

**QLDC Council
1 March 2016**

Report for Agenda Item: 7

Department: Corporate Services

Shared Services – Section 17A Review

Purpose

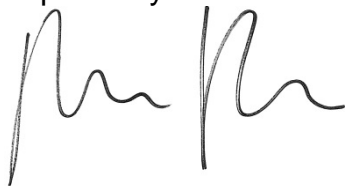
The purpose of this report is to advise the Council of a collaborative approach on the part of Otago Councils to consider shared services in accordance with the statutory requirement (section 17A Local Government Act).

Recommendation

That Council:

1. **Note** that Queenstown Lakes District Council will contribute to and actively work with other councils to explore opportunities for improved efficiencies and cost-effectiveness through shared services via a collaborative section 17A review process.
2. **Note** that a further report will be made to Council when more complete financial implications of the cost of the larger collaborative service reviews are known.
3. **Note** that no shared service arrangements will be entered into without the approval of Council.

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22/02/2016

Reviewed and Authorised by:



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22/02/2016

Background

1. Under the Local Government Act (LGA) 2002 all councils are required to undertake service reviews by August 2017 (and every six years thereafter). This legislation is captured in a new section 17A of the LGA 2002 (referred to as "section 17A reviews"). In addition, central government has set an agenda that includes greater collaboration and sharing of services to encourage greater efficiency and effectiveness in local government.
2. Given this requirement, a sensible shared understanding between Otago councils has been established to address the section 17A reviews collaboratively.
3. The intention is that the Otago councils' 17A reviews will consider whether services could be more efficiently and/or more effectively provided by a collaborative or shared service approach between one or more of the Otago councils.
4. This includes all areas of service provision. It is anticipated that priorities, timing and cost be established between the group by April 2016, with one project to be led and funded between all councils. This will be understood in May 2016 and councils will deal with the shared funding implications (allocated based on the number of ratepayers) by way of internal submissions to the Annual Plan 2016/17.

Comment

5. At the November 2015 Mayoral Forum, the Otago Mayors discussed taking a collaborative approach to examining the options for shared services across our region, using the section 17A reviews as a tool to do so.
6. It was discussed that for major section 17A reviews, the costs and benefits of all options for service delivery (from existing arrangements through to a shared business unit for the region, and onto the creation of a possible regional Council Controlled Organisation) should be examined as part of the work. It was also acknowledged that many of the service areas would likely receive a less expansive review because of the likely cost/benefit and the resourcing required.
7. The Otago Mayoral Forum passed the following recommendations at that meeting:
 - i. **Notes** that senior staff from all the councils of Otago are actively working together to explore opportunities for efficiencies through shared services, and a number of initiatives are currently underway.
 - ii. **Notes** that recent changes to the LGA (a new section 17A) mandate that each area of service provision in councils must be reviewed for cost-effectiveness by 8 August 2017.

- iii. **Notes** that the Otago councils' section 17A reviews in a number of areas can easily include a specific examination of whether the service could be provided more cost-effectively, more efficiently, or both, by a shared service arrangement, and CEOs are keen to follow this path.
- iv. **Provides feedback** on the priority for the service reviews to include this approach, noting that this is a sizeable piece of work (in some infrastructure service areas particularly) to do well, and that change of this type has implications for councils' workforces, so there are limits on the number that can be fully pursued at one time.
- v. **Provides feedback** on preferences for initial shared services reviews to concentrate on 'water plus back-office-functions' or 'water plus transport'.
- vi. **Notes** that resourcing will be reprioritised by CEOs to enable this work to commence immediately, and centralised resourcing will be paid for on a population-share basis.

8. CEOs were further asked to raise this approach with their councils about the shared services and section 17A reviews. This report responds to this request.

Existing Collaboration

9. There are a number of areas where we are already collaborating on shared services to some degree around the region. In some cases this is full regional shared service (such as the creation of the Otago Regional Fire Authority). In others this is collaboration across all or most of the region, but for part of a service delivery (e.g. the Southern Building Cluster; the Otago/Southland Library Collaboration; Maori Liaison/Te Roopu Taiao). In yet other areas, a subset of councils are either delivering or exploring delivery of a shared service in a specific area (e.g. Dunedin/Waitaki/ORC re biodiversity; shared election services; ORC/ECAN re cross-boundary pest control; QLDC/CODC shared library books/loans, pool staffing when needed) and Emergency Management Officer.
10. In addition to these, there are numerous examples of cross-council working at policy or strategy level, such as: regional land-use planning/RPS; natural hazard planning and awareness; regional transport planning and civil defence planning.

Principles of a Shared Service

11. As Otago CEOs explored the concept of shared service delivery the principles for deciding to take a shared services approach have been defined. In order for shared services to be undertaken, the shared delivery must be:
- more efficient than provision of the service by an individual council (meaning cheaper, faster, less duplication, more responsive, more efficient critical mass, evens out peaks and troughs in workload); or

- more effective than provision of the service by an individual council (meaning more reliable, more consistent across councils, easier for our customers, better transfer of expertise and continuous improvement); or both.
12. In addition, Otago CEOs were conscious of other principles that were likely to be important as the work progresses, being:
- support for growth across the region, not about 'staff capacity poaching';
 - sensitivity around public assets remaining in public hands and under the governance of publicly elected Councillors specific to a district;
 - control of the outcomes by driving our own future, working with our own communities, rather than passively waiting for change to be put upon us from central government.

Proposed Section 17A Review

13. Otago CEOs have suggested some section 17A reviews as a reasonable starting point but these have yet to be confirmed.
14. There is a clear mandate from central government that it wants infrastructure examined.

Resourcing

15. Reviews of this magnitude take significant time and resourcing. The two major infrastructure reviews need to begin soon. There are a number of experts in the country that have carried out a review of water service provision for other councils and regions. The Otago CEOs forum representatives have informally approached three likely providers and all three are interested in quoting for the initial exploratory work.
16. By way of guidance, another region with around 400,000 residents undertook a review of water services. The first phase - investigating what shared service opportunities in water may provide potential benefit, cost of approximately \$50,000. The second phase which was a detailed review of preferred options including the status quo, cost \$150,000. The third and final phase cost \$700,000 which involved a detailed business case for the change, including realisable savings.
17. Central government has indicated there might be funding to assist councils to undertake this work, as it related to big ticket infrastructure. It is unlikely these funds would be made available for service reviews of 'back of house' functions.
18. Regardless of which services are selected for the first reviews, the Council will need to resource this work in the 2016/17 and 2017/18 years, and beyond.
19. Internal staffing and financial resources for expert assistance will be required. Otago CEOs are planning for a small core of staff from each council, to be made available to work collaboratively across the region to begin the planning process for the reviews.

20. In addition, when external expertise is required, a cost sharing arrangement is proposed based on each council contributing based on a per-head-of-population (so that each ratepayer contributes the same amount to the cost).
21. The collaborative approach that has been proposed will enable the reviews to be conducted efficiently while sharing knowledge and skills across the region. The collaborative approach also demonstrates the Council's willingness to explore shared services as a mechanism for the delivery of greater efficiencies and effectiveness within the local government sector.

Next Steps

22. The next steps will be:

- Discussion within each council and then across councils as to which review/s should be actioned as a priority.
- Further development of resourcing and funding arrangements, including an approach to central government for the large infrastructure reviews.
- Obtaining quotes for external support.
- Selection of staff to participate in the initial work and scoping the service reviews.

Options

23. Undertaking a Section 17a review is a new statutory requirement.

24. Undertaking a Shared Service Review is the recommended option due to:

- Enhanced potential to identify true efficiencies through shared resourcing.
- Cost efficiencies in terms of undertaking a shared review.

Significance and Engagement

25. This matter is for noting only and therefore is of low significance as determined by reference to the Council's Significance and Engagement Policy. Once a proposal is developed it is likely to become a matter of higher significance.

Risk

26. This matter relates to strategic risks SR1 'Current and future development needs of the community', SR2 'Business Capability Planning' and SR5 'Business Capacity', as documented in the Council's risk register. These risks are classed as high to moderate.

27. Shared resourcing has the potential to enable improved succession planning and appropriately resourced qualified and accredited staff.

Financial Implications

28. This is a paper for noting. As outlined the anticipated cost of the review will be addressed through an internal submission to the Annual Plan 2016/17.

Council Policies, Strategies and Bylaws

29. Undertaking a Section 17A Review is a council requirement under the LGA 2002

Local Government Act 2002 Purpose Provisions

30. The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by the preservation and celebration of the district's local cultural and sporting heritage and by providing a strong and diverse economy.;
- Can be implemented through current funding under the 10-Year Plan and Annual Plan;