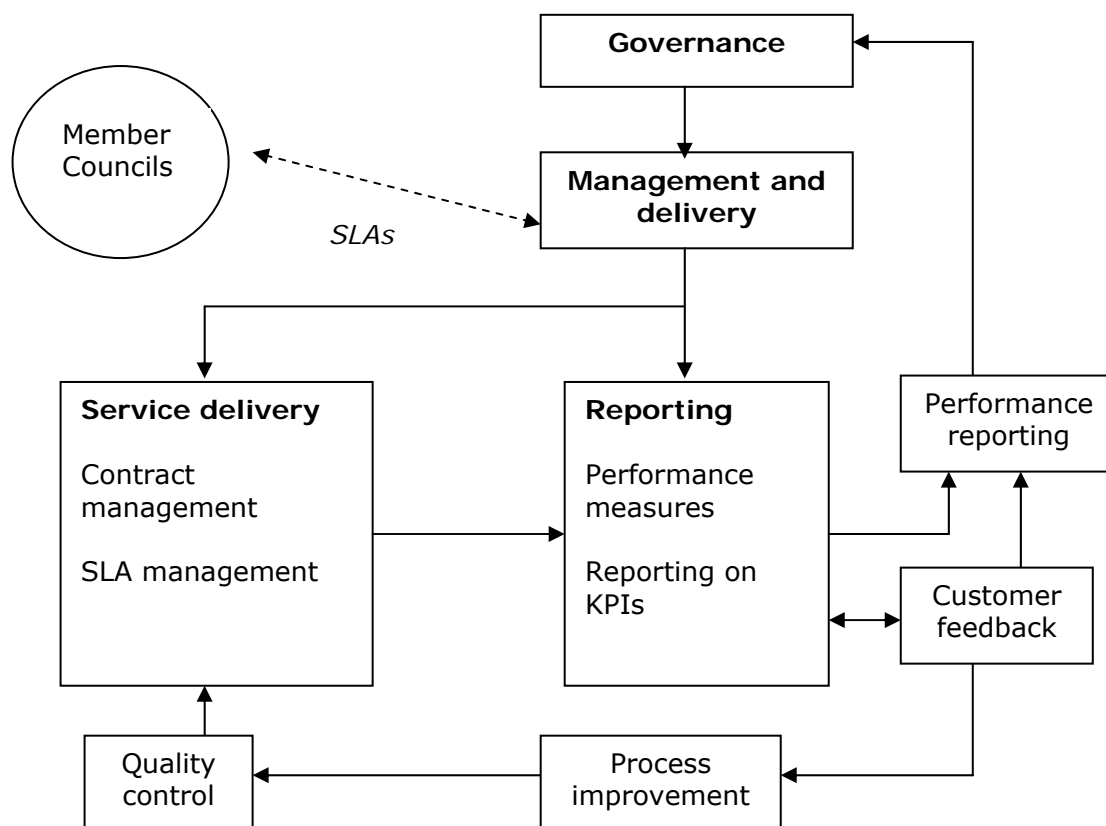
A service delivery and management framework is necessary to ensure the shared services operations deliver to customer needs as agreed and defined in any service level agreements. The delivery aspects of the agreed shared services will be familiar to the councils and their staff. Although projects may be resourced with existing staff, implementation of activities generally requires careful management because of the multiple stakeholder interests.

Service management will involve regular sessions and communications with the councils as customers. A reporting and monitoring regime to assess performance and monitor improvements will be an important component of the implementation process. Service management objectives should aim to align the services provided by the project with the objectives and service requirements of participating councils.

A framework that links the aspects of governance with delivery and performance reporting is proposed (Diagram 4) where:

- management and delivery are ensuring that contractual terms are being met and monitored, and changes made as necessary
- service level agreement (SLA) management is to set up suitable SLAs which define the responsibilities between service provider and customer
- quality control is the systems put in place to monitor processes and service outputs on a day-to-day basis
- performance measurement is to track transactional parameters, unit costs and adherence to key performance indicators (KPIs)
- reporting of KPIs is to be carried out on a regular (normally monthly) basis, to communicate with the governance body or appropriate political process
- process improvement is to facilitate change and to correct service non-compliance as required
- customer feedback is to regularly measure levels of customer satisfaction with services provided to help inform delivery improvements and determine performance outcomes.

Diagram 4 A delivery and reporting framework



Other factors to consider as part of the implementation process are risk management and the development of detailed plans that include progress milestones. Such disciplines provide a basis for reporting and continual process improvements.

Identifying and managing risks is standard good business practice and equally applies to implementing shared services arrangements. Some common risks experienced in examples mentioned in Part A are listed in below (Table 11.)

Table 11 Common risks

| Risk area | Risk factors |
|-------------|--|
| Finance | <ul style="list-style-type: none"> • partners unable / unwilling to provide finance and resources • unforeseen / unplanned cost increases |
| Leadership | <ul style="list-style-type: none"> • lack of political and / or senior management support • poor project management • project reliance on non-management staff |
| Operational | <ul style="list-style-type: none"> • lack of staff buy-in and support • union opposition to changes • staff resistance to contributing to new systems and processes • lack of internal capacity and capability |

Stage Outcomes:

1. Staff, funding and other resourcing requirements are in place.
2. Communications process is established.
3. Operational procedures are established.
4. Councils have change management processes in place as required.
5. Reporting requirements and KPIs are agreed.
6. Service level agreements are in place.
7. Risks have been identified and mitigated.

5.10 MONITORING AND REVIEWING

At the beginning of the shared services planning process some objectives will have been developed and agreed. It is important to undertake a regular review to determine to what degree these objectives are being met, and what some of the constraints to further progress are. Equally, the business case for specific activities will include indicators and / or measures to be reported against.

However, the review process can be more thorough at the early stages of implementation in order to assess risks, general service performance and what factors need greater attention or management. A review of shared services arrangements and their specific activities might include the following:

- meeting objectives: to what extent have objectives and expectations been met?
- financial performance: how has implementation performed against budget and have the cost savings anticipated been generated? What changes may be required in the future?
- activities evaluation: how has service delivery performed against the evaluation measures developed in the business case(s)?
- additional benefits: has the delivery of shared services resulted in unanticipated benefits and what is the ongoing value of these?
- governance arrangements: are governance arrangements functioning as planned?
- risk management: what challenges have arisen and how have these been managed?
- community and stakeholder feedback: what formal and informal feedback has been received from service customers?
- systems and processes: are the necessary systems and processes in place for effective delivery and how are these working?
- compliance standards: are all reporting, compliance and regulatory standards being met and outcomes improved?
- challenges faced: what additional challenges have been experienced and are there likely to be ongoing impacts?
- new opportunities: what innovations and new opportunities have been identified as part of the project implementation?

Depending on what governance or decision-making arrangements are in place for shared services projects, the review findings would help inform management priorities, areas for improvement, support for new initiatives and the re-assessment of objectives.

Stage Outcomes:

1. Regular reports are provided to councils on performance and progress on objectives.
2. Opportunities for further services, improvements or changes required are identified.

Part C. Assessment of selected national activities

6. Assessments

Based on undertaking an initial assessment of the selected activities for national shared services and determining the best fit for *Local Government New Zealand* (LGNZ) as the lead organisation, recommendations are made to develop business cases for specific projects. These assessments are relatively high level and in many instances will require more information before progressing in detail. In addition to progressing specific projects, a national shared services programme would likely include further analysis of some activities and preparations for future initiatives.

The first stage in determining which of the selected activities warrants a full business case is to understand the nature and scale of the opportunity presented. To achieve this objective each of the activities is reviewed and assessed based on supplier / industry practices, what regional shared services in each activity are progressing already, what the likely risks are, and identifying the potential opportunities for LGNZ or another national body.

Without detailed council spending figures for each activity or going through an Request for Proposal (RFP) process to test what national arrangements would be available, it is difficult to assess potential savings from national procurement examples. At this initial stage the experience of regional shared services projects and government procurement is used as a proxy for believing that significant cost savings could be achieved with national procurement. Subsequent business cases would quantify current spending and potential savings for councils.

National opportunities take into account the potential to generate cost savings for members and LGNZ, imperatives to design standardised local government systems, and the likelihood of future changes in the way that activities are conducted. The organisation can then determine whether and how it wishes to proceed with a national shared services programme as a consequence of this report.

It should also be noted that while each activity is assessed individually, there are often inter-relationships between them (eg aerial photography and geographic information systems (GIS) standards.) In the case of procurement activities like software applications, a successful model also helps advance "standardisation" objectives by incentivising the use of common software.

This activity assessment exercise will also highlight some challenges for national shared services activities that have less to do with individual services, but are more related to current practices and having to shift council cultures. These issues are outlined in section 6.12.

6.1 ENERGY SUPPLY

6.1.1 Opportunity

There is an opportunity to aggregate power usage across local government and present to the market as a large user in order to obtain discounted pricing and additional service benefits for councils.

Only electricity supply was considered in this exercise because of the competitive nature of the sector and the volume of combined council usage.

6.1.2 Current situation

The electricity market is administered by the Electricity Commission (EC) and is divided between generation, transmission, distribution and retailing. By international standards the industry in New Zealand is considered deregulated and efficient. The government is undertaking further reforms to open the market as evidenced by the creation of a "liquid electricity hedge market" and five major generators committing to the Australian Stock Exchange for electricity futures contracts.

Electricity is "purchased" at grid exit points through a bidding process by retailers and major industrial users (eg Tiwai Point aluminium smelter) who are directly connected to the national grid. The electricity market is run by the New Zealand Stock Exchange but contracted to the EC. Prior to June 2009 these electricity financial and management services were provided by Market Company.

Distribution is through 28 lines companies, each of which has monopoly control over its network. Several of these lines companies are fully owned subsidiaries of councils or councils have significant shareholdings.

The five major electricity generators (Meridian, Genesis, Mighty River, Contact and TrustPower) also have retailing arms. In 2009 these companies controlled 93 per cent of the retail market. There are a further seven significant retailers, some of which have a regional customer base only. The regulations also allow for distributed generation where an electricity generator connects to a local network.

Contracts with councils generally use the supplier's terms and conditions. Thus the electricity industry is very much supplier driven, although retail customers can readily change suppliers. Councils generally select a supplier through a pricing tender process and enter into one to five year contracts, which will often include penalty clauses if the agreement is broken. Large businesses use a similar process, although this will often be conducted by an independent energy broker to get the best deal.

Few examples of regional aggregation were identified. The Waikato shared services arrangement has in the past included energy in its procurement activities. The lack of a regional approach along the lines of the successful insurance broking suggests that significant price differentials are not achieved through aggregation. There are, however, reports of councils with a large industrial user in the area leveraging off their direct supply agreement.

6.1.3 Application for LGNZ

There are several possible approaches for a national electricity supply arrangement for councils. Firstly, LGNZ could co-ordinate the aggregation of councils' electricity requirements and then go to the market to negotiate a bulk purchase and distribution arrangement. There would need to be an attractive percentage cost saving through aggregation for councils to switch from their current contract, as well as a margin for the LGNZ co-ordination function. Providing a central administration function (eg billing) would also provide LGNZ with an ongoing revenue stream.

Secondly, as the representative of a “major industrial user” as defined by all councils, LGNZ could be a purchaser of electricity on the spot market and become a direct supply consumer. Currently wood processing companies and Toll New Zealand fit into this category. They are characterised by large energy demand, have only a few sites and / or own an existing distribution network. Achieving such an arrangement across New Zealand to multiple council sites would be more complex.

The EC advises that there is no formal definition of a “major industrial user.” However, formal approval from the Electricity Authority is required for a party to be able to trade on the electricity market. Without industry knowledge and expertise available to LGNZ, the risks are assessed as high from both a financial and operational perspective. For example, a surge in spot market prices due to low water levels could result in LGNZ paying higher electricity prices than it is charging individual councils, who would presumably require a fixed annual rate.

In the first instance, LGNZ could work with an energy broker to determine the best available deal for a council collective. A first step in testing aggregated pricing offers would be identifying the total current spending and demand from councils.

Another option to consider is promoting new energy-efficient, on-site power generation systems for high energy use sites such as swimming pools, street lighting, administration blocks and other council facilities. LGNZ could be the New Zealand agent for such power generation systems. The application of new technologies has the potential to lead to more sustainable energy savings than merely negotiating a competitive usage deal on a fixed term basis.

6.1.4 Risk factors

The energy industry is a competitive market, with several large suppliers who are also electricity generators. If LGNZ were to facilitate a collective energy price arrangement with an existing supplier on behalf of all councils, the risks would be relatively low. However, if it were to extend into other tiers of the industry, like energy purchase and network transmission arrangements, this would become more complex and would require industry expertise in the first instance.

The following risks are determined and would likely need to be mitigated for LGNZ to consider electricity supply as a priority shared services project:

- insufficient councils signing up because current contracts are not aligned, agreements with their local lines company may take priority, or council connections with broadband roll-out by local lines companies may influence electricity supply decisions
- not being able to negotiate a significantly better deal than metropolitan regions (major users on which any business case will be predicated) can arrange through an independent tender process
- the high cost to employ a market specialist or energy broker if the purchasing option is pursued, which may provide insufficient margins for LGNZ
- the exposure for LGNZ to any fluctuations in electricity prices and demand
- councils still going to the open market despite a national structure being established (as with insurance and Civic Assurance)

- predatory pricing by other retailers in the market to retain existing customers (particularly with metropolitan councils), which would undermine a bulk supply arrangement.

6.1.5 Recommendations

Negotiating a national energy supply deal is complex and financially risky at this stage. A precursor to any national arrangement would be to first align existing contracts that councils have with the various suppliers; otherwise it could prove difficult to (a) demonstrate aggregated demand upon which a price and conditions are negotiated, and (b) demonstrate actual council commitment in the immediate term.

In order to go to the market to test what level of discount could be achieved through a bulk supply deal, the current usage levels would need to be known. The various suppliers are at an advantage as they will already know this.

The immediate priority would be to get agreement for the councils to align future energy supply contracts so that they all fall due for renegotiation in the same year. For councils to consider this there would need to be a degree of certainty that cost benefits would subsequently accrue from an aggregated model. Recent regional experiences in shared energy supply contracts suggest that there is limited cost advantage compared with competitive tendering by each council in the market place.

Simultaneously, LGNZ would investigate self-generation options available and supported by councils. If this looked like an attractive option for the future, a bulk purchase or licensing agreement for New Zealand could be investigated. Thus any energy project would still have a procurement focus but for equipment rather than facilitating aggregated electricity demand.

Therefore it is recommended that LGNZ:

1. identify total council electricity usage and undertake an RFP process to determine the level of savings that could be generated from national demand aggregation
2. research independent electricity generation technologies and the potential local government applications and procurement opportunities for these.

6.2 TELECOMMUNICATIONS (SYSTEMS AND SERVICES)

6.2.1 Opportunity

The increasing use of digital technologies by councils will provide avenues for national procurement related to usage, equipment, digital applications and servicing. For the purposes of this review, telecommunications shared services focus on line or mobile charges, and related ICT technologies that promote common systems across local government. Thus there are several approaches that can be adopted in the telecommunications area:

- negotiate a phone line, mobile and broadband fixed usage rate for local government with a telecommunications provider or providers

- leverage off telecommunications rates negotiated by central government for the public sector
- negotiate and establish a new funding model and process based on free internal (across councils) usage
- arrange a national deal for telecommunications systems, servicing and applications that then promote greater interoperability and standardisation of online and digitally based activities.

The industry also refers to “cloud” computing solutions as the future trend to enable shared services. This is internet-based computing whereby shared resources, software and information are provided to computers and other devices on-demand, like electricity. Cloud computing is internet infrastructure where you pay as you go and use only what you need, all managed by a browser and technology application. Thus there is a centralised system with local control.

In the case where local government is unlikely to arrange a better deal than would be provided through a public sector arrangement, efforts could be better targeted at promoting a future state for telecommunications funding models and shared services systems.

6.2.2 Current situation

The majority of councils (65) are signed up to a Telecom deal known as Tahi, which is an arrangement for government organisations. Some councils have gone through a tender process and received better service arrangements (by one or multiple providers) but few are able to compete with the Tahi offering even through regional aggregation. The current Tahi suite of telecommunications services is predicated on local government being part of government, where central government usage is approximately four times that of all the councils.

As part of the government’s efficiency programme, the Department of Internal Affairs (DIA) and the Ministry of Economic Development (MED) are leading negotiations on future national ICT service arrangements. At present, all government agencies would be bound by a national arrangement, with State Owned Enterprises, universities and Crown Research Institutes able to opt in. There is currently no provision for local government in the rules and this is a situation that LGNZ may wish to address.

Should Telecom and its trading arms provide the national ICT services, then they have already indicated that any national deal would apply equally to local government. They are already working on this basis.

There are also examples of local government telecommunications-related services being offered at a national level that can be provided independent of the council’s technology and / or telecommunications provider. The Aotearoa People’s Network (APN) provides free internet access in public libraries. This activity uses common infrastructure, hardware, software applications, support services and telecommunications arrangements, all of which are co-ordinated through a central structure. Thus the offering and quality of service to customers is nationally consistent but delivered to accommodate local needs. A subscription funding model for the service is currently being finalised.

Palmerston North City Council provides call centre services to 25 councils throughout New Zealand and plans to expand this to 50. The council can

compete with private call centre providers on the basis that it specialises in local government and can readily customise requirements for individual councils. Again, there is a centralised system provided through technology and independent telecommunications arrangements that still respond to local needs.

The 2010 Association of Local Government Information Managers (ALGIM) shared services report noted "the growth of cloud based ICT solutions including software as a service and infrastructure." This approach removes the need for duplicating ICT "infrastructure" across councils, particularly where a need may be necessary but irregular and relatively low volume compared with other council services.

6.2.3 Application for LGNZ

Since telecommunications services could be directly linked with some of the "standardisation" activities also being reviewed, there are several approaches that LGNZ can advance in this area.

The obvious first one is to ensure that any public sector favourable arrangement with the telecommunications sector for the provision of services also includes local government. This may be achieved through agreement with MED and DIA that the current rules allow councils to opt in, and, failing that, confirming with the private sector supplier(s) that any public sector supply contract applies equally to local government if councils request it. This would provide a cost of services benchmark for council, against which they may seek improved terms from competing suppliers.

From a national perspective it is unlikely that a local government collective would attract better terms from another supplier(s) than those accorded government as a large user. However, once the new ICT agreement with government is finalised, LGNZ could still investigate alternative options with telecommunications providers who are not included in the national deal. Presenting a local government collective may provide a good business case for a competing telecommunications provider to better a government deal as a strategy to retain market share.

A condition of any such deal might be that inter-council communications are free, which then provides a competitive advantage over other suppliers and promotes local government collaboration. Success with this approach would provide comparative cost savings for councils and a revenue opportunity for LGNZ as the aggregator of demand and deal broker.

The second area of activity is to identify council activities that in future would benefit from a "cloud" computing model, and develop technical and cost options for these. In the first instance, irregular council services such as community consultations, council grant processes, facilities booking systems and the like could be established to provide proof of concept before more complex national shared systems are established through telecommunications infrastructure providers. The pay-as-you-go model allows councils to opt in and out as necessary, while reducing the need for duplicate systems across the sector for the same activities.

The third project area is an extension of the APN example, where LGNZ would co-ordinate a national system for common digitally based services (eg property data.) However, as demonstrated by the national libraries technology experiences, seed funding would be required unless there were significant investment contributions from individual councils to implement such a project.

Depending on the technology solutions for digitally related activities for Auckland, the opportunity to extend these nationally may also become evident.

6.2.4 Risk factors

The risks associated with telecommunications projects will depend on the approach LGNZ adopts. Does it wish to act as a broker on behalf of its membership and receive no direct financial benefit itself; or perform the task of agent (or owner) for a specific project, at which point it might establish a fees, membership or subscription model as a revenue generator for itself? The former situation of being able to demonstrate tangible financial benefits to members does provide valuable marketing collateral for LGNZ as a membership organisation and could be replicated with other activities.

In the case of arranging a national telecommunications deal outside any government programme that councils could opt into, the cost-benefit differential would need to be significantly better to attract councils into a separate arrangement. The ability to provide additional services and features as part of any telecommunication package (eg free national call charges across councils) would also provide more attractive terms for councils to favour a non-government arrangement.

Becoming directly involved in developing centralised systems for digital telecommunications functions is more risky, particularly because of the potentially high establishment costs for infrastructure. This risk can be mitigated by partnering with a private sector provider, who would meet the build costs and recoup their costs through usage fees.

The risk factors identified in the energy activity above apply equally to this telecommunication area – that is, the ability to commit councils to a national arrangement, opposition supplier behaviour and financial exposure for LGNZ in some instances.

6.2.5 Recommendations

The following recommendations for telecommunications procurement are made:

3. Leverage off government's telecommunications supply agreements so that they apply also for local government.
4. Begin negotiations with suppliers for toll free calls and broadband traffic deals between councils. Such arrangements would likely be a component of special arrangements for local government as part of the telecommunications offering to government agencies.

The recommendations relating to "cloud" computing and centralised digital systems are included in section 6.3 below.

6.3 SOFTWARE PURCHASING AND LICENSING

6.3.1 Opportunity

The growth in ICT and software applications provides several opportunities for a national shared services approach. These apply to current and future practices

like the cloud computing infrastructure discussed in section (6.2.) In most cases there will be a relationship across other ICT-related projects outlined further in the sections 6.4 and 6.6-10. Software purchasing and licensing are potentially common considerations in all the ICT activities.

Opportunities include to:

- negotiate a national arrangement for local government with the major software companies where common programmes are being purchased and used by councils
- have an exclusive distribution right to all councils for commonly used programmes
- facilitate the transition to common applications for standard services provided by councils
- provide a national process to “test” new programmes of interest to local government
- provide “cloud” computing services to local government.

6.3.2 Current situation

Major companies like Microsoft negotiate licensing agreements annually with user groups including government and local government. Local government is represented by ALGIM, which then promotes council interests and subsequent charges.

Other specialised software programmes are marketed to councils by individual companies, which can result in different programmes being used across the country for the same activity. In the instance of libraries, three different programmes were in common use and it wasn't until the majority supplier decided not to service its product beyond 2012 that the need for a common platform was promoted and accepted.

As identified in the ALGIM shared services report, internal technology-related issues were the primary driver for ICT shared services. Of ongoing concern is companies ceasing to support their software, which then means reviewing other options to perform particular tasks. A collective approach to solving the support issue is evident in shared services activities to date.

Local Government Online Limited (LGOL) was also established to provide an e-government portal for local government. It provides a range of products and services under a shared services model. Current examples include common forms, local government tenders, survey capability, a resources library and management tools. LGOL therefore provides an existing mechanism to progress some standardisation initiatives and ICT procurement projects.

Regional councils have been active in standardising their approach and systems, particularly related to GIS. BoPLASS has arranged joint GIS licensing with the software company ESRI, anti-virus licensing and joint software support. While the reported cost savings are small (\$20,000 for GIS,) it demonstrates the potential at a national level considering the number of software programmes in common use across councils.

For smaller local authorities that don't have the broad range of in-house ICT skills and are increasingly required to support processes and systems, there is an emerging trend to contract services out. Stratford District Council has a five year contract with Civica to manage all hardware, software and communications from September 2010. This company has a significant software presence in Australian and New Zealand councils and is therefore likely to be promoting wider ICT management services with provincial and rural councils in particular. MWLASS has also been through a tender process for ICT management services.

There is already considerable collaboration on ICT projects and the contracting out of ICT services across local government. The current situation is driven by council business needs and not a national plan which makes standardisation of systems challenging in the first instance. The risk of ad hoc regional solutions is that any imposed national system may require major re-investment for councils.

The degree to which the Auckland Council ICT systems and software drive any national standardisation process would initially require national leadership and facilitation. The previous Auckland councils had certainly advanced common GIS platforms; however, major investment in ICT is still required to transition to standardised services and processes.

6.3.3 Application for LGNZ

As the national membership organisation, LGNZ can perform the role of firstly facilitating a national ICT strategy for local government, and secondly taking practical steps to help provide standardised local government ICT applications through aggregated procurement of software applications.

The facilitation function would logically involve partnering with the government's ICT programme where applicable to local government, leveraging the ICT investment for Auckland and promoting a national ICT strategy with common software and / or interoperable applications. The last would allow more software testing, purchasing and licensing at a national level. Without a strategic approach the financial risks to councils through duplication and poor software selection are significant in the longer term.

Should LGNZ wish to take a more active and revenue-generating role, the opportunities would lie in negotiating national software agreements both for currently used applications and for proven new technology that would be promoted to councils. Some of this activity is already successfully occurring regionally, so the model is proven. Procurement deals would have to be arranged on the basis of first understanding what common applications currently exist across councils.

The funding model for this procurement activity could be membership, fees or commission based.

Because of LGNZ's shareholding in LGOL, the other option would be for this organisation to take responsibility for specific ICT shared services projects. This approach also engages ALGIM, the Society of Local Government Managers (SOLGM) and Civic Assurance as the other LGOL shareholders.

6.3.4 Risk factors

Although relatively simple in concept, this area can be complex and risky because of a number of factors. Thus a strategic approach led by LGNZ (or another national local government organisation) is advised.

Firstly this area requires a high level of technical knowledge and an understanding of local government systems. As processes have become more automated, the number of software applications used by councils is large compared with other businesses. To ensure there is a high level of technical understanding involved in ICT shared services it would be advisable to involve ALGIM as a partner. Their members are already involved in regional shared services, understand the challenges and can credibly promote the benefits of standardised applications.

Equally, LGOL can provide both strategic leadership in this area and practical implementation options in some instances. To what degree LGOL has the ability to resource additional work is untested.

Another risk relates to timing. Many councils will have legacy software programmes and contracts, which means transition to a national arrangement will take considerable time. On this basis, the safer approach for LGNZ is to negotiate national deals for a few more universally used programmes. These would include GIS software, Microsoft products, anti-virus programmes, and finance packages. Such an approach means that benefits to a majority of councils can be more immediately demonstrated.

Advancing into new technologies such as cloud computing comes with high risks but potentially far greater financial rewards as a revenue generator for a national organisation. Aside from the technical risks, getting council take-up of national procurement activities will pose challenges without a good business case being prepared.

6.3.5 Recommendations

5. Partner with LGOL and ALGIM in a national membership / licensing arrangement for software programmes.
6. Develop a local government ICT strategy aligned with Auckland Council and government ICT programmes.
7. Partner with LGOL and ALGIM to identify what specific local government activities could be trialled with "cloud" computing and develop a business case(s) for these applications.

6.4 AERIAL PHOTOGRAPHY

From time to time councils undertake aerial photography exercises covering their boundaries, using specialist firms and equipment. There appears to be limited local government co-ordination even though requirements and standards are increasingly the same; this presents some obvious opportunities.

6.4.1 Opportunity

A national shared service in aerial photography and related technologies could include the following:

- a nationally co-ordinated aerial photography programme
- aggregating demand and arranging a national tender.

While aerial photography is currently provided with fixed winged aircraft and helicopters, technology advances mean that future ground imagery will be via satellite. Since other government agencies (eg Defence, Police, Ministry of Agriculture and Forestry (MAF,) Department of Conservation (DoC)) also require high definition imagery, the opportunity will also exist for a party to provide national co-ordination and procurement. If local government were this party, the resulting products could be sold to other agencies on a contract or fees basis.

Thus a future opportunity is to:

- investigate and secure the use of satellite imagery for local government environmental and planning requirements.

6.4.2 Current situation

Aerial photography is used to provide high resolution digital imagery that forms the background and topography layers for council GIS systems. Up until 2005 Land Information New Zealand (LINZ) and its predecessors commissioned national aerial photography and published orthophotos which were publicly available. Advances in satellite technology mean that aerial photography is no longer commissioned by this government agency.

Councils have traditionally organised their own aerial photography based on the need for high resolution property information. As equipment advances provide higher quality imagery, councils tend to regularly update ground photography and therefore require an aerial photography programme.

There are several aerial photography providers in the market, who are obviously keen to work with individual councils to maximise returns. BoPLASS recently awarded a \$1.65 million contract to NZ Aerial Mapping on behalf of seven councils in the region to provide ortho-rectified photography. Wellington City Council (WCC) has commissioned Terralink to provide photography imagery for their GIS system for resolution down to 0.1 metre, which was not possible with earlier technologies.

In other regions, co-ordination efforts have proved challenging primarily because of timing and budgetary issues. In some instances different technical specifications are required because of legacy software and systems. A council's demand for aerial photography varies by year and is often budgeted for accordingly. However, any nationally based arrangement could accommodate different timing requirements across the country better than a regional one. Also refer to section (6.10) which relates to aerial photography.

6.4.3 Application for LGNZ

Aerial photography is generally seen as an early regional shared service, but has proved difficult to co-ordinate in many instances. A national approach would better accommodate individual council timing needs given that a supply contract can extend over several years.

Local government also has a direct interest in the outcomes of the New Zealand Geospatial Strategy work, which includes the sharing of property imagery and datasets to avoid any duplications of public expenditure. As with other examples of sharing resources between central and local government on a "free" basis, the debate over publicly funded versus ratepayer funded activity continues to be an impediment.

Thus LGNZ could have two roles in this activity: firstly, the practical step of aggregating existing council demand for aerial photography and arranging a national contract on favourable terms; and secondly, working with government on a shared arrangement that could also include the proposition that councils are best placed to collect and maintain geospatial imagery. Providing shared access would require central government funding. As a result council needs are subsidised and government agencies avoid duplication. .

6.4.4 Risk factors

The key risks for LGNZ in arranging a national programme for this activity relate to the potential for future changes in the way that imagery is gathered and by whom. Technology advancements in the photographic and processing equipment used to generate land imagery may result in this being available in real time and at sufficiently high resolution via satellite. This would negate the need for the current aerial photography practices. The timeframe within which this may occur is uncertain; however, the fact that LINZ ceased its national aerial programme in 2005 because of pending satellite options provides some indication.

The other risk in advancing a national aerial photography project is the Government's agenda in its ICT programme to openly share data across all of government. This removes the need for duplicate imagery by government agencies and local government. Work is already progressing to identify current geospatial property datasets in local and central government with a view to establishing a single source. Whether the responsibility for a national aerial photography programme rests with a government agency or councils is undetermined.

If it rests with local government, the opportunity for LGNZ to co-ordinate a national programme is obvious. If it rests with a government agency, LGNZ would only be a stakeholder and any national procurement arrangements it already had in place risk would presumably not be required.

With these risks in mind, the demand for aerial digital imagery for planning and monitoring functions will continue as this format increasingly becomes the background layer for multiple geospatial applications. Costs associated with obtaining the imagery are significant and a national programme could generate savings by reducing down time and uncertainty for suppliers. Any business case developed would take into account future risks from technology and which agency takes responsibility for a cross-government shared programme.

6.4.5 Recommendation

8. That a business case be developed for national aerial photography procurement that takes account of government's objective to share imagery.

6.5 LEGAL CONSULTANCY

6.5.1 Opportunity

There is opportunity to establish a panel of legal expert suppliers to local government with supply agreements between councils and preferred suppliers. LGNZ would promote these suppliers, and maintain case studies and legal opinions of matters that all councils would have an interest in, reducing the amount of duplicate legal consultancy.

Another option to reduce the use of external legal parties is to harness the collective expertise within councils and establish a shared group that would provide services to constituent parties and other councils.

6.5.2 Current situation

Councils seek external legal advice on a number of issues generally related to governance, consenting processes, environmental planning, employment, litigation and regulatory interpretation. Depending on the size of council, some in-house legal expertise is employed. The number of council legal practitioners and their skill sets would need to be determined in the first instance. In the UK, councils employ 4,000 solicitors and trainees, so the ability to develop shared legal services is very apparent.

The tendency in New Zealand councils is to contract external expertise on an as-required basis. At present there are a few legal consultancy firms doing a large proportion of council work, notably Simpson Grierson, Phillips Fox, Russell McVeagh, Buddle Findlay, Kensington Swan and Chen Palmer. Loyalties to firms tend to be historical and / or based on proximity rather than specialist expertise per se.

Other than case law, sharing of legal determinations across councils is not commonly practised outside specific projects (eg weathertightness), so the amount of duplication and the expenditure involved could be significant.

British local government has recently established several legal shared services which have taken a regional approach and aggregated the internal expertise of the participating parties to establish a collective entity for example Norfolk Public Law, Lincolnshire Shared Legal Services, and Cambridgeshire. These bodies provide legal services to councils involving prosecutions, litigation, public procurement, planning, employment, property contracts, environment law, standards and social services.

They generally provide a contracted service to participating councils and commercial services to other parties.

6.5.3 Application for LGNZ

LGNZ has two approaches it can adopt to establish legal shared services, other than maintaining the status quo. It could facilitate an RFP process seeking to establish a panel of legal experts who would provide specified service to councils on particular terms. The assumption is that councils would benefit from reduced fees in a competitive market and have access to a full range of specialist legal advice. This assumption is difficult to test without knowing and analysing councils' current legal expenditure and requirements.

The other national approach is to establish a local government legal consultancy company by aggregating existing legal expertise from councils. This follows the UK model and provides a structure for a shared legal resource across all of the disciplines required in operating council business. While some larger councils do retain legal counsel, the depth of legal expertise in any one organisation would not fulfil all their legal requirements. Smaller councils rely heavily on private legal services.

As with the first scenario of establishing a legal panel, a better understanding of the current situation is required. An analysis of what legal expertise is employed across councils would determine if there are sufficient numbers and skills to form a collective consultancy function. The willingness of councils to participate in a shared arrangement (both releasing existing employees and contracting legal services) also needs to be tested.

The setting up of a national legal consultancy group for councils would provide the better financial model, where LGNZ could be a shareholder for example.

6.5.4 Risk factors

Risks associated with this activity are largely commercial and can be mitigated by getting better information on current practice as outlined above. LGNZ would not proceed with any plans until there was a good case and council support for either of the options presented.

If the private legal consultancy firms that currently provide legal services to councils believe any national shared services arrangements are not in their interests, one would expect action to protect their market share. This might include, for example, entering into contracts with existing client councils before any national shared services project was implemented.

6.5.5 Recommendation

More information is required from councils before further investigating shared legal services. Thus it is recommended to:

9. survey councils to determine external legal expenditure, the nature and number of legal experts employed by councils and the degree of support for a preferred supplier panel and/or preparedness to participate in a shared local government legal group.

6.6 STATISTICAL DATA AND OUTCOME REPORTING

This area refers to the datasets, survey information and statistical reports used by councils for analytical and reporting purposes.

6.6.1 Opportunity

Opportunities include to:

- develop a centralised system for the datasets and qualitative information that are a required by local government for planning, analytical and reporting purposes. This involves the collective procurement of multiple information resources, statistical reports and surveys rather than duplicated efforts as is currently the case
- look at a cost-effective way of integrating publicly funded and available data (eg from Statistics New Zealand) and ratepayer-funded information and processes. Key datasets would include:
 - census data – economic, demographic, cultural, social
 - business data – LEED (Linked Employer-Employee Data,) banks, Business NZ
 - social – Ministry of Social Development regional reports, research material
 - environmental information
 - perception surveys – for performance monitoring generally.

6.6.2 Current situation

In meeting planning and reporting obligations under the Local Government Act 2002 (LGA,) councils require multiple datasets and other quantitative information. Planning and strategic decisions across the four wellbeings are accompanied by sound research and analysis. Similarly, reporting against community outcomes and annual plans requires access to robust information. Increasingly the indicators used by council for reporting purposes exhibit many similarities because of the statistical datasets available through Statistics New Zealand. Yet councils also purchase their own information and reports.

Some Statistics New Zealand data has limitations for councils because of timeliness and the unavailability of some key information at a local authority level. For some important datasets, information is collected only in census years and often takes time to be published at a local authority level. For trend data this is satisfactory, but for annual measures further information sources are needed. Thus public data from Statistics New Zealand is complemented with local surveys, business reports, government agency information, local market intelligence and community agencies.

Policy and research staff, employed by councils, carry out any analysis required for internal purposes, but the data sources and type of information are likely to be nationally consistent. It is common for councils to contract specialist agencies to produce statistically based reports. The scope and nature of many of these local and regional exercises are similar across the country, yet it has proved challenging to arrange a national approach (eg for regional Gross Domestic Product (GDP) figures).

It has also been reported that land use data has been difficult for councils to obtain in any coherent form. This information is critical for land use modelling and planning. It is likely, therefore, that councils are building up their own repositories of such information driven by internal needs. Capturing and sharing this data would seem in local government's wider interests.

Over the last decade there have been numerous projects to develop common economic, social, environmental and cultural indicators and data sources. These include:

- **Linked Indicator Project:** aligning central and local government monitoring and reporting indicators
- **Regional GDP series:** developing annual GDP figures by region and business grouping. This was to overcome regions' need for, and practice of, paying econometric firms for GDP analysis, all of which was based on the same data but different methodologies
- **Proving It:** a joint LGNZ and Economic Development Agencies of New Zealand initiative resulting in a website with information, tools and resources for reporting against community outcomes
- **Creating Futures:** an Environment Waikato (now Waikato Regional Council)-led research project to develop tools and information to aid sustainable planning and monitoring activities
- **Quality of Life Survey:** a biennial survey and publication produced for participating metropolitan councils based on a set of agreed indicators.

Such initiatives have had mixed success. The ability to socialise much of the work nationally has obviously proved challenging as councils continue to choose information from a menu of public resources and internally generated material. Any form of central repository of datasets and information relevant to local government planning and reporting is not evident.

Centralised systems are common internationally. The major constraint to achieving this in New Zealand is the tension created when bringing together publicly funded information (eg Statistics New Zealand data) and ratepayer-funded information. There is no financial incentive for local councils to share nationally any data and survey information they have generated. By contrast, publicly funded data generally has open and free access.

For the purpose of this report, the issue of "open access" to all government information is considered in section 6.12. From a statistical data perspective, however, progress towards a centralised system can occur as either a component of the Government's ICT programme or local government co-ordination of its interests and resources.

6.6.3 Application for LGNZ

When a party procures data and establishes a central repository for local government requirements, it is assumed that the party will take ownership of the activity. Whether LGNZ wishes to take on this role or negotiate special arrangements with, say, Statistics New Zealand likely depends on the level of direct benefit to members and the ability to recover the costs involved in managing a centralised system.

Lessons learnt from the numerous attempts to get common reporting indicators, comparative data and information sources suggest that, while conceptually a sound proposition, getting national commitment will be more challenging. Individuality and resisting any desire to be compared with a neighbouring area remain strong drivers to retain existing practices. Establishing a central data repository for local government purposes is likely to be the easy component. Changing council culture to enable information sharing and comparative performance monitoring may be more challenging.

That aside, there are common approaches to using the growing body of information and data produced that local government uses for planning and reporting. Aggregating common needs and expenditure on data requirements would result in cost savings across local government as only a single purchase is required for any one set of information. The collective costs associated with council staff searching for other reports and data could also be reduced if a central function was established for this purpose.

As a local government information portal, LGOL could provide this collection and storage role for local government statistics and information. The funding model that best supports such a national shared service would need to be investigated and could include a role for LGNZ. Fees or membership models are a logical first step.

The current local government business model of “buying, owning and selling” much of the information held needs to change as we move towards an open access environment where information is readily discoverable through the web. A local government-specific portal also provides the potential to generate revenue from advertising as well as usage fees.

This range of considerations would need to be factored into a consolidated business case. Even so, the set-up and administration expenses for LGNZ or LGOL, combined with marginal recovery costs, may negate the value in progressing this activity. Taking a promoting good practice approach may be a better option as a way of progressing the need for a centralised body of knowledge and data.

6.6.4 Risk factors

Based on past experiences in this statistical data and reporting area, one can assume that establishing a centralised process and repository with wide support will remain challenging. Thus there are associated risks for LGNZ, or any other national lead organisation. These risks include:

- few councils buying into a collective purchase model
- high initial outlay for the ICT system to support a centralised system
- the time taken to get agreement on the common sets of data and indicators required.

To mitigate such risks, an option is to negotiate a national arrangement with Statistics New Zealand to expand their local government section to include other sources of information. As with the regional GDP series, it is realistic to assume there would be an element of user pays, although LGNZ would not be exposing itself to any financial risk if all councils contributed.

6.6.5 Recommendation

10. Establish a local government project team to investigate common data / information requirements and the support for a centralised repository for this.

The project team could agree on common data requirements, monitoring indicators and how such an activity would be implemented. This would be a test of the support and practicality of LGNZ and / or LGOL progressing to subsequent stages. Only at that point would consideration be given to developing a full business case.

6.7 PROPERTY RECORDS AND RATES SYSTEMS

The activity refers to the council systems associated with collecting property information, maintaining this information, assigning rates to property, rates collection processes and other internal systems aligned with property or rates information.

6.7.1 Opportunity

The shared services opportunities here are to:

- develop standardised processes and systems for the collection, administration, maintenance and application of property-related records commonly held by councils
- develop a centralised and / or standardised system for the administration of rates records and payments.

Note that aspects of this activity also apply to section 6.10.

6.7.2 Current situation

Property and rates are fundamental to local government business. Councils are required to hold local property records for several purposes. Other than ownership and location details, councils also record consents, compliance records, building plans, drainage plans, zonings and dog registrations associated with individual properties. Over the last decade there has been a transition from paper-based records to digital ones, which can then be integrated into councils' management and GIS systems.

The process and systems by which this property information is collected, maintained, managed, stored and made discoverable will vary across local government. Councils have historically developed their own systems for this and embedded other property-related activities such as rates information, infrastructure records, GIS, urban planning and online services. Legacy investment by individual councils in these areas can result in a reluctance to progress to a more centralised system.

At a national level, some property information is held in a common database and is publicly available. Under the Land Transfer Act, LINZ is required to hold land

ownership details which are available in digital cadastral (map) format through the Landonline website. Quotable Value (QV) is also required by statute to compile property records for valuation purposes. The valuation process is primarily to provide a uniform basis for levying territorial authority rates. Again, this property information is available nationally from a single source. Thus there are already centralised systems for property information.

By contrast, councils have developed their own property records, management and online services. There will be some commonalities in these systems based on the software packages used and the companies involved in designing solutions for local government. It is unrealistic, however, to suggest that they are similar enough to readily aggregate to a standardised model.

As reported in Part A, the Waikato region invested \$2 million in establishing a property valuation database to be shared by 13 councils. Thus the costs associated with common property-related activities systems are very significant when scaled to a national level and across all the property-related functions undertaken by councils. Where there are different regional and local property records and rates systems, these will all require separate upgrade investments over time.

In the digital environment, the boundaries between property information held by agencies such as LINZ, QV and councils will merge to the extent that a common property records collection and management system is somewhat inevitable. If true, then council practices in this area will be the ones targeted for standardisation. There are international examples of regional property records systems and related online services that use a common database but appear on the web as if on the individual council's domain. Thus a standardised system does not translate necessarily to any loss of brand or sense of locality for residents.

The collection and administration of rates (a property-related function) is a common shared services activity in the UK and Australia. Where back office shared services centres have been formed, rates processes have generally been included. The experiences reported (see Part A) demonstrate the difficulty in migrating different council processes for the same activity into a common system. The New Zealand situation would be no less challenging and potentially costly.

6.7.3 Application for LGNZ

More so than any other standardisation project, property-related records provide a logical platform for LGNZ to demonstrate leadership in an activity that is universal across councils and required by multiple government agencies. The scope of such leadership is the critical consideration.

Initial assessments indicate that the integration of council property / rates records and processes would be complex and expensive. A major role for LGNZ beyond co-ordination and promotion of a standardised system is therefore unrealistic and would require the support of other agencies such as SOLGM, ALGIM and LGOL. Such a role for LGNZ could have several streams:

- (a) assessing the appropriateness of the Auckland Council solution as a national model
- (b) identifying current council practices and systems to determine how readily these could be integrated into a common system

- (c) facilitating a joint solution with government agencies that are also required to hold property information.

Item (c) is directly related to section 6.4 and the possibility of local government being the primary public sector agent for holding and maintaining property information, which is made accessible to other agencies for their particular requirements. Such an approach opens the possibility of any capital costs for a centralised system being met (or partly met) by central government.

From common property systems will flow standardisation of related activities such as rates records and payments processes. The degree to which any national leadership is required for these back office functions is not immediately evident. As with international examples, regional service centres may evolve naturally and co-ordinate a range of common administrative functions.

6.7.4 Risk factors

Maintaining property records is another local government activity where standardisation risks being imposed by government as part of its objective for public agencies to share information. This is because government agencies such as LINZ and QV are also required to hold national property records for specific purposes. Thus an integrated approach will be seen as part of the rationalisation of duplicated systems in the public sector and a drive towards simplifying government registration and information processes.

For local government to work towards developing standardised property records processes and systems without necessarily investing in major technology upgrades means the sector will be better prepared for any national solution. If LGNZ supports such an approach, the risks to councils of unnecessary interim investments in ICT are reduced.

If LGNZ were to take a more active role in developing a standardised property records process, logically this would be done in conjunction with LINZ and QV. This way, government and councils share the risks and costs.

6.7.5 Recommendation

11. In conjunction with LINZ and QV, develop a business case for a public sector property information system that meets the needs of all parties without compromising local requirements.

6.8 ONLINE PROCESSES

Many local government services are now being provided through an online environment. Many of these services are for functions that are common to all councils but are presented to the public in different ways, which can cause confusion, unfavourable comparisons and duplication of resources.

6.8.1 Opportunity

There is opportunity to develop standardised systems and processes for specific council functions in order to transition these services to an online environment. Such functions might include:

- building consenting
- non-notified consenting
- application processes – rental accommodation, funding, hall hire, facilities use
- community consultations.

6.8.2 Current situation

Traditionally most council customer services have been provided as “over the counter or phone” activities. In this situation the customer relies on the availability of appropriate staff to service their needs; that is, the council is in control of the process. Access to information and services via the web now shifts that control to the customer so they can determine when and how a service is provided. Councils have had to respond to this expectation and increasingly provide a range of services and information through their web presence.

There are many examples of innovative services being provided online by councils. As with many other technology projects, however, some of these online services have been conducted and designed internally with limited regard for any national standardisation. An analysis in 2008 by New Zealand Trade and Enterprise of all council websites and how they presented information relevant to business highlighted the problems associated with multiple approaches. There was very limited commonality in the type of information presented, its location within a site or links to other reference sites.

From a customer perspective this causes frustration. From a national perspective such examples portray local government as disorganised. While councils will argue for individuality, standardisation relates more to process and design than to brand appearance and local identity.

Consumer expectations and technology advances will drive the need for councils to provide more online services. For example, software packages are already being trialled that can effectively take information and process a simple application through to completion without the need for human intervention or interpretation. Once perfected, this opens up the possibility for councils to provide a range of consenting, licensing and application activities online. A degree of national standardisation will be expected as part of such processes.

As an example, the Department of Building and Housing is known to have developed a business case already for online building consenting. It is unclear whether this would involve a centralised processing system without individual council intervention or a centralised system accessed by all councils for local administration. This example does, however, highlight the current thinking and trends towards standardised systems that provide a degree of certainty and timeliness for customers, regardless of location.

6.8.3 Application for LGNZ

From a standardisation viewpoint, LGNZ can take a strategic approach and promote the opportunities and options afforded councils through online services and/or lead the development of specific standardised online functions.

At the strategic level, working with government to help design online services related to delegated functions is advisable. In the absence of local government leadership, the risk is that changes to the delivery mechanisms for delegated responsibilities and activities considered of national importance will be imposed rather than co-designed to achieve joint objectives. Building consenting fits into this category at present.

At a more operational level, LGNZ (in conjunction with ALGIM and / or LGOL) might identify particular functions that would enhance the reputation of local government through online services presented in a standardised way. The WCC example of online consultations and surveys with residents using off-the-shelf software is a good example of how this can be achieved nationally. In such instances, where a technical solution is readily available, a national role could extend to being the "sales agent".

In other instances, where the technical solution is more complex and not necessarily packaged by a single supplier, developing some common parameters around functionality, presentation and scope will be critical. Such a role is beyond the current gambit of LGNZ activity and would more logically fit with ALGIM and LGOL. The concept of more council services being provided online in a more standardised way is supported by ALGIM, which believes that councils need to be better prepared for this.

Building online service capability and understanding across the sector would be both a political and operational function, jointly provided by LGNZ and associations related to local government (eg SOLGM, LGOL, ALGIM, Institution of Professional Engineers New Zealand.) This may require a national co-ordination role by LGNZ.

6.8.4 Risk factors

Risks in this activity fall into two categories:

1. the risks associated with doing nothing and leaving the development of online services to the market place
2. the risks for LGNZ becoming heavily involved in an area where the resourcing costs could be high and the financial returns low.

The "do nothing" option risks translating into imposed solutions by government for services that councils currently provide independently but within a legislative framework (eg licensing and consenting functions.) Where the imposed solution has had limited design input from local government, the disruption for councils could be significant.

If other local government services are migrated to an online environment and developed independently of any national guidelines, the national perception of being a disorganised and fractionalised sector is perpetuated.

Conversely, if LGNZ becomes too heavily involved in standardisation projects across a range of activities, it risks becoming resource hungry and benefit poor, apart from protecting the reputation and interests of the sector. Thus careful planning will be required on the project scope and identifying specific local government functions to progress towards national standardisation. As with other selected activities, proof of concept by limiting the scope of the first initiatives will help ensure council support and progression to subsequent projects.

6.8.5 Recommendations

In conjunction with LGOL and / or ALGIM:

12. develop a business case for establishing a selection of simple and common online services that would be used nationally. Initial examples would tend to be less complex and non-regulatory in nature, for example community consultations and surveys, funding applications, enquiry logging and booking systems (and an extension of existing LGOL products)
13. provide an awareness campaign for local government about the opportunities, benefits and practices of standardised online services
14. review all delegated responsibility services provided by councils that potentially could be centralised and provided online, and establish a process of engagement with the relevant government agency to co-design such services.

6.9 DATABASE MANAGEMENT AND STORAGE

6.9.1 Opportunity

Opportunities in this activity can be standardisation and procurement projects.

For procurement:

- arrange a national deal for local government data storage.

For standardisation:

- arrange standard or centralised databases for council services that are replicated across the country.

6.9.2 Current situation

Councils manage numerous databases for internal functions such as asset management, client records, supplier lists, ratepayer information and consent records. The need to share these externally or be maintained in a common format is limited. However, there are instances (particularly for new services) where the relatively low level of activity does not warrant individual councils establishing separate and different database collection and maintenance processes. National shared services opportunities will exist with such activities.

Private companies are seeing market opportunities and developing products for local government services and databases. A good example of this situation is the means by which councils manage graffiti, particularly establishing a database of "tag" images which are used by police for prosecutions and by councils as a graffiti management tool. The previous Auckland councils and police initiated a joint graffiti project where the concept of a central database proved challenging to co-ordinate across the various jurisdictions. An RFP process resulted in a private company developing an end-to-end technology solution for photographing, storing, managing and accessing graffiti information.

The business model for the system involved councils purchasing PDAs to photograph and transmit information, and a per user charge for the database-related services. This system has functioned well, with individual councils having access to different levels of information and the Police being able to access selected data only. The company who developed the graffiti database system, Smart Trak, is now promoting their product to other councils. In the meantime, other large centres like Christchurch and Tauranga have been using different systems.

For the want of some co-ordination for such projects, national arrangements could be negotiated that would result in:

- an improved business model for a private provider and therefore reduced unit charges
- the ability to readily share and access information across councils (and other parties as required) on a secure basis
- reduced internal administration costs for individual councils
- the ability for customisation to individual council requirements within a common system.

With regard to data storage arrangements, regional ICT-related shared services have generally included the provision for data storage services. Similarly, where councils contract ICT services, data storage is one aspect of this. As the need grows to store larger amounts of digital information for security and internal capacity limitation reasons, so does the opportunity for aggregated service provision.

International data storage companies are already active in the local market which is in part recognition of a growing demand for data storage services.

6.9.3 Application for LGNZ

There appears to be a case and demand for nationally aggregated data storage. An LGNZ role could be to facilitate this. Since the scale of the opportunity and the potential benefits for councils are somewhat unclear from information gathered in this initial assessment, further investigation is required. The provision of data storage services can be provided on a hub or centralised basis, and based on-shore or off-shore. Depending on such arrangements and on the supplier's infrastructure and location(s,) there are not only storage costs to consider but also data access and transfer implications.

It is suggested that LGNZ manage an RFP process for a national data storage solution that would then provide a comparative basis for councils, and for

assessment if a national arrangement provided sufficient benefits to progress this project.

The situation with database management can also be technically challenging. As with software licensing and procurement (section 6.3,) there is both a procurement and standardisation option for LGNZ to pursue. In the case of national procurement, opportunities exist in the area of negotiating a national arrangement with an existing supplier and / or establishing a centralised database management function for selected activities. The graffiti database system described above is one example.

The advantage of working with an existing supplier is that the technology responsibilities rest with the supplier and this therefore removes potential establishment costs for LGNZ. It also provides a range of financial models depending on the level of direct involvement from the national organisation. Options include:

- a partnership with a private company, where LGNZ (or LGOL) provides the marketing functions and the supplier the technical support
- a commission for each council contracted to a national programme
- a fees-based contract with a supplier
- an administration or membership fee from councils.

Any full business case would consider such options.

At the more extreme end, LGNZ (or a national body) could progress towards establishing a centralised database management service for opportunities as they are identified. This would involve identifying appropriate technical solutions, contract management with councils and the promotion of services. Because of the technical nature of such an activity and the high capital establishment costs, such as option is not promoted in the first instance. A national co-ordination that at least operates on a cost recovery basis is deemed more appropriate for this activity.

6.9.4 Risk factors

Apart from the generic risks associated with a national procurement arrangement already raised, the risk in aggregating data storage requirements is based on not having sufficient information at present. Current and future council demands for information, along with an indication of potential savings for councils from an aggregated solution, have proved difficult to obtain for this initial assessment. Without such information the risk factors would be only scenario based.

With regard to promoting standardised database applications, the primary risk for LGNZ and the sector will be related to selecting the wrong technical option. If the objective is for some form of national standardisation, there would need to be absolute confidence from councils that the national solution promoted for any specific function was fit for purpose. Getting universal agreement on this may prove challenging.

Where it was subsequently proven that an inferior database option was selected for a national system, the financial cost to councils and the reputational cost to LGNZ would be significant. Proof of concept will be crucial for any initial project, so supporting a proven application in the first instance will be important for LGNZ.

From initial reports, the graffiti database would fit this criterion, given its successful application in Auckland and endorsement from the Police.

6.9.5 Recommendations

It is recommended that LGNZ undertakes further investigation (either directly or through ALGIM / LGOL) to quantify the scale of councils' data storage needs and seeks RFPs for a national storage arrangement. This way the financial benefits of an aggregated model can be determined.

It is further recommended that proof of concept for common database applications be promoted by arranging a national deal for the graffiti database project.

Thus recommendations are:

15. to seek further financial information on the cost benefits from national data storage procurement
16. facilitate a national arrangement for the graffiti database.

6.10 GEOSPATIAL APPLICATION AND STANDARDS (GIS)

Project activity here relates to the software, the application of GIS to council activities and the processes associated with datasets required for GIS functions.

6.10.1 Opportunity

Any shared services activity in the GIS area would firstly require co-ordinating all the disparate projects occurring across local government. There is an identified need to develop standardised processes that ensure interoperability at a national level. Precursors for this to occur would include standardisation of terminology, data presentation standards, data maintenance standards and the use of common GIS applications.

6.10.2 Current situation

There is a tortured history of attempting to get agreement across central government, local government and the private sector suppliers for common GIS practices. The Geospatial Strategy, to which local government is a party, was published in 2007 and endorsed by the current government in 2009. The strategy sets out the vision, guiding principles and strategic goals that will provide the future direction for geospatial information.

The four strategic goals are to:

- establish the governance structure required to optimise the benefits from government's geospatial resources
- ensure the capture, preservation and maintenance of fundamental (ie priority) geospatial datasets, and set guidelines for non-fundamental geospatial data

- ensure that government geospatial information and services can be readily discovered, appraised and accessed
- ensure that geospatial datasets, services and systems owned by different government agencies and local government can be combined and reused for multiple purposes.

The New Zealand Geospatial Office (NZGO) within LINZ is leading the implementation of the strategy. A steering group has existed with local government representation provided by Auckland and Waikato councils. LGNZ's direct involvement in the last four years has been periodic.

NZGO's current work programme includes collating LiDAR³ information held across central and local government agencies, in order to understand the scale and nature of this resource. Clearly the objective is to share data sources and remove any duplication that currently exists.

In September 2010 it was recommended that government agencies use the Australia-New Zealand Land Information Council's metadata profile for the e-Government Interoperability Framework (e-GIF.) Prior to this, and in the absence of national standards and guidelines to achieve the Geospatial Strategy objectives, councils have progressed their GIS projects based on business needs. There has been some regional collaboration in this area and a GIS programme has been promoted through the regional councils over the last three years.

The GIS project led by the previous Auckland Regional Council was one of the few shared services activities that progressed from the 2000 pilot recorded in section 3.2. Thus Auckland was well placed to integrate its GIS systems into the new super city structure with limited difficulties.

ALGIM has taken practical steps to help develop common practices, including publishing material for local government on standardised GIS terminology and how data can be shared. It is also supporting BoPLASS with its regional systems GIS project.

Despite these efforts, much of the GIS shared services and standardisation work remains disconnected at a national level.

6.10.3 Application for LGNZ

Since there is already a national geospatial strategy, LGNZ's role in this activity could be restricted to ensuring that local government's interests are advanced as part of any national programme. A mechanism already exists through the Geospatial Strategy governance group to help better co-ordinate and inform local government GIS activity across the regional councils, Auckland Council and government agencies. Previous sector representation has tended to be technical staff from regional councils, which may limit strategic input and the wider interests of the sector.

³ Light Detection and Ranging (LiDAR) is remote sensing technology used to obtain highly detailed land height and shape images for land use planning and monitoring purposes by councils. This equipment is used in aerial (and satellite) photography.

Thus a higher level of engagement from local government in the geospatial governance structure is suggested. Only at such a level can strategic issues such as open data sharing, funding models and GIS standards be addressed.

The other implication for local government relates to its role in promoting good practice. The ability to socialise new concepts and good practice relies heavily on local government fora, events and publications. This is particularly true in an activity that may be viewed by council politicians as technical rather than strategic. Making the link between GIS-based activities and good planning and monitoring practices can be advanced through LGNZ structures and events.

6.10.4 Risk factors

Unlike other ICT-related activities above, the risks with this GIS work are not technical or resource-focused, but are associated with maintaining a status quo position that amounts to a watching brief.

The importance of property-based datasets and geospatial information for government agencies, councils and the private sector is likely to increase. In an environment where the public sector is looking for efficiencies, minimising duplication of effort will be a high priority for government. GIS applications and national standards are fertile ground for rationalisation. Where government imposes national requirements in an area where councils have a major interest and investment, it behoves LGNZ to advocate local government interests as part of a design process, not after the event.

6.10.5 Recommendation

17. Appoint a senior local government representative on the national geospatial governance group to ensure that the sector interests are promoted and considered as part of implementing the national geospatial strategy and ICT programme.

6.11 LAND USE AND ENVIRONMENTAL MONITORING

Activities in this area relate to statutory requirements for councils to monitor and report on environmental factors such as land use, water quality and air quality.

6.11.1 Opportunity

There is opportunity to develop a standardised system of environmental monitoring that ensures that comparable information is being collected, managed and made available in a consistent format. This may include a centralised repository of information for which advanced data acquisition software is already available in the market place.

This also provides the potential to develop monitoring systems for environmental practices that could be sold or leased to councils by a central agency (LGNZ / LGOL) as part of a national programme. Costs to councils could be subsidised on the basis that information gathered would also be required by (and therefore sold to) government agencies such as MAF, the Ministry for the Environment (MfE,) DoC and national bodies such as Federated Farmers.

6.11.2 Current situation

Councils have responsibilities under the Resource Management Act (RMA) to collect data, and monitor and report on environmental performance. This information is required to observe trends, provide information for resource consents, evaluate policy statements, plans and strategies, and provide environmental information to the public. Data is collected for a range of water, ground and air-related factors, and generally made available in a series of environmental reports.

Regional councils in particular have extensive environmental monitoring systems and sites established across the country. The data collection methodologies and information will be relatively consistent. However, the storage and usage systems will vary to the point that any automated aggregation to a national level would be challenging. Regional councils, led by Environment Waikato (now Waikato Regional Council,) have been active in recent years trying to standardise monitoring indicators and systems, with some success. The Regional Chief Executives' group has completed a project on common land and water information, for example.

As reported in section 6.10, government will seek open access to environmental datasets held by councils in the near future. There are many government agencies that value access to environmental information (eg DoC, MfE, MAF, Civil Defence;) however, open access and interoperability criteria will have to be achieved before national data sharing can be achieved effectively.

The data currently collected by councils is primarily for internal use and generally not publicly available. With the advent of remote site monitoring with various field sensors digitally connected to a central system, public demand for real-time information is also likely to increase. For example, factors such as sea and river water quality will influence people's decisions on where to swim. The availability of such information in a nationally consistent format and central point will first require standardisation of current systems.

ALGIM considers this monitoring activity fertile ground for a national project and would support any LGNZ-led initiative. It is potentially a sub-set of the GIS activity above, depending on how wide a scope that project would take. As with international findings, it is advised to limit the scope of projects, which means treating them all individually but recognising the connections.

6.11.3 Application for LGNZ

If one considers the future state, importance and demand for environmental data, it is easy to imagine that the requirement for a national system is inevitable. Much of this national data is currently collected and maintained at a regional level.

The regularity of collection is also likely to increase as users seek real-time information akin to monitoring traffic flows so that travellers can plan the timing and route of their journey. Remote site technologies and recording systems allow automated monitoring for indicators such as air quality, water quality and ground water levels. The degree to which information collected manually and remotely is aggregated into a single system will depend on the level of national co-ordination.

LGNZ could provide this co-ordination role and establish a project team involving the regional councils, ALGIM, LGOL, relevant government agencies and other user groups to plan and oversee the implementation of a standardised environmental monitoring process. The project would look at environmental indicators, collection methods, data standards, storage systems, data access and funding models.

At the more extreme end, this activity would present commercial opportunities for a central agency like LGNZ or LGOL to provide a central acquisition and distribution point, and monitoring systems. The last assumes there would be demand for new technologies that allowed remote, real-time recording of some indicators. The commercial model for this approach would depend on the "sale" value of the information collected, the possibility of aggregated procurement for equipment or achieving a regular revenue stream for an organisation through a lease-type arrangement with councils.

6.11.4 Risk factors

The risks for LGNZ will be proportional to the approach taken to this activity. If the organisation's role is primarily a co-ordination one to develop standardised systems, the risks would be limited to reputational ones in the event of failure. It is assessed that a national environmental monitoring system will become a greater policy priority and must involve local government given its responsibilities under the RMA and the existence of field expertise.

Establishing a programme aligned with government objectives would help ensure that appropriate systems were established and local government interests were protected.

Should LGNZ undertake a more active role in providing services, the same financial risks would apply as for other delivery activities above.

6.11.5 Recommendations

18. Establish a working group involving regional councils, LGOL and ALGIM to develop a standardised system for environmental monitoring and investigating how information gathered can be used for wider applications.
19. Develop a business case for acquiring environmental monitoring data and using a centralised repository. This would also include services related to the technical data collection systems and the commercial applications using the environmental information.

6.12 COMMON ISSUES TO ADDRESS

As a result of the assessment of activities, private sector discussions and local government interests, a number of common issues have emerged that could influence how a national shared services programme would be designed and implemented. In some cases, addressing systemic barriers to aggregating local government activities will be a pre-cursor to progressing specific initiatives. The key constraints and opportunities are discussed as follows:

6.12.1 Council business models don't promote open sharing of information or data

Councils are required to collect and maintain property and other information. In some cases a degree of cost recovery is sought by selling information and datasets to other parties. In an internet-based access model, key information like that held by councils is becoming freely available and other commercial applications are developed from it. Where council-held information has a wider value and is not publicly shared, the market place will respond and undermine any council commercial model (eg Google Maps.)

Also the Government's ICT agenda includes an objective of open access to data that will eventually negate any commercial model for councils. Increasing demand for council datasets from consumers and government policy means that councils will need to review some of their funding models and potentially place a market value on the application of the data.

There are several ways to address this issue. For specific activities that require the collection and maintenance of databases, the development of shared services business cases can include funding models that take account of compensating for cost recovery practices. This may be achieved through reducing total operational costs via shared services arrangements or new funding models.

As outlined in sections 6.2 and 6.9, having cost-free inter-council communication would help promote centralised systems and data sharing.

6.12.2 Ability to lock councils into procurement deals

Many of the shared services procurement activities are predicated on a national aggregation model. A national deal negotiated on this basis would require commitment from a majority of the councils for any business case to be sustainable. How this commitment is achieved will be a challenge for LGNZ.

The library experience of arranging a common ICT software and support service highlights the difficulty in getting any form of council commitment before a sound business case is developed and the costs for individual councils are known. Without a third party underwriting the initial set-up costs for a standardised library system and then establishing a membership model, this project would likely not have proceeded as planned.

Several approaches to getting council commitment are evident in international shared services examples. They include fixed term contracts, signing up to preferred supplier agreements and voluntary participation based on confidence in the procurement terms arranged. New Zealand exhibits a more informal, collaborative approach to many shared services arrangements than is evident internationally. However, for procurement activities, some contractual basis is advised. Without this, any short-term predatory pricing from competitors risks undermining the national deals negotiated.

6.12.3 Access to technical expertise

Many activities require specialist knowledge and skills that a national organisation like LGNZ would need to have access to. Whether this is achieved through project teams formed from council staff, by partnering with other agencies or by contracting skills in will depend on resourcing. In several instances, staff spoken

with about particular activities did express a willingness to be involved at a national level.

In the case of aggregating council legal expertise for a national shared services initiative, a different approach will be required as the relationship with the project changes.

6.12.4 Co-ordination of local government shared services activity

This shared services review has focused attention on the number of local government shared services programmes being progressed nationally. As has been reported already, SOLGM, LGOL, ALGIM, LGNZ and the Library and Information Association of New Zealand Aotearoa have all been active in promoting national shared services initiatives. Co-ordination and communication across these various programmes has been less evident until recently.

In the case of promoting good shared services practices and gaining council commitment to standardised systems projects, some co-ordination across local government interests will be required. Without this there are risks associated with mixed messaging, duplication of effort and having different objectives. This is particularly the case with ALGIM.

It is recommended that LGNZ establish an ICT shared services programme involving software purchasing and licensing, "cloud computing" options and GIS standards and applications. A project team could be established, as part of LGOL or independently, that would give such projects access to the technical expertise in these fields, operational champions within individual councils and leverage from the shared services work already underway.

The other factor in national co-ordination for LGNZ is knowing what Auckland Council does that could become a de facto national shared services solution for local government. Providing a communications link with Auckland Council as it progresses with its ICT programme, and the numerous regional initiatives will be critical to achieving any standardised approach that will provide the collective efficiencies sought by government and councils. LGNZ is best placed to play this national co-ordination role.

6.12.5 Maintaining local control in standardised systems

A common concern of councils is a loss of local control with centralised and / or standardised processes and systems as promoted by shared services activities. One of the key rationales for national leadership is to ensure that the design of solutions accounts for local decision-making and the control of information. Imposed solutions will not necessarily consider this important factor for councils.

National ICT systems can cater for individual council needs and to all intents and purposes appear like part of the council platform. The graffiti database trialled in Auckland is a good example of a centralised repository where the ownership and control of information remained with the contributing parties. The way the information was accessed and the purpose for which it was used were still the responsibility of individual councils involved in the scheme.

For the purposes of this report, any reference to shared services through standardisation assumes that the principle of local decision-making will be upheld as part of the design and implementation process of projects.

6.13 SUMMARY OF RECOMMENDATIONS FOR SELECTED ACTIVITIES

6.13.1 Procurement

Energy supply

1. Identify total council electricity usage and undertake an RFP process to determine the level of savings that could be generated from national demand aggregation.
2. Research independent electricity generation technologies and the potential local government applications and procurement opportunities for these.

Telecommunications

3. Leverage off government's telecommunications supply agreements so that they apply also for local government.
4. Begin negotiations with suppliers for toll free calls and broadband traffic deals between councils. Such arrangements would likely be a component of special arrangements for local government as part of the telecommunications offering to government agencies.

Software purchasing and licensing

5. Partner with LGOL and ALGIM in a national membership / licensing arrangement for software programmes.
6. Develop a local government ICT strategy aligned with Auckland Council and government's ICT programmes.
7. Partner with LGOL and ALGIM to identify what specific local government activities could be trialled with "cloud" computing and develop a business case(s) for these applications.

Aerial photography

8. Develop a business case for national aerial photography procurement that takes account of government's objective to share imagery.

Legal consultancy

9. Survey councils to determine:
 - external legal expenditure
 - the nature and number of legal experts employed by councils
 - the degree of support for a preferred supplier panel and / or preparedness to participate in a shared local government legal group.

Statistical data

10. Establish a local government project team to investigate common data / information requirements and the support for a centralised repository for this.

6.13.2 Standardisation

Property and rates systems

11. In conjunction with LINZ and QV develop a business case for a public sector property information system that meets the needs of all parties without compromising local requirements.

Online services

In conjunction with LGOL and / or ALGIM:

12. Develop a business case for the establishment of a selection of simple and common online services that would be used nationally. Initial examples would tend to be less complex and non-regulatory in nature, for example community consultations and surveys, funding applications, enquiry logging and booking systems.
13. Provide an awareness campaign for local government on the opportunities, benefits and practices of standardised online services.
14. Review all delegated responsibility services provided by councils that potentially could be centralised and provided online, and establish a process of engagement with the relevant government agency to co-design such services.

Database management and storage

15. Seek further financial information on the cost benefits of national data storage procurement.
16. Facilitate a national arrangement for the graffiti database.

GIS applications and data

17. Appoint a senior local government representative on the national geospatial governance group to ensure that the sector interests are promoted and considered as part of implementing the national geospatial strategy and ICT programme.

Land and water use monitoring

18. Establish a working group involving regional councils, LGOL and ALGIM to develop a standardised system for environmental monitoring and investigate how information gathered can be used for wider applications.

19. Develop a business case for environmental monitoring data acquisition with a centralised repository. This would also include services related to the technical data collection systems and the commercial applications using the environmental information.

In addition to these recommendations, consideration will also need to be given to addressing the common issues outlined in section 6.12. On their own, these can constitute a good practice shared services programme. It is suggested, however, that they be incorporated into a wider local government shared services initiative that includes a mix of procurement, standardisation and good practice projects.

6.14 NEXT STEPS

Implementing all the recommendations across the 12 activities selected for initial assessment would have significant resourcing implications for LGNZ. It would therefore be necessary to determine some priorities and / or identify which local government agencies are best placed to lead particular projects.

Initial procurement projects would include those with a high likelihood of sector support, having higher impact and being able to demonstrate significant cost savings for individual councils through national intervention. Based on initial assessments, aerial photography, insurance and legal would fit into this category and thus be considered as higher priority to get more financial information.

In the standardisation area, work would have more of a facilitative role and in the case of ICT-related activities, be a precursor to national shared services projects. Since much of the standardisation activity is ICT focused, the first priority would be to establish the best mechanism (eg LGOL / ALGIM) to advance this area, and then agree on priority activities. LGOL and ALGIM have already acknowledged that the importance of online services and environmental monitoring activities are crucial future-focused initiatives for local government.

To what degree some of the common shared services issues outlined above are addressed as part of a national programme depends on the role(s) LGNZ wishes to take. At a political level it could be argued that promoting shared services and the changes required to advance these in local government is the organisation's primary role. Implementing shared services is operational and therefore undertaken by other local government bodies.

However, as highlighted throughout this report, strong leadership is critical to success and therefore the political arm of local government is well placed to advocate shared services as a preferred consolidation option for local government. Thus a more active role across shared services advocacy, national implementation and revenue generation for the organisation is warranted.

6.14.1 Subsequent stages of this report

Because of the rapid growth in shared services internationally and in New Zealand, Parts A and B of this exercise can be updated on a regular basis to ensure currency.

The development of full businesses cases for selected national activities and/or producing a comprehensive national shared services programme will depend on LGNZ's deliberations in determining the scope of its involvement. Therefore any

subsequent stages to the report will reflect national priorities for local government.

Appendix: List of council activities

PROCUREMENT

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|---------------------|--|--|---|
| Fleet vehicles | Cars, vans, trailers Buses Trucks Petrol/diesel Servicing | Options for lease or purchase Alignment of existing contracts | <ul style="list-style-type: none"> • maximum value from national deal • requires high volume and / or high value transactions for significant cost savings • able to have different suppliers for say cars and vans • little or no set-up cost (as with all procurement options below) • cost benefits easily identified and apportionable • standard procurement policies and processes to be agreed |
| Tools and machinery | Road maintenance Grounds, nursery Pool equipment / supplies | | <ul style="list-style-type: none"> • economies of scale at national level • diversity of equipment required would involve multiple suppliers • not regular requirements and low volume |
| Furniture | Office: desk, chairs etc Outdoor: benches, rubbish bins etc Playground equipment | Catalogue of options available | <ul style="list-style-type: none"> • economies of scale at national or multi-regional level • possibly limited supplier options and limited incentive for national deals, especially outdoor furniture |

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|--------------------------|---|--|---|
| Office equipment | Photocopiers Plotters Printers Presentation equipment (eg projector) | Options for lease or purchase Alignment of existing contracts | <ul style="list-style-type: none"> • economies of scale at national or multi-regional level • not regular requirements, volume only at a national level |
| Office and work supplies | Stationery Uniforms | | <ul style="list-style-type: none"> • large and regular supplies required |
| Insurance (all) | Vehicle Property Assets/fixtures Public liability | Similar needs across councils | <ul style="list-style-type: none"> • already a national arrangement (Civic Assurance), but regions negotiating separate packages |
| Energy | Power Gas | Alignment of existing contracts | <ul style="list-style-type: none"> • councils have interests in existing lines companies • supplier-driven market • potential to buy direct on electricity market for national council supply |
| Loan funding | | Lead agency with good credit rating required | <ul style="list-style-type: none"> • lower interest rates possible but predicated on aggregated risk profile • potential for significant savings across larger councils • potential for new council loan funding model |
| Media Services | Printing Publications Advertising / promotions Design Advertising space | <p>Similar needs across councils</p> <p>Local contact and expertise required</p> | <ul style="list-style-type: none"> • would involve multiple suppliers, otherwise use broker arrangement • potential for some savings • volume likely with printing and publications |

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|--|---|--|---|
| Communications and technology (see section on Information and Communications Technology below) | | | |
| Consultancy | Legal RMA / planning Auditor Urban planning Statistical analysis | Similar needs across councils Local contact and expertise required | <ul style="list-style-type: none"> • planning requirements here more likely to align with regional strategic planning collaboration • regularity more with legal services |
| Maintenance | Parks and reserves Public facilities Building and property Road and corridor Cleaning services (council offices) | | <ul style="list-style-type: none"> • generally location-specific but consistent and regular requirements across a region • procurement scale likely only in high population density regions |
| Infrastructure | Water reticulation Water storage Sewage treatment Sewage reticulation Storm water reticulation Footpath Road / parking Road marking Street lighting Road signage Flood / river protection | Standard procurement policy and process Agreed funding arrangements and contributions | <ul style="list-style-type: none"> • efficiencies from aggregated infrastructure projects only in high population density areas • need would be determined by strategic regional planning and asset management • joint procurement opportunities in regular requirements such as footpaths, signage, road marking etc • impact on smaller, local suppliers to be risk assessed • ability to separate major capital projects from maintenance programmes for procurement purposes • ability to place more conditions in aggregated contracts |

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|----------|---------------------|--|--|
| Library | Books, DVDs etc | Flexibility to meet local requirements | <ul style="list-style-type: none"> • some national initiatives in place |

BACK OFFICE SERVICES

Note: (*) denotes potential procurement activities not listed in *Procurement* section

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|----------|--|--|---|
| Finance | Payroll Rates and payments Accounts / payments General ledger Reporting and audit Account queries Investment management Asset inventory Travel and expenses Infringements / fines | Interoperability Common software Standard processes Common or integrated client databases Individual council flexibility | <ul style="list-style-type: none"> • requires high volume for significant efficiency gains • many solutions technology driven • difficulties experienced in standardising systems and processes • potential for private sector partner(s) • will require set-up costs associated with common ICT systems • time-consuming process for existing staff to get standardisation • initial cost savings from back office functions will tend to be from staff redundancies • ample international examples to draw on |

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|--------------------------|--|---|--|
| Human Resource | Recruitment Training Staff support services Records Health and safety Employment contracts Temporary staff pool Cadetships | Common policies and practices Local access to staff support services | <ul style="list-style-type: none"> • most HR functions able to be conducted off-site, but local decisions still required • specialist skills required to attract staff in skill shortage occupations and already contracted out by councils • ability to promote best practice HR |
| Records / Administration | Property register Dog registration Supplier database Customer database Community agencies database Funding database Mail room Secretarial support Printing / photocopy Cemetery records Records management (hardcopy) Assets registers Rating / valuations | Common or integrated databases Interoperability Common software Standardisation of processes | <ul style="list-style-type: none"> • will be technology driven to get efficiencies • cost savings not so significant as longer-term gains in customer service and access to information • set-up costs and council resources required at the implementation stage |
| Customer Services | Call centre General enquiries Application / enquiry tracking After hours monitoring Security monitoring Facilities bookings Faults reporting | Access to council systems and information Ability to function as individual councils | <ul style="list-style-type: none"> • improved services and convenience likely to be a greater driver than cost savings • customer services will increasingly be online 24/7 anyway |

PROFESSIONAL AND REGULATORY SERVICES

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|-----------------------|---|---|---|
| Regulatory – Health | Premises licensing Premises inspections Hygiene education Hazardous substances | Standard policies and requirements | <ul style="list-style-type: none"> • economies of scale possible in high population density areas, otherwise cost benefits dissipated by travel • limited cost savings unless combined with other professional and regulatory functions • provides ability to share expertise • may require local knowledge and expertise • limited local discretion and potential to contract some services |
| Regulatory – Building | Land Information Memorandum reports Project Information Memoranda Consent processing Building inspection Code of Compliance | Standard policies, requirements and processes Legal and liability considerations | <ul style="list-style-type: none"> • some processes able to be automated and provide online processing • inspections occur at the local level and may limit shared services options |

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|--------------------|--|--|---|
| Environmental | Air and water quality monitoring Consents applications and processing Energy efficiency programmes Noise control Dog control and pound Restoration programmes Land use monitoring By-law monitoring | | <ul style="list-style-type: none"> • some activities more open to shared services where there is greater transaction volume and regularity, eg noise control, dog services, consents processing • existing co-ordination already through regional council activities / responsibilities • based on overseas examples, practice is to establish shared services across multiple professional and regulatory activities in order to get critical mass, cost savings and opportunity for commercial returns |
| Transport | Road inspection Parking monitoring* Road safety education | | <ul style="list-style-type: none"> • parking monitoring generally contracted out already, other low volume activities |
| Strategic Planning | Community outcomes Annual reporting process Urban planning Land use planning Transport planning Infrastructure planning Coastal plans | Retain ability to translate into local needs | <ul style="list-style-type: none"> • requires local knowledge and technical expertise • cost savings less evident than other benefits derived from resource sharing • strategic planning activities may lead to shared services and / or procurement projects • happening already through regional council facilitation and / or voluntary arrangements across neighbouring councils • opportunity to share expertise |

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|-----------------------|---|--------------------------------|---|
| Policy and Programmes | Policy development District Plan rules Rating / funding policy Economic development Tourism marketing Community safety Youth and cultural initiatives | Strategic objectives alignment | <ul style="list-style-type: none"> • policy development and District Plan alignment likely to arise from strategic planning activities, and therefore collaborative in nature • shared services for tourism and economic development already exist at regional levels (units of council or CCOs) • shared services opportunities for specific programmes / projects, eg community safety |
| Communications/Media | Location branding and marketing Media design Events planning and management | | <ul style="list-style-type: none"> • requires local knowledge and expertise • events planning could be aligned with facilities management where this was a regionally shared arrangement • areas of cost savings not significant |

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|-------------|---|--|--|
| Procurement | Software and licensing Desktop computers Mobile phones / iPads Telecommunications and internet service providers | Contract timeframes align ICT needs similar across councils | <ul style="list-style-type: none"> • significant capital and operating costs being duplicated across councils • significant cost savings although potential for large initial investment • commercial deals can be achieved through aggregation • technologies changing rapidly so opportunity for consistently high performance across councils with regular upgrade • growing competition in the market place and less reliance on incumbent providers |
| Systems | Servers / ICT hardware Website development Process design and programming GIS | Interoperability and common functionality | <ul style="list-style-type: none"> • can be centralised • constant upgrading and additional functionality needs could be better managed at an aggregated level • ICT systems will be necessary to provide improved online services and functionality • shared systems promotes time to develop new innovations • risks associated with reliance on single provider can be reduced by having multiple suppliers, multiple software packages and independent support services |

| | | | |
|------------------------|---|--|---|
| Information management | Data storage Aerial photography Website management Database development Database management | Common standards, processes and templates Local access / flexibility | <ul style="list-style-type: none"> • increasing number of databases and information sets across councils used for planning, analysis and communications • cost savings from centralised collection and management of information • will improve customer service with more open access to common datasets and information • information management a growing activity in councils with ample duplication. Aggregation would result in shared resources and expertise and improved customer services |
| Support Services | Installations ICT / software training* Desktop support* Usage monitoring and reporting | Common requirements | <ul style="list-style-type: none"> • ICT support services may be a component of hardware/software contracts • growing competition for ICT skills so shared services (or outsourcing) can help ensure access to skills • degree of location-specific activity beyond helpdesk enquiries |

CORE FUNCTIONS AND SERVICES

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|----------------------|---|--|--|
| Waste management | Waste collection* Recycling collection* Commercial recycling Landfill operation Transfer station Education programmes Sewerage treatment Toxic waste disposal Street / roadside cleaning* | Alignment of existing contracts and consents Relative proximity of demand and supply points | <ul style="list-style-type: none"> • environmental practices, waste management legislation, and recycling culture will help drive need for shared services • commercial opportunities from recycling and energy collection from aggregated waste supply • collection services already contracted out in many areas so further opportunities for cost savings may be limited |
| Emergency management | Rural fire service Planning Disaster recovery Training | | <ul style="list-style-type: none"> • high cost, high risk activities but low volume activity • shared services would maximise use of existing resource but aggregation would not result in significant cost savings • required services generally localised |
| Swimming pools | Management Supplies Temporary staffing Programmes | | <ul style="list-style-type: none"> • localised requirements • supplies other than energy costs not of a significant scale • possibilities in urban areas to share staff and programme resources |

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|--|--|---|---|
| Museums, Galleries | Exhibitions Management* | | <ul style="list-style-type: none"> • tend to be location specific and require local expertise • unlikely to result in improved service delivery or efficiencies • sharing / collaboration possible with exhibition |
| Cemetery | Records Maintenance Crematorium | | <ul style="list-style-type: none"> • would only apply to new cemetery developments; limited ability to close and / or aggregate existing activity • historical records could be held in single database for public access • cultural and practical challenges with burial / cremation services being separate from grave location |
| Governance | Meeting locations Council arrangements Agenda preparation Minutes Elections Online community consultation Catering | Council autonomy protected | <ul style="list-style-type: none"> • meeting processes and equipment becoming more sophisticated so potential for common chambers in some regions • limited scope for shared services with agenda etc as relies on internal reports and knowledge • online community consultancy could be part of ICT shared services arrangements |
| Community services | Grants funding Holiday programmes Housing provision | Standard grants application and approvals | <ul style="list-style-type: none"> • could increase alignment with government funding and processes |
| Additional regional / unitary activities | Pest and weed control* | | <ul style="list-style-type: none"> • generally contracted already • economies of scale not achieved beyond regional activity |

ASSET MANAGEMENT

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|---|--|---------------------------------|---|
| Property and equipment (may include procurement activities) | Fleet maintenance Equipment maintenance Property maintenance Relocations Street lighting Sports field preparation Mowing Track building | Alignment of existing contracts | <ul style="list-style-type: none"> economy of scale only likely in metro areas with significant transactions in a confined area could reduce need for multiple sets of equipment (= cost savings) opportunities for aggregated procurement for property and facilities maintenance |
| Infrastructure | Street cleaning Minor road repairs Water connections | | <ul style="list-style-type: none"> as above |

COMMERCIAL ACTIVITIES

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|-----------------------------|-------------------------------------|--------------------------------|--|
| Quarry | Management and operation | Council ownership or influence | <ul style="list-style-type: none"> likely to be regional supply arrangements in place location specific any aggregate cost benefits could be offset with increased transport cost |
| Camping ground / facilities | Management Concessions / permits | | <ul style="list-style-type: none"> location specific many under management contracts already questionable benefits from aggregation other than concession activities of regional councils |

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|-----------------------|---|---|--|
| Halls, venues, stadia | Booking system Management* Cleaning services* Catering* | Interoperability of information systems | <ul style="list-style-type: none"> • many under management contracts already • tend to be location-specific • possibilities with booking systems and joint supply contracts |

FUTURE ACTIVITIES

| ACTIVITY | DETAIL SUB-CATEGORY | ENABLER or PRE-CONDITION | ASSESSMENT CONSIDERATIONS |
|------------------------|---|---|--|
| Emissions trading | Council contributions scheme Emissions reduction programmes | National process agreement | <ul style="list-style-type: none"> • link to national schemes • complexity due to difference in activities across regional, rural and urban councils |
| Spatial planning | | GIS interoperability Development and access to common datasets | <ul style="list-style-type: none"> • work advanced by some regional councils and Auckland Council |
| Environmental services | Energy efficiency initiatives Environmental data collection and services | Common processes and systems | <ul style="list-style-type: none"> • increasing pressure on water, energy, land use efficiencies • much of the expertise and information resides in local government |
| Information management | Software and mobile technology applications using council data sources | Common datasets and processes Data publicly available | <ul style="list-style-type: none"> • rapid growth in technology applications as information sources become web based • growth in digital content |

Glossary of terms

| | |
|----------------|--|
| ALGIM | Association of Local Government Information Management |
| BoPLASS | Bay of Plenty Local Authority Shared Services |
| CCO | Council-controlled organisation – an organisation in which council owns or controls 50 per cent or more of the voting rights |
| CIPFA | Chartered Institute of Public Finance and Accountancy (UK) |
| CRI | Crown Research Institute |
| DoC | Department of Conservation |
| ESRI | GIS software company providing the most commonly used platform |
| GIS | Geographic information system |
| ICT | Information and communications technology |
| IPENZ | Institute of Professional Engineers New Zealand |
| KPI | Key performance indicator – an agreed measures against which progress is monitored |
| LASS | Local Authority Shared Services – generally formed as a company for the implementation and delivery of services |
| LGA | Local Government Act 2002, which sets the framework and rules for local government operations |
| LGOL | Local Government Online Limited – provides national online services and promotes ICT application to local government |
| LIANZA | Library and Information Association of New Zealand Aotearoa |
| MAF | Ministry of Agriculture and Forestry |
| MAV | Municipal Association of Victoria |
| MED | Ministry of Economic Development |
| MfE | Ministry for the Environment |
| MWLASS | Manawatu-Wanganui Local Authority Shared Services |
| RFI | Request for Information |
| RFP | Request for Proposal – an invitation for suppliers to submit a proposal to a bidding process |
| SLA | Service level agreement – the agreed contracted service level between a vendor and client |
| SOE | State Owned Enterprise |
| SOLGM | Society of Local Government Managers |

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