



BRIEFING NOTE FOR CHIEF EXECUTIVES

Chief Executives' Forum

Shared Services

August 2013

Purpose

1. This paper is provided to Chief Executives to help inform decisions about shared services work to be taken on 16 August 2013.

Discussion

2. Following a meeting on 5 August between the Mayors, Chair and Chief Executives of Wellington City Council (WCC), Upper Hutt City Council (UHCC) and Greater Wellington Regional Council (GWRC), it was agreed that:
 - Five principles will guide the development of future shared services activities:
 - i. **Transferable** – regardless of future decisions around governance, that any approach be transferable to any new council structure.
 - ii. **Functional** – that shared services focus on council functions that are enablers for service delivery, rather than services themselves.
 - iii. **Beneficial** – that shared services deliver significant savings to councils that then facilitate improved strategic financial investment capability.
 - iv. **Sustainable/Commercial** – that the approach has longevity and sets a benchmark for quality service provision in the region but can be scaled up and commercialised.
 - v. **Urgent** – that the approach can realise benefits quickly.
 - A priority list of activities be developed, acknowledging activity that is already (or about to be) underway and led by the Chief Executive of the authority concerned:
 - i. Back Office Services – **WCC Lead** (*underway*)
 - ii. Economic Development – **WCC Lead** (*underway*)
 - iii. Spatial and Transport Planning – **GRWC Lead**
 - iv. Water services – **GWRC/HCC Lead**
 - v. Other activities for consideration could include:
 - (a) Parks and gardens
 - (b) Waste management
 - (c) Library services (procurement and back office)
 - (d) Building consenting
 - (e) Swimming pools
 - (f) Recreational services
 - (g) Regional parks
 - (h) Food safety inspection.

- Once Chief Executives have determined an appropriate prioritisation of possible activities, a report of those decisions will be provided to the Mayoral Forum on 30 August 2013.

3. The table below sets out the current position of already identified priority areas:

Table 1: Identified Priority Areas of Interest and Approximate Indicators

Activity	Estimated Regional Opex	Estimated Regional Capex	Estimated Possible Savings	Complexity
<p>Back Office Services</p> <p><i>Comprehensive back office services identified (noting the ICT Partnership singles out ICT).</i></p> <p><i>Estimates from councils assumed total overheads at approximately [REDACTED] of total operating.</i></p>	[REDACTED]	<p>The most significant savings will be derived from the formation of a partnership that works from one ICT platform.</p>	<p>Drawing from Auckland's low end savings of 3.5%, excluding ICT Infrastructure: [REDACTED]</p> <p>High end estimates of 20%, excluding ICT infrastructure: [REDACTED]</p> <p>The opportunity arising from savings is to invest into the Wellington Airport runway.</p>	<p>Medium</p> <p>Low political risk, high degree of technical complexity.</p>
<p>Economic Development</p> <p><i>Published comprehensive economic development expenditure drawn on.</i></p> <p><i>The approach is to consider the structures from within which economic development services are delivered and the priorities for investment.</i></p>	[REDACTED]	[REDACTED]	<p>Any savings derived from this work would be directed to increase investment in economic projects.</p>	<p>Easy</p> <p>Low political risk, low degree of complexity.</p>
<p>Spatial and Transport Planning</p> <p><i>Estimated regional transport Opex has been provided, however the exercise in this area is targeted to improving service delivery performance and reductions in planning complexities.</i></p>	<p>A regional approach to spatial planning is not expected to bring about any material savings per se. However, there are significant benefits arising out of a cohesive regional plan. GWRC has indicated the necessity for an information gathering exercise as a starting point.</p>			<p>Medium</p> <p>Moderate political risk and a high degree of technical complexity.</p>
<p>Water Services</p> <p><i>Total estimated 3-waters expenditure is indicated. This assumes a decision to bring all three services together.</i></p> <p><i>However, work is required to identify the most appropriate future structure which may determine the potential positive outcomes, such as whether waste water stays out.</i></p>	[REDACTED]	[REDACTED]	<p>Drawing from Auckland of 3.5%: [REDACTED]</p> <p>However, any savings derived could be invested in to remediation for the harbours and streams.</p>	<p>Difficult</p> <p>High political risk, low degree of complexity.</p>

4. The remainder of the areas of interest identified ((a) – (h)) in the list above present somewhat more difficulty. While we estimate the potential savings, if any, in those areas to be relatively small and collectively smaller than the savings from a shared service back office approach – work needs to be undertaken to identify the current expenditure.
5. The complexity arises from the fact that councils monitor and report on expenses in those and other areas in quite different ways. We propose that the first step in investigating the opportunities in these areas is a data-collection exercise that will assist in understanding current levels of expenditure and potential savings opportunities.
6. In addition, the scale and complexity of spatial planning and transport as a combined area of interest is significant. We would recommend that transport and spatial planning be dealt with separately.
7. We also propose this work (transport and the remaining areas listed (a) – (h)) be considered for inclusion as part of the Triennial Agreement.

Functions First

8. Some concern was expressed by Mayors that shared services work should be careful to avoid touching sensitive frontline services. Shared service areas of interest should be prioritised accordingly.

Collaborative and Inclusive

9. A meeting on Monday 5 August with the Mayors of WCC and UHCC, Chair of GWRC and Chief Executives. They supported the four priority areas and suggested an additional principle should be agreed around an inclusive approach.
10. While it is clear that all councils involved should determine the outcomes being sought, this approach seeks to allow councils with the capacity and capability of doing so, to develop a shared service solution that can then be presented to the wider group. This will enable all councils to influence the outcome appropriately, but be free to let other councils develop the solutions that can be brought back later for consideration.

Triennial Agreement

11. The four priority areas already identified as Back Office Services, Economic Development, Spatial and Transport Planning and Water Services should be considered as active programmes of work ahead of local body elections. They are major projects in and of themselves and will engage significant resources within the lead councils.

12. As a result, we propose that rather than to initiate other investigations at this stage, to establish agreement through the next Triennial Agreement about the approach that can be taken with shared services

13. A range of priority areas of interest which may include, but not be limited to:
 - (a) Parks and gardens
 - (b) Waste management
 - (c) Library services (procurement and back office)
 - (d) Building consenting
 - (e) Swimming pools
 - (f) Recreational services
 - (g) Regional parks
 - (h) Food safety inspection
 - (i) any others agreed to over time.

14. Forming agreement around the principles and initial shared service areas of interest is expected to drive greater consistency of approach from one triennium to the next but enables councils to focus resources on the four most significant opportunities at this time.

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