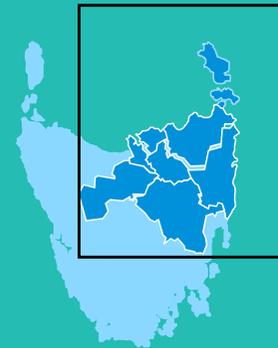




# Northern Tasmanian Councils



Shared Services Study – Condensed Report

July 2017





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**Private and confidential**

**The Mayors and General Managers,**

West Tamar Council, George Town Council, Dorset Council, Break O'Day Council, Northern Midlands Council, Meander Valley Council, Flinders Council and Launceston City Council

**Shared Services Feasibility Study**

KPMG is pleased to present our Condensed Final Report into options for shared services between the group of eight northern Tasmanian councils. In summary, the study has found:

- The region covered by the eight northern councils represents approximately one third of Tasmania's land mass and population. The City of Launceston stands out from the other seven councils, with a population and staffing level that is almost that of the other seven councils combined
- The region more generally possesses some higher levels of economic and social disadvantage with an ageing population profile in excess of the Tasmanian median and with five of the eight councils forecast to have a population decline by 2030. This will put pressure on the capacity of many councils in the region to raise revenue and maintain service levels. It is therefore of critical importance that the councils maximise the efficiency of their service delivery models using innovative approaches. These observations have assisted the councils to develop a shared understanding over the course of this study that simply maintaining the current arrangement is not an option
- The councils possess much in common in terms of vision, guiding principles and services, but have each adopted various approaches to the delivery of those services in terms of staffing levels, information systems and business processes. These fundamental differences create many challenges in moving to some of the 'whole-of region' shared service options contemplated by this study

- There is a spectrum of shared service options conceptually available, with some case studies found that point to shared service success stories. Other independent evaluations point to many of the less successful attempts at shared services in government and the range of challenges - governance, political, process and financial - that have impeded the implementation of shared service models
- The more complex shared service models on the spectrum, involving the formation of a separate, jointly owned entity, or centralised service delivery with one council (most logically Launceston) have been found to be not attractive from many perspectives – financial, political, operational - due to the range of systems and processes that would need to be migrated and the disruption that would follow
- Accordingly, this study has concluded that the ongoing and incremental expansion of resource sharing at sub-regional levels, along with some whole of region initiatives including joint contracting for selected services and migration to a single information management platform, is a more sustainable pathway for the region to adopt
- An immediate opportunity for the councils that will require a long term implementation is focused on the need to move to common technology platforms (specifically networks, infrastructure and applications) in order to fully leverage the combined scale of the councils. This reform can drive harmonization of business processes and deliver 'back office' efficiency gains that can be reinvested into community facing services
- The governance over these initiatives, informed by the Common Services Model, adopted by Brighton and its partnering councils, may provide the structured approach required for the northern councils to move forward.

We thank you for the opportunity to have undertaken this study.



**Tim Rutherford**  
Director



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Director

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# Headlines

This section distils the key messages arising from this study

# Shared Services Study Headlines



## Background (Sections 1-2)

The northern region of Tasmanian councils comprising Break O'Day, Dorset, Flinders, George Town, Launceston, Meander Valley, Northern Midlands and West Tamar (the northern councils) have come together with the support of the Department of Premier and Cabinet (Local Government Division) to explore possible resource sharing/ shared services reforms, within the context of improving their capacity and performance.

The northern councils have collectively ruled out amalgamations at this point. Accordingly, the project objective was to investigate the merits of a shared services model for the eight participating councils, having regard to the principles set by the Minister for Local Government - Be in the best interests of ratepayers; improve the level of services for communities, preserve and maintain local representation, and ensure that the financial status of the entities is strengthened.

A Steering Committee comprising the General Managers of the northern councils and other senior support staff have worked in a highly constructive and collaborative manner over the six months of the study. **In some ways, the process of working through the study has been more valuable than the final report, and this should provide a strong and collegial platform to progress the outcomes of this study.**

## Current state (Section 3)

### Community profile

The study has found that Launceston is by far the most population dense municipal area, followed by West Tamar. These two councils represent over half of the eight combined councils in terms of rateable properties and population. The population profile of the northern region also presents challenges for the councils. The study has found the northern councils' population is projected to age at a faster rate than the rest of Tasmania. Launceston, Break O'Day and West Tamar are the only councils that are projected to have growth in their populations. Five of the eight northern councils have a higher reliance on government support than the Tasmanian average and six of the eight councils possess average or lower than average economic advantage. **These study findings will exert further pressure on the revenue raising capacity of councils in the longer term, all else being equal.**

### Financial profile

The study has found the northern councils have varying financial profiles, reflecting their diverse scale and service mix. Though all the councils generally present a reasonable financial position, the study identified some financial pressure points evidenced by four of the eight councils reporting underlying deficits in 2015-16, with the average overall result being substantially lower than the Tasmanian average, in both dollar terms and in the operating surplus ratio. In addition, six of the eight councils have reported consistent operating deficits over the last three years. **This suggests there remains scope for the councils to pursue initiatives that will further improve operational efficiency.**

### Service profile

The councils share many common elements in their vision and guiding principles. The councils also provide many similar services that are central to their core role in serving their communities - asset maintenance, waste management and development services. Many of the supporting functions for these services are therefore also similar - finance, payroll, human resource management etc. However, some of the northern councils provide some unique services, such as an airport, pools, sports stadiums, rural health and childcare. For many of the common services, the councils have adopted different approaches to service delivery in terms of staffing levels, information systems and business processes. **This variability of services adds to the complexity of aiming to move to some of the shared services models with minimal disruption to council operations.**

# Shared Services Study Headlines



<p><b>Current state (Section 3)</b></p>	<p><b>Organisational profile</b></p> <p>The northern councils collectively employ 854 full-time equivalent staff, of which 431 are employed by City of Launceston. The combined wages bill for the councils amounts to around \$68M p.a. of which \$31M can be attributed to the City of Launceston. The councils are therefore a major employer in the region and make a significant contribution to the north eastern Tasmanian economy.</p> <p>The organisational structures of the councils have much in common, again reflecting the broadly similar scope of services provided. Each council has its own industrial agreement, highlighting the wide range of differing terms and conditions of employment for many staff providing broadly comparable services.</p> <p>The councils have each adopted their own core financial and information management systems. There are five different finance systems and six different systems used to support engineering services (asset management, spatial science etc.). <b>The diversity of information management systems across the councils, and the associated differing business processes presents a particular challenge to the pursuit of shared services.</b></p>
<p><b>Shared service options (Section 4)</b></p>	<p>The study has explored the range of services delivered by the councils, and the Steering Committee has guided the study to focus on shared service opportunities for key common service areas – corporate services, engineering services and waste management services.</p> <p>The councils currently expend approximately \$21.M p.a. on these ‘in-scope’ services, of which approximately \$15M p.a. is salaries for 183 FTE. Expenditure on these services represents around 12% of the \$184M of total operating expenditure of the northern councils.</p> <p>The study has also explored the spectrum of shared service ‘models’ that are conceptually available, ranging from simple contracting between councils through to more complex incorporated joint ventures.</p> <p>Having regard to the services in scope, the study was able to distil the spectrum of options into four core alternatives:</p> <ol style="list-style-type: none"> <li>1. Optimising the current arrangements - extending the current range of services already being delivered between the councils in various sub-regional arrangements</li> <li>2. Joint contracting/ outsourcing – combining all the councils onto common contracts for core services and outsourcing these functions where feasible</li> <li>3. Contract service model - empowering a single council to centrally deliver the shared services to the other councils on a fee for service basis</li> <li>4. Incorporated joint venture – establish a separate shared services entity (using the enterprise provisions of the Local Government Act) to centralise the shared services and deliver those services back to the councils</li> </ol> <p>A literature review found there are a number of examples of the different shared services models in existence, nationally and internationally. However, the study also found a number of other independent reviews of shared services that identified the failures of attempts to build shared service models, the lessons learnt from those failures and guidance notes to others contemplating shared service implementations. <b>Some of the more common keys to success are avoiding opt-in/ out-out options, effective governance arrangements, leadership, persistence, change management/ communications and standardising core information systems and processes before sharing services.</b></p>



# Shared Services Study Headlines

## Assessment of the options (Section 5)

In considering the four conceptual options in consultation with the Steering Committee, it became apparent that all possessed various advantages and disadvantages from a political, financial and operational implementation perspective. In the assessment of those options, the study found:

- there are elements of Option 1 (extending current resource sharing arrangements) and Option 2 (joint contracting for selected services such as waste management) that could 'blend together' in a 'cocktail' of opportunities to optimise the current arrangements
- Option 3 (Contract service model) presented a range of political and implementation changes and a financial cost/ benefit outcome that would not favour that option
- Option 4 (Incorporated Joint Venture) presented similar challenges to Option 3, but with an even less attractive financial cost/ benefit outcome

**On balance, the study has concluded that the greatest gains can be made by all of the councils adopting common IT platforms. That will provide a foundation on which to extend the current resource sharing arrangements, with wider joint contracting for common services (e.g. waste management, debt collection, legal services) at both sub-regional or whole of region levels.**

The financial modelling of all of the options, and especially the blended Option 1/2 can at best be indicative, as this is dependent on a wide range of variables such as the services selected for sharing, the breadth of council participation and the complexity of implementation. For Option 1/2, estimated recurrent savings of \$3-4M p.a. across the region may be achievable set against implementation costs in the wide range of \$0.5-\$4M. This would represent savings of around 15% of the current operating expenditure on these services.

## Opportunities and next steps (Section 6)

A range of 13 (or more) opportunities/ recommendations for shared services have been identified that form the 'cocktail' of initiatives. These extend the current resource sharing occurring between the northern councils into new areas and require genuine examination of joint contracting at sub-region and whole of region levels. **As noted in the literature review, factors critical to the success of shared service reforms are:**

1. **The formation of an effective governance/ management model with resources to progress the initiatives**
2. **The harmonisation of information management systems by the participating entities onto common platforms**
3. **A 'one-in, all-in' approach that does not easily allow opt-in, opt-out when it suits the preferences of individual councils to the detriment of the councils of the northern region as a whole**

In light of the emerging favoured option, the study has explored the Common Services Model, led by Brighton Council. That model has attracted some positive independent evaluations as an innovative approach to resource sharing in local government. The northern councils may not yet be prepared to replicate a model such as that in the northern region. However, there are some elements of that model, including a structured and effective governance model, a Common Services Contract that binds the participating councils, and fee-for service pricing arrangements that provide insights into an approach to shared services that would be robust, enduring and deliver real efficiencies to communities in the northern region of councils.

In concluding, the study has arrived at a way forward that is more evolutionary than revolutionary. That was not the expectation on commencement. However, there are elements of the solution that would be a major departure for the councils from the status quo, significantly break down existing silos and develop genuine regional cooperation. Such reforms would surely improve services and financial sustainability and be in the best interest of rate payers.



# 1. Introduction

This section outlines the scope and approach to the study

## Requirements



## Scope

The northern region of Tasmanian councils comprising Break O'Day, Dorset, Flinders, George Town, Launceston, Meander Valley, Northern Midlands and West Tamar have come together with the support of the Department of Premier and Cabinet (Local Government Division) to explore possible resource sharing/ shared services reforms, within the context of improving their capacity and performance.

The Tasmanian State Government has established that the following principles **must** be applied **when considering all options as they relate to local government reform:**

- **Be in the best interests of ratepayers**
- **Improve the level of services for communities**
- **Preserve and maintain local representation, and**
- **Ensure that the financial status of the entities is strengthened.**

**The northern councils have collectively ruled out amalgamations at this point.** Accordingly the project seeks to investigate the merits of a shared services model for the eight participating councils, having regard to these principles. The councils have determined that the first step is to undertake a benchmarking exercise that looks into (compares and contrasts) the financial and service delivery measures of each council.

The objective for the project is to use benchmarking to establish a standardised evidence base providing data on both qualitative and quantitative aspects of operations and which additionally identifies from the data, areas of potential for resource sharing and other collaboration between the councils.

## Outcomes

1. Review the data utilised to establish council KPIs as per the Tasmanian Auditor General to ensure that the **base data** provided by the councils establishes a consistent comparison for each council.
2. **Benchmark each council's KPIs** as per the Tasmanian Auditor General, in addition to any other KPIs considered relevant, which include key measures of operational efficiency in functions including
  - a) Human resource management
  - b) Corporate services – financial management, reporting, compliance, rates
  - c) Asset management planning – service levels, condition assessment and engineering

- d) Asset maintenance
- e) Animal management
- f) Planning and development
- g) Procurement
- h) Waste management
- i) Public and environmental health
- j) Information technology systems

3. Identify the **services provided by each council** and to what level these services are provided, including any relevant contextual information on service differentials
4. **Compare the services above (a to j), with the benchmarks** established by the Tasmanian Auditor General
5. Provide an analysis of the **demographic profile of the region** – current and projected to 2025 (covering for example Age, Population, Density and Economic performance and tourism) and include any major changes in service delivery needs
6. Make recommendations on where **improvements/ efficiencies can be made** in each area of each council
7. Recommend **resource sharing/ service collaboration** opportunities including:
  - a) Services that could be *regionalised* and how
  - b) The *potential for cost savings, service improvements* and efficiency improvements to council operations and any other stakeholders
  - c) The potential for *improved risk management*
  - d) Other *potential financial benefits* and impacts from a shared service delivery model
  - e) The *impacts on employment numbers*, potential improvement in staff skills and potential impacts on existing employment arrangements, including enterprise agreements
8. Develop an **evaluation framework** which includes baseline data, benchmarks and performance indicators for evaluating the success of the services and the ongoing viability of the councils

The study was conducted over six months with guidance provided at regular intervals by the Steering Committee comprising the senior management of the northern councils.

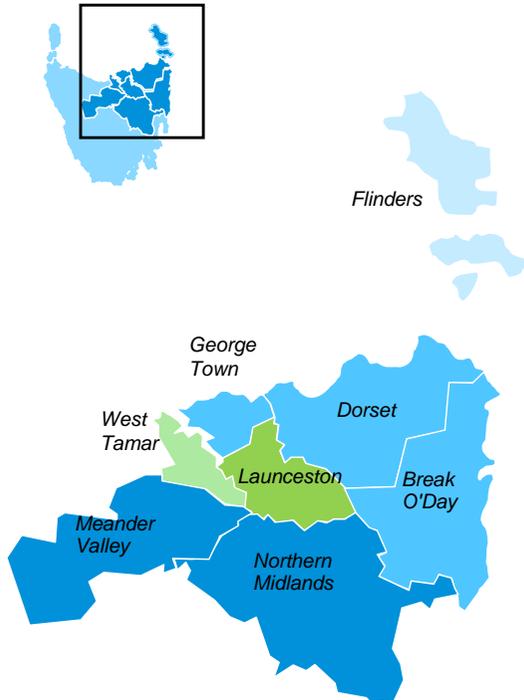


# 2. Current situation

This section provides a snapshot summary of the main features of the northern councils

# Northern Councils Overview

The Northern Councils have varying profiles in terms of size, nature and economic/demographic characteristics.



Summary Council Profiles	Break O'Day	Dorset	Flinders	George Town	Launceston	Meander Valley	Northern Midlands	West Tamar
Council Classification (Auditor General)	Rural agricultural, large	Rural agricultural, large	Rural agricultural, small and medium	Rural agricultural, large	Urban medium	Rural agricultural, very large	Rural agricultural, very large	Urban small
Population	6,469	7,105	783	6,802	67,078	19,686	12,749	23,202
Rateable Properties	6,297	5,279	1,190	4,354	31,147	9,897	6,850	11,813
Square Kilometres	3,256	3,228	1,997	653	1,414	3,330	5,137	691
Staff (FTE)	53.3	58.9	22.5	50.6	423.2	79.8	65.9	99.9

*Source: Report of the Auditor-General No. 8 of 2016-17 Auditor-General's Report on the Financial Statements of State entities*

The northern councils represent around one-third of Tasmania's population and land mass. Launceston is by far the most population dense municipal area, followed by West Tamar. These two councils represent over half of the eight combined councils in terms of rateable properties and population. Break O'Day is particularly unique, as it has almost the same number of rateable properties to head of population. This highlights the extent to which Break O'Day has a large amount of shacks and second homes, compared to the other municipal areas. To some extent this is also the case with Dorset and George Town.



# Services profile

The Northern Councils provide common services, as well as unique services.

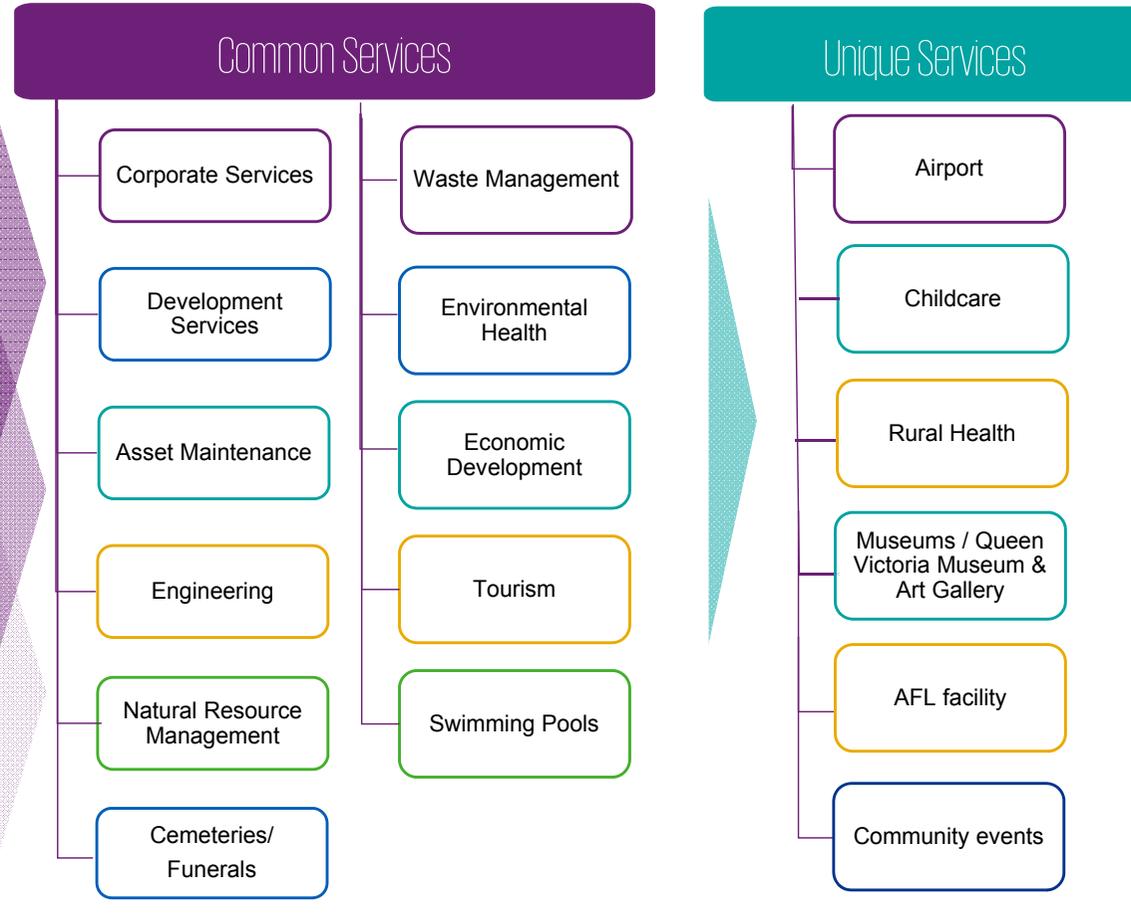
Many of the services that councils provide are central to their core role in serving their communities e.g. asset maintenance, waste management, and development services. Many of the supporting functions for these services are therefore also similar.

However, the northern councils also have some unique services, which arise from the rural/urban nature of some councils e.g. rural health, child care and museums etc.

For many of the common services, the councils have adopted different approaches to service delivery in terms of staffing levels, information systems and business processes.

This variability adds to the complexity of aiming to move to some of the shared services models with minimal disruption to council operations.

The councils also have a number of resource sharing arrangements already in place, between themselves and with councils outside the northern region. This can potentially provide a platform on which to extend shared services arrangements at a sub-region or whole-of-region level.



The councils share much in common in terms of their vision and strategic priorities



# Financial profile

Half of the eight northern councils made an underlying deficit in 2015/16, which on a combined basis was below the Tasmanian average

- Four out of the eight councils made an underlying deficit in 2015-16. Flinders made the largest deficit (relatively) due to timing of pre-paid Federal Assistance Grants which affected the financial results. George Town also made a deficit as a result of infrastructure revaluations and a resulting increase in depreciation charges. All councils made positive net cash flows from operations.
- George Town, Meander Valley and Flinders incur the highest average cost per FTE. Meander Valley has the longest serving employees, followed by Launceston.
- Flinders has the highest FTE per 1000 population and rateable property, due to its small population.
- Break O'Day whilst having a fairly high FTE per 1000 population (8), has a fairly low FTE per rateable property. This reflects the large amount of shack homes.

2015-16 Results	Break O'Day	Dorset	Flinders	George Town	Launceston	Meander Valley	Northern Midlands	West Tamar
Underlying Surplus*	-\$0.59m	\$1.55m	-\$1.00m	-\$0.81m	\$2.18m	\$0.41m	-\$0.55m	\$1.24m
Underlying Surplus Ratio*	-4.4%	12.4%	-21.8%	-9.9%	2.2%	2.2%	-3.3%	5.2%
Net Cash Flows from Operations	\$2.25 m	\$2.88 m	\$0.23 m	\$1.54 m	\$17.82 m	\$5.89 m	\$4.41 m	\$6.57 m
Employment Expense	\$4.03 m	\$3.40 m	\$2.09 m	\$3.87 m	\$38.1 m	\$6.29 m	\$4.96 m	\$8.08 m
Average Salary (per FTE)	\$64,047	\$66,008	\$69,278	\$73,276	\$60,390	\$69,100	\$58,909	\$67,799
Average length of employment	7.6	9.0	5.1	7.4	9.5	13.5	7.7	8.8
FTE per 1000 Rateable Properties	8.5	11.2	18.9	11.6	13.6	8.1	9.6	8.5
FTE per 1000 Population*	8.2	8.3	28.7	7.4	6.3	4.1	5.2	4.3

\* Data sourced from Report of the Auditor-General No. 8 of 2016-17 Auditor-General's Report on the Financial Statements of State entities. All other information sourced directly from Councils' Annual Reports and raw data.



Ageing and shrinking populations in some areas will significantly affect councils' revenue base and demand for services.

## Population

- The northern councils' population are projected to age at a faster rate than the rest of Tasmania, which is significantly greater than the national rate. Break O'Day, Dorset and Flinders have been forecasted to age at higher rates than the other councils.
- In terms of population growth, Launceston, Break O'Day and West Tamar are the only councils that are projected to have growth in their populations. Dorset, Flinders, George Town, Meander Valley and Northern Midlands have all been projected to decline in population. There may be growth in some communities such as Perth, Longford and Evandale.

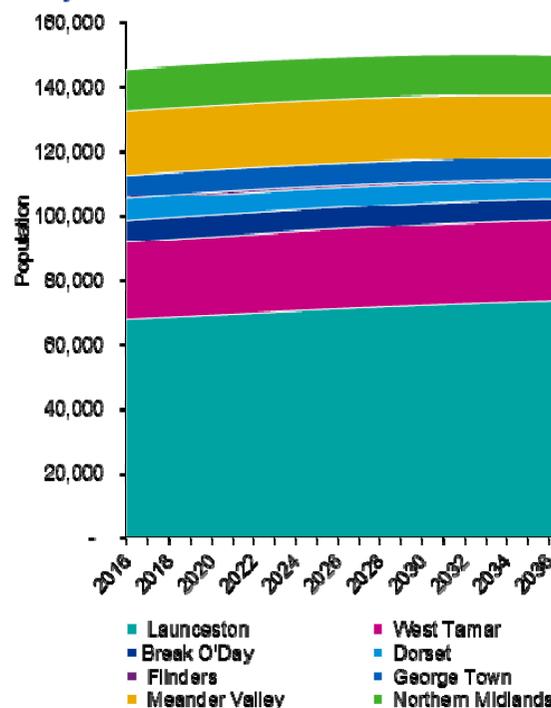
## Income

- Launceston has the largest average income and the largest number of income earners, followed by West Tamar. Flinders, Break O'Day and Dorset have the lowest average income figures per income earner.
- Five of the eight northern councils have a higher reliance on government support than the Tasmanian average.

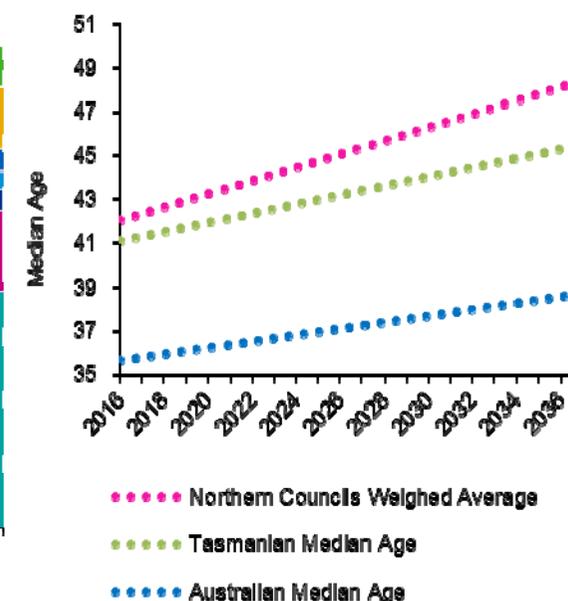
## Socio-Economic Index for Areas

- Meander Valley and Flinders rank in Tasmania's top 25% socio-economic index. Northern Midlands, Launceston, and Dorset score around the Tasmanian median. Break O'Day and George Town rank in Tasmania's bottom 25%, indicating a lower level of advantage.
- On a national level, Launceston, Dorset, Break O'Day and George Town all rank in Australia's bottom 30%

**Northern Tasmanian Councils: Population Projections**



**Median Age Projections**





# 3. Shared Service Options

This section provides an overview of the shared service options considered by this study



# Functions suited to shared services

The following pillars of services broadly summarise the majority of council services. In conjunction with the Steering Committee, the scope of services for further analysis were determined. These were either assessed as being suitable for shared procurement/contracting, or otherwise suitable for a shared services model in considering both strategic, organisational, and financial elements.

Corporate Services	Regulatory Services	Community Services	Parks & Recreation	Civil Works	Engineering
<ul style="list-style-type: none"> <li>Administrative Support</li> <li>Human Resources</li> <li>Finance</li> <li>Information Technology</li> <li>Risk management</li> <li>Marketing</li> </ul>	<ul style="list-style-type: none"> <li>Animal Control</li> <li>Natural resource management</li> <li>Building Control</li> <li>Building Services-Surveying</li> <li>Planning</li> <li>Parking</li> <li>Environmental Health</li> </ul>	<ul style="list-style-type: none"> <li>Community Participation</li> <li>Community Grants</li> <li>Events</li> <li>Volunteer programs</li> <li>Economic Development</li> <li>Tourism infrastructure</li> <li>Emergency services</li> <li>Childcare</li> <li>Health Services</li> <li>Youth Services</li> <li>Customer Service Centres</li> </ul>	<ul style="list-style-type: none"> <li>Parks</li> <li>Community Halls/Civic centres</li> <li>Sports Facilities &amp; other facilities</li> <li>Shelters/monuments</li> <li>Public barbeques</li> <li>Public toilets</li> </ul>	<ul style="list-style-type: none"> <li>Roads, Streets &amp; Bridges</li> <li>Building Infrastructure &amp; maintenance</li> <li>Stormwater &amp; drainage</li> <li>Waste - garbage</li> <li>Waste - recycling</li> <li>Waste - green waste</li> <li>Waste - hard rubbish</li> <li>Waste- Public bins</li> <li>Marine Infrastructure- Boat ramps and jetties</li> </ul>	<ul style="list-style-type: none"> <li>Spatial sciences - Survey, GIS</li> <li>Asset Management</li> <li>Engineering design</li> <li>Contract management</li> </ul>



Agreement that these services may be suited to joint purchasing/ contracting



Agreement that these services may be suited to a shared service model



Agreement that these services are not in scope for this study but may be considered for shared services at some point in the future



# Resource Sharing Options

A spectrum of resource sharing options have been considered

The options explored in this Feasibility Study cover the following spectrum of models.



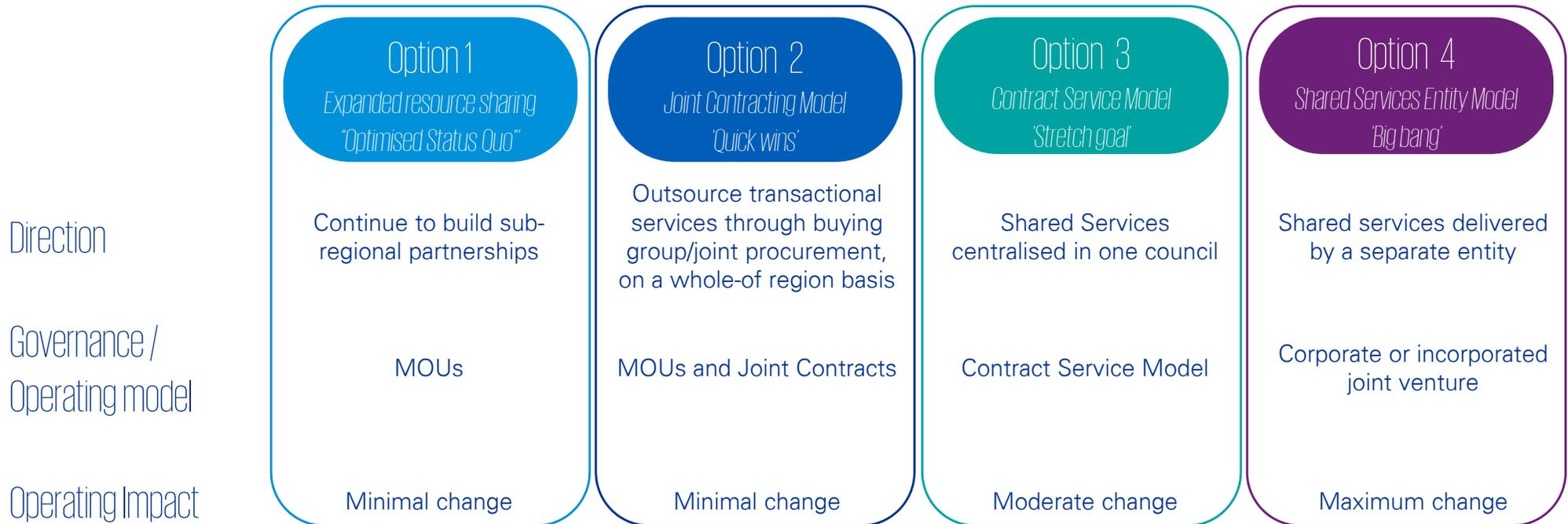
The structure should best reflect the core value drivers and address key risks based on the following factors:





# Overview of the Options

In considering the shared services models available and the current state of the northern councils, the following four options were considered for analysis.



The study found some examples of the different shared services models in existence. However, the study also identified some failed attempts to build shared service models. Some of the more common keys to success are avoiding opt-in/ opt-out options, effective governance arrangements, leadership, persistence, change management/ communications and standardising core information systems and processes before sharing services.



# Summary assessment

The councils should expand on current resource sharing using a Common Services inspired model.

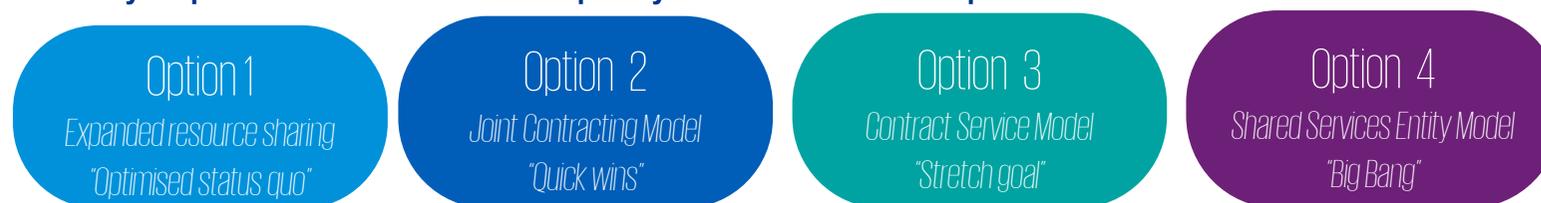
Option #	Appetite	Complexity	Risks	Financial Benefits	Financial Costs	Emerging directions
Option #1 "Optimised status quo"	Green	Yellow	Green	Green	Yellow	<ul style="list-style-type: none"> <li>The northern councils are already undertaking some resource sharing at a sub-regional level</li> <li>There is general agreement that the councils need to continue to find ways to improve services, save costs</li> <li><b>There is general support for further optimisation and extension of the current sub-regional resource sharing arrangements</b></li> </ul>
Option #2 "Quick wins"	Yellow	Red	Yellow	Green	Yellow	<ul style="list-style-type: none"> <li>Some of the perceived 'quick wins' are not straight forward due to the existing councils' systems and processes e.g. payroll and job costing links, use of different contractors for similar services</li> <li><b>There remains scope for some expansion of joint contracting at a sub-regional and whole-of regional level on a case-by-case basis</b></li> </ul>
Option #3 "Stretch goal"	Yellow	Red	Red	Yellow	Red	<ul style="list-style-type: none"> <li>There is not strong support for the 'stretch goal' of centralising all of the identified functions into a single council</li> <li>Indicative financial modelling suggests the cost/ benefit assessment does not support the pure form of this model</li> <li>There are other significant potential issues – risks, system differences, governance arrangements</li> <li><b>There may be scope for some of the functions to be provided using a Common Services inspired governance model to formalise both current and potential resource sharing arrangements.</b></li> </ul>
Option #4 "Big bang"	Red	Red	Red	Red	Red	<ul style="list-style-type: none"> <li>There is limited support for the 'Big Bang' of centralising all of the identified functions in a separate entity</li> <li>Indicative financial modelling suggests the cost/ benefit assessment does not support the pure form of this model</li> <li>There are other significant potential issues – risks, system differences, governance arrangements</li> <li><b>This model can be ruled out for further analysis and consideration</b></li> </ul>

**There is a cocktail of opportunities that do not fit neatly into one of the conceptual models. A Common Services type model provides the flexibility for shared services to expand and adapt to the differing requirements of the councils. These considerations form the basis for the recommendations.**



# Financial Modelling Results

The financial modelling is indicative and sensitive to the assumptions employed. This is particularly so for the blended Option 1-2 scenario. Whilst Option 3 provides some savings, these are relatively small in terms of total councils' budget, and are dependent on efficiencies being realised. Option 4 results in the costs outweighing the benefits, due to the larger establishment and operating costs associated with a separate shared services entity. Implementation costs and complexity increase across the options.



	Option 1 <i>Expanded resource sharing</i> <i>"Optimised status quo"</i>	Option 2 <i>Joint Contracting Model</i> <i>"Quick wins"</i>	Option 3 <i>Contract Service Model</i> <i>"Stretch goal"</i>	Option 4 <i>Shared Services Entity Model</i> <i>"Big Bang"</i>
Financial Impact		\$3.3 million saving p.a.	\$1.9 million saving p.a.	-\$0.5 million cost p.a.
% of Total Council Budget		1.8 %	1 %	-0.3%
Transition costs		\$0.5-\$4 million	\$3-5 million	\$7 million +

## Conclusions

<p>Indicative financial modelling has been undertaken for options 1-2 combined, given that the assumptions around these options are dependent upon individual decisions of the councils.</p> <p>The Brighton Council Common Services Agreement indicates savings of between \$0.5 million - \$1 million have been achieved under that model. A saving of \$3.3M p.a. would therefore require a whole of northern region commitment to the initiatives and may take several years to materialise.</p>	<p>Whilst under Option 3 there are savings available, they are relatively immaterial in comparison to the total expenditure of the councils.</p> <p>The realisation of any savings are dependent on the assumptions relating to FTE reduction and savings from joint procurement, and the costs of establishing the contract service model.</p>	<p>Under Option 4 using the assumptions stated, the costs of establishing a shared services entity outweighs the benefits.</p> <p>This suggests that this is a high risk option, and savings may be difficult to realise in the short term.</p>
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# 4. Recommendations and next steps

This section outlines the way forward for the northern councils to expand shared services



# Recommendations

There is a cocktail of opportunities that do not fit neatly into one of the conceptual models, however can build on existing arrangements between the councils. Adoption of common IT platforms can be the game changer...

**Currently, the northern councils are in a position to establish and facilitate the range of initiatives outlined below. These include outsourcing some service delivery as well as centralising the procurement of some services. These initiatives are based on the current commonalities between services, either through systems and processes, or common providers and contractors.**

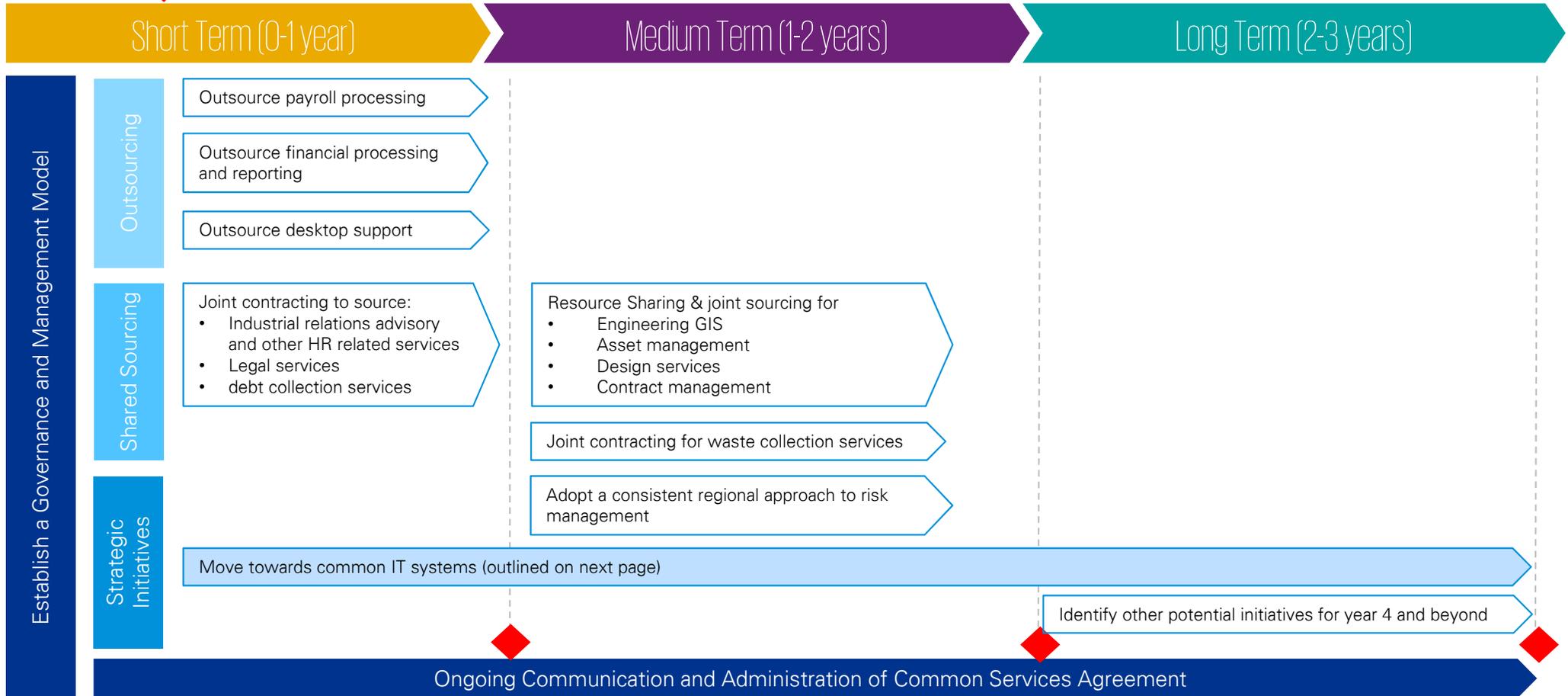
#	Function	Recommended shared service initiative/s	Scope	Effort	Benefit
Service Delivery					
1	Finance	Outsource financial processing and reporting to another council	Sub region	Low	Moderate
2	Payroll	Outsource payroll processing to another council	Sub-region	Low	Low
3	Information Technology	Move towards common IT systems	Whole region	High	High
4	Information Technology	Outsource desktop support	Sub-region	Low	Moderate
5	Risk management	Adopt a consistent regional approach to risk management	Sub-Whole region	Moderate	Moderate
6	Engineering design	Centralisation and joint sourcing of design services	Sub- Whole region	Moderate	High
Contracting Services					
7	Human Resources	Joint contracting to source industrial relations advisory and other HR related services	Sub-region	Low	Low
8	Legal services	Joint contracting to source legal services	Sub-Whole region	Low	Low
9	Waste collection	Move toward joint contracting for waste collection services	Sub-region	Moderate	High
10	Spatial sciences/ GIS	Centralisation and joint sourcing of GIS services	Sub-Whole region	Moderate	High
11	Asset management	Centralisation and joint sourcing of asset management functions	Sub-Whole region	Moderate	High
12	Contract management	Joint sourcing and consistent contract management models/ documentation	Sub- Whole region	Moderate	High
13	Debt collection	Joint contracting to source debt collection services	Whole region	Low	Low

**This analysis is limited to the services determined to be in-scope as part of this Study. Adoption of common IT platforms would be a significant first step the northern councils should progress. There are other services that could be considered under a Common Services Model. Shared development/ regulatory services and shared management of cemeteries were out-of-scope for this study, but may be suited for shared regional approaches in the longer term.**



# Implementation

An indicative timeline for these initiatives is outlined below, as a starting point for consideration by the councils, with annual checkpoints  to evaluate progress and identify other potential shared services initiatives.



In light of the analysis conducted over the options, it is recommended that the Northern Councils move towards the adoption of a governance/management model (along the lines of a 'Common Services Model') to implement, administer and manage the services going forward. Common IT systems for the northern councils is a strategic and significant first step that can provide a foundation to many other shared service initiatives. Any efficiency savings can then be reinvested into other community facing services.



Short Term (0-1 year)

Medium Term (1-2 years)

Long Term (2-3 years)

## Strategic Initiatives

**Common technology platforms**

The study has found that several of the northern councils have put deliberations into information system upgrades, replacements etc. on the 'back burner' due to the more general climate for reform in local government in Tasmanian and, more recently, pending the direction of this study.

An **immediate opportunity for the councils that will require a long term implementation** is focused on the need to move to common technology platforms (specifically networks, infrastructure and applications) in order to fully leverage the combined scale of the councils.

The benefit of common technology platforms is not in the technology cost or operations. Rather, the majority of the potential benefit in shared platforms is in the ability to consolidate and drive synergies in processes across all operations of the councils, regardless of their physical location, size and complexity. This includes the standardisation of all corporate applications (finance, procurement, human resources etc.) as well specialist technology platforms used for engineering & GIS, planning & design, asset management and risk management.

Standardisation also allows for the consolidation of community facing responsibilities through effective Customer Relationship Management (CRM) capability and the potential sharing of information across council boundaries to facilitate better outcomes through strategic planning occurring at a regional rather than council level. This also requires all councils to commit to single processes and training methods in order that staff within one council can operate those on behalf of other councils. This then lends itself to a single council provider model where the councils can really leverage scale to reduce the total operating costs of the council by driving down the unit cost for transactions within it.

Due to the complex nature, long lead times and significant investment profile required for the implementation of this technology platforms standardization, the councils may wish to commence this activity immediately on a long term planning basis in order to move closer together by removing the current barriers that exist around consolidating significantly different systems and processes. Where there are so-called "common" systems, the level of configuration and customization of those systems are currently materially different enough to require a reimplemention of the systems rather than a simple integration.

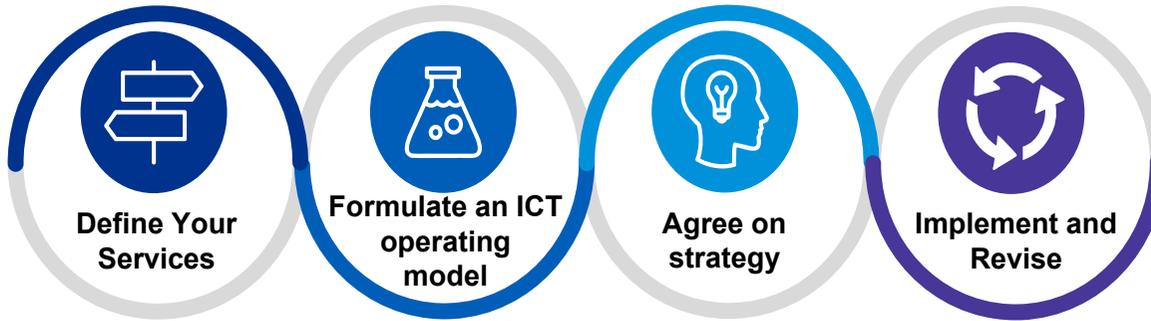
The following page outlines a high-level approach to advancing this initiative. Further discussion in relation to the other shared services initiatives can be found in section 6.1



# Implementation

**Creating a Common IT Service Structure** – A structure for IT service delivery for councils that is consistently and collectively managed will enable efficiency gains from the alignment of technologies and services. The collective scale of the councils can be leveraged to negotiate better terms for ICT service delivery and consistent outcomes for customers and business users. A high level approach for the IT services for councils is illustrated in the figure below.

## APPROACH



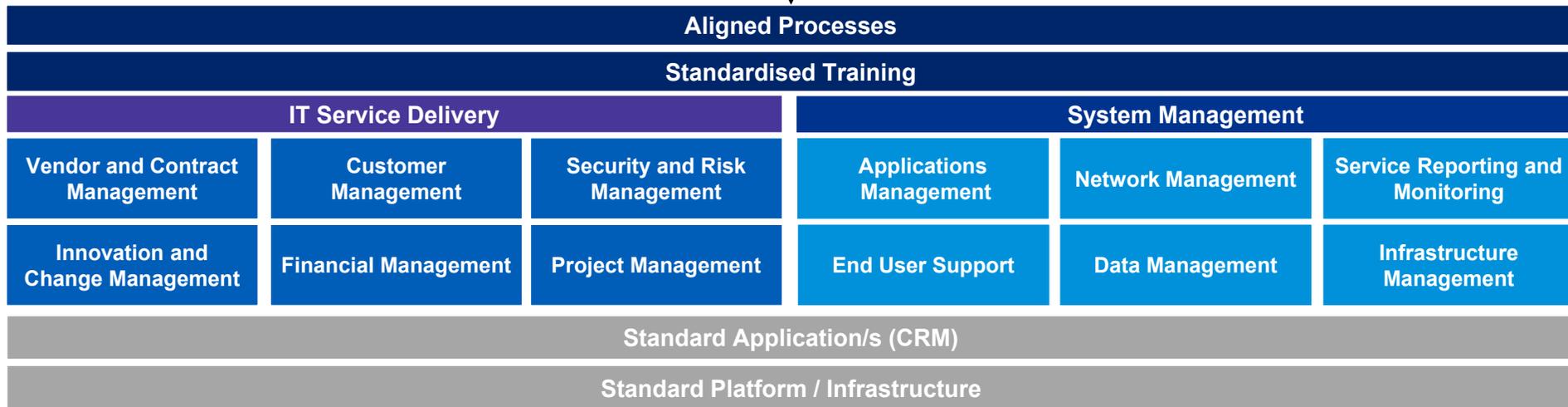
## OUTCOME



IT Governance as supplementary function to broader governance model



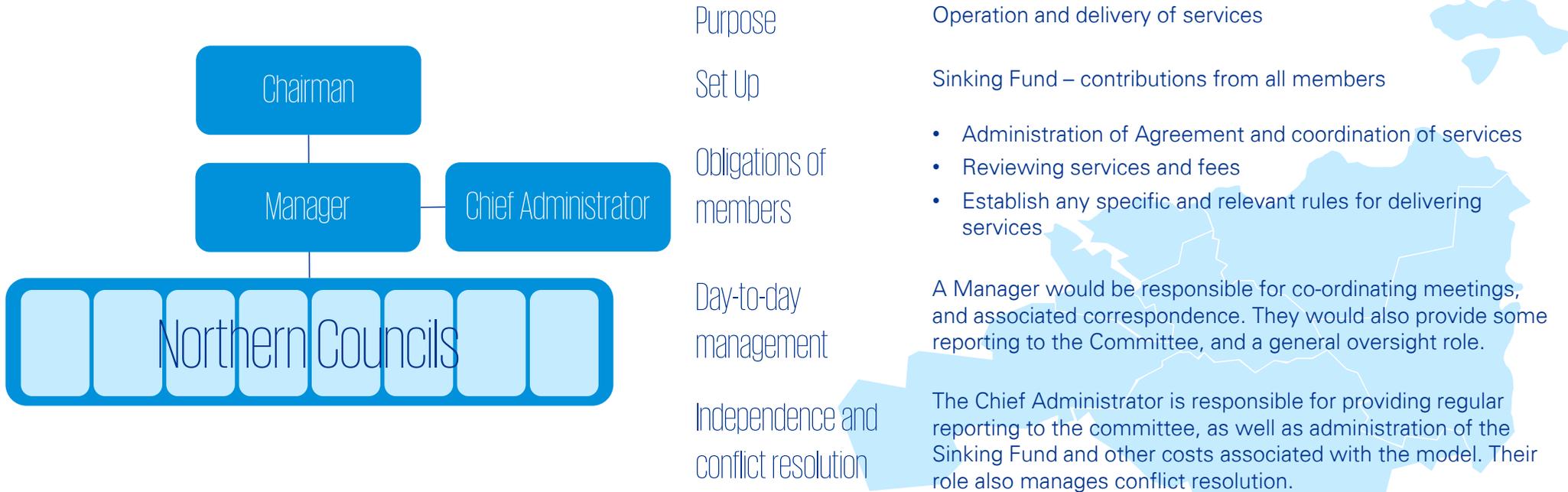
## COVERAGE



# A Potential Governance Model for the Northern Councils

The northern councils currently come together as part of the Northern Tasmanian Development Corporation, looking at strategic and outward-focussed opportunities for the region as a whole. However, there is currently no governance framework in place between the councils for internal shared services arrangements, as these have been established on an ad-hoc basis.

An appropriate starting point for the northern councils would be to establish a governance/ management model that can be informed by the learnings of the Common Services Model led by the Brighton Council. This would involve the councils coming together to identify, plan and implement opportunities to undertake shared initiatives at a whole-of-region or sub-regional level. This model is outlined below.



**Goodwill, trust and collegial spirit between the northern councils’ General Managers has been strengthened over the course of this study. It will be important for this to continue to be nurtured so that momentum to pursue the implementation tasks is maintained. An effective governance model with adequate resources to drive the initiatives is critical to success.**



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