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Committee Finance, Audit & Risk Committee
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Shared Services

1. Purpose

To update the Committee on the shared services project being undertaken by the region's councils.

2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3) (b) of the Local Government Act 2002.

3. Background

In February 2009 councils in the region met to explore opportunities to share or combine their services. As a result of that meeting, local authorities within the greater Wellington region agreed to work collaboratively by exploring opportunities for greater sharing of services and resources under a strategic shared services programme.

The meeting was in part a response to the current financial, economic, operational and capability challenges, but also with regard to the changes to local government environment, in particular Auckland.

4. What are shared services?

In local government, shared services are recognised as the model whereby authorities come together to deliver part of their business – be they front-line services or corporate support functions – in a combined or collaborative operation. All of these can be termed shared services, working across the boundaries of more than one organisation, irrespective of whether the delivery model involves the public or private sectors. Shared services are fundamentally about optimising people and their skills, assets, time and other resources. A shared service arrangement, regardless of the governance model under which it operates, can in theory handle any business function effectively, as long as the

arrangement and performance criteria meets the needs of the 'parent' councils. The shared service business will have its own budget and account to its 'parent' councils (and potentially a private sector partner) for its use and report on the performance achieved from the use of that budget.

5. Background & Business Drivers

Traditionally, councils in the Wellington region have maintained their own services. However several factors such as increasing pressures from the public for high quality service delivery and pressures on local authority expenditure have meant that councils have had to look at other ways to ensure cost savings. Change is inevitable and a new way to look at the services we provide is an essential requirement. If successful, shared services will promote clever ways of working, and encourage innovation within the workplace. Shared services provide opportunities for staff to expand their skills and contribute to a highly mobile workforce.

Greater Wellington currently uses shared services for the collection of our rates, which is handled by each of the local councils.

6. Objectives re Shared Services

- To identify and examine opportunities for delivering services co-operatively, as a means of providing enhanced services with greater economic efficiency.
- To identify to all stakeholders, the issues which need to be addressed to ensure that shared and cooperatively delivered services are delivered effectively and efficiently.
- To reduce the costs of administration.
- To deliver consistent and reliable services.
- To promote the development of shared services, processes and systems that are resilient to changes in service delivery structures and boundaries, and better able to meet the needs of joined up public services.
- To offer staff development and opportunities.
- Improve skills levels in each service.

7. Outcomes

- Excellence in service delivery – ensuring business solutions are developed and implemented according to timeframes and budgets
- Customer satisfaction with the services provided
- Significant cost advantages to partnering councils
- Economies of scale, absorbing a robust and flexible service capable of change.

8. Governance and Structure

Sound governance is the key to a successful shared services implementation, as it not only helps to manage the strategy for implementation and ongoing issues, but also establishes accountability. The governance framework describes the range of governance groups, their roles and responsibilities and their reporting relationships, to ensure that appropriate mechanisms and controls are in place to effectively oversee the implementation of the Wellington region shared services initiative.

Each of the areas for further study noted below has a project team along with a project manager to gather information and prepare a business case for the shared services opportunity.

In addition there is a champions group made up of representatives from all of the local councils. The role of this group is to discuss opportunities within their own council and the group, review business cases, discuss opportunities and make recommendations to the CEO's forum.

The CEO's forum will make the final decision on shared service opportunities. The detailed roles of each of these groups are discussed in the draft charter for the shared services project. (**refer Attachment 1**).

9. Opportunities

The February meeting identified a number of areas for consideration, the four areas chosen for immediate consideration were:

Building Controls

Waste management

Emergency management

Procurement

From Greater Wellington's operational perspective, we have little involvement in building controls and waste management. However, Greater Wellington has been asked to join the group looking at Waste Management.

Teams were set up to look at each of the areas, Greater Wellington is involved in emergency management (Rian van Schalkwyk) and procurement (Barry Turfrey).

In addition there are also discussions being held as part of the shared services programme on the potential of combining services with regard to water. Currently, this project is being coordinated by Dave Benham.

9.1 Procurement

In terms of procurement, councils have identified their major expenditure items and the maturity of any contracts involving those items. The major expenditure items are:

Purchase of motor vehicles and fleet management

Fuel - petrol and diesel

Geographical Information System (GIS)

Print - offset

Energy - gas and electricity

Stationery

Mail and courier

Archives

Rates and billing

Insurance

While energy is the largest spend of all of the items listed above there are a number of existing contracts in place, the largest of which does not expire until 2012. Therefore, no further work will be done investigating options for a combined energy contract until next year.

Three of the local councils jointly tendered their insurance for the 2009/10 year. Work is being carried out to ascertain whether a consortium of councils and their related companies/trusts could obtain a more competitive price than individually. One issue that also needs to be considered is that concentrating insurance risk geographically on the Wellington region may reduce the benefits from the consortium approach. It is possible that a group involving other councils outside the region may be formed. The timing of any consortium would be for the 2010 year.

Greater Wellington currently outsources the collection of its rates to the local councils thereby utilising the existing rating databases. The next step would be to have one rating database and one entity collecting rates across the region. Work on this has commenced but it is a major undertaking aligning systems and databases.

A working group is being formed to review how archives are delivered. However, as this will require changes to existing systems this will require a relatively long lead in time for any changes.

In respect of GIS, Greater Wellington is putting together a consortium of councils to over fly the region in the summer of 2010. Currently Hutt City, Upper Hutt, Masterton and Greater Wellington are involved.

The work programme and timings for procurement is attached (refer **Attachment 2**).

9.2 Civil Defence Emergency Management

Council representatives are working together to look at the best way to provide emergency management for the region. The group will be covering such aspects as:

- Emergency operations service
- Rural fire
- Public education
- Volunteer training.

10. Communication

No communications are necessary

11. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

Report approved by:

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David Benham
Chief Executive

Attachment 1: Shared Services charter

Attachment 2: Procurement work programme