

## HAWKE'S BAY REGIONAL COUNCIL

Wednesday 30 June 2010

### SUBJECT: POTENTIAL LOCAL GOVERNMENT COLLABORATION

#### REASON FOR REPORT

1. At its meeting on 24 February 2010 Council considered a written request from the Hawke's Bay Chamber of Commerce that Council, either by itself or with the other Councils, start an independent study to review issues and options associated with local government reorganisation.
2. As part of the Ten-Year Plan Council had set aside a sum of \$50,000 for Local Government Efficiency Studies to occur in 2010/11. The Chamber was seeking that this study be brought forward to the 2009/2010 year but Council resolved to continue with the proposal to commence the studies in 2011.

#### Comment

3. While declining the request for an immediate start to the review of local government efficiency Council requested that the Chief Executive bring back a report on present and potential collaborations in terms of efficiencies and savings.
4. The attached report outlines present shared services and/or collaborative projects between Hawke's Bay councils and looks at the scope for future options for working more closely together. The Hawke's Bay Local Government Chief Executives meet regularly and have regular discussions on shared services opportunities. It is understood that both Napier City and Hastings District Councils will also be considering papers on this topic in the near future and ongoing discussions among the Chief Executives will continue.
5. This report will provide an input into the Local Government Efficiency Study to be carried out in 2011.

#### DECISION-MAKING PROCESS

6. Council is required to make a decision in accordance with Part 6 Sub-Part 1, of the Local Government Act 2002 (the Act). Staff have assessed the requirements contained within this section of the Act in relation to this item and have concluded that as this report is for information only there is no decision to be made.

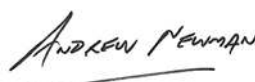
#### RECOMMENDATIONS

That Council:

1. Receives the report: "Local Government Reorganisation: Present and Potential Collaboration in Hawke's Bay".
2. Instructs the Chief Executive to discuss the report and any potential advancement of shared services with the Chief Executives of the four territorial authorities in Hawke's Bay with a specific report back to Council on the most logical initiatives and primary areas for action.



**Liz Lambert**  
**GROUP MANAGER**  
**EXTERNAL RELATIONS**



**Andrew Newman**  
**CHIEF EXECUTIVE**

ENCL: APPENDIX 1 – LOCAL GOVERNMENT SHARED SERVICES: PRESENT AND POTENTIAL COLLABORATION IN HAWKE'S BAY



**LOCAL GOVERNMENT SHARED  
SERVICES:**

**PRESENT AND POTENTIAL  
COLLABORATION IN HAWKES BAY**

**JUNE 2010**

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## **1.0 INTRODUCTION**

### **1.1 BACKGROUND**

1. The Hawke's Bay Regional Council, together with its four territorial authority counterparts within Hawke's Bay, is considering its position on the future structure of local government within the region. This was precipitated by an announcement by the Mayor of Hastings District in September 2009 that he would be standing for re-election in 2010 on a platform of local government amalgamation.
2. In November 2009 the five Councils wrote to the Minister of Local Government requesting advice as to whether he would support amending legislation, if necessary, for Hawke's Bay to develop its own best solution for local government structure. While giving his support the Minister also noted that there would need to be compelling reasons to depart from the processes prescribed by the Local Government Act.
3. Council has made provision for \$50,000 in the Draft 2010/11 Annual Plan budget for local government efficiency studies to address this issue. In the meantime the Hawke's Bay Chamber of Commerce wrote to all five Councils in February 2010 requesting *"that your Council separately or with the other Councils, start now an independent study to review the issues and options associated with local government re-organisation"*.
4. Council has debated this request and resolved to continue with the original timetable of commencing work on this matter in 2011. In the interim Council has requested that a report on present and potential collaborations in terms of efficiencies and savings be brought back to it by the end of June 2010.

### **1.2 REPORT OUTLINE**

5. This report covers:
  - 5.1. Definition and Principles
  - 5.2. Present shared services and collaboration
  - 5.3. Factors in establishing shared services and collaboration opportunities
  - 5.4. Potential shared services in Hawke's Bay
6. It concludes by looking at the options for how additional shared services could be implemented.

## 2.0 DEFINITIONS AND PRINCIPLES

### 2.1 DEFINITIONS

7. For the purposes of this report a “shared service” is any service which Council shares, or has provided for us, or which we provide for others, if the organisation with whom we share is one or more of the other local authorities in the region, or one or more public sector agencies, e.g. the District Health Board or EECA. We consider the service to be shared even if it is provided to us by another local authority or public service agency to which we pay a fee.
8. Collaboration is somewhat less formal than a shared services arrangement and, for the purposes of this report, is defined as: “a means of working, whereby people from different departments and /or organisations work together to achieve something, or some benefit, which they could not achieve through working alone.”
9. This report focuses on shared services and collaboration opportunities and the effect these may have on public perception and on long-term changes to the governance, operation and structure of local government within Hawke’s Bay.

### 2.2 PRINCIPLES

10. There is significant expectation at the local and national level about the improved efficiency/cost-reductions a shared services approach can deliver. In order to take advantage of the potential gains of shared services but avoid the ‘dead end’ of high input/ low work gain a set of principles that could be adopted around the development of shared services opportunities are proposed.
11. These proposed principles are:
  - 11.1. Opportunities between similar organisations (in terms of scale or service match) are more likely to deliver significant efficiency gains
  - 11.2. Opportunities should be sought from all parts of the organisation, from back office to front line customer impact functions
  - 11.3. Respect for the independent of each organisation’s relationship with their ratepayers is vital
  - 11.4. Opportunities should be sought and developed on the basis of the “coalition of the willing” rather than the “consensus of all”.
  - 11.5. Shared services or collaboration must deliver tangible benefits – and not be sought merely for reputational or status reasons
  - 11.6. Opportunities should be sought on the basis of considering alternative service models not just considering how the current delivery model can be delivered more economically.
  - 11.7. A robust business case, based on agreed specific objectives, is needed for each consideration.
  - 11.8. The precise “shared service delivery model” will vary according to the service in question and may range from contracting between organisations to full interaction of commissioning and delivery.
  - 11.9. Relatively small-scale efficiency or service improvement opportunities are as valuable, in terms of building trust and momentum, as large scale service reconfigurations. It is often easier to start with small achievable targets than to go with a more high profile but risky project.

### 3.0 PRESENT SHARED SERVICES AND COLLABORATION

#### 3.1 TEN-YEAR PLAN

12. The Hawke’s Bay Regional Council’s Ten-Year Plan (TYP) 2009-19 includes a table which sets out areas where the five Hawke’s Bay councils have or are currently working together to provide effective and efficient services to the people of Hawke’s Bay. This table is reproduced below.

Initiatives	Hawke’s Bay Regional Council	Wairoa District Council	Napier City Council	Hastings District Council	Central Hawke’s Bay District Council
<b>Community Services</b>					
Pettigrew Green Arena			✓	✓	
Shared Library Services			✓	✓	
Pathway Development	✓		✓	✓	
Settlement Support Service			✓	✓	
Youth Transition Service			✓	✓	
Regional Cultural Archives	✓		✓	✓	
Road Safety Initiatives	✓	✓	✓	✓	✓
<b>Corporate Support</b>					
Joint Property Valuation Contract	✓	✓	✓	✓	✓
<b>Economic</b>					
Venture Hawke’s Bay	✓	✓	✓	✓	✓
<b>Environmental</b>					
Environmental Awards	✓		✓	✓	
Recreational Water Quality Monitoring	✓	✓	✓	✓	✓
<b>Essential Infrastructure</b>					
Omarunui Joint Landfill			✓	✓	
Stormwater Drainage	✓		✓	✓	
<b>Strategy and Planning</b>					
Regional Transportation Strategy	✓	✓	✓	✓	✓
Heretaunga Plains Urban Growth	✓		✓	✓	
Solid Waste Management Plan			✓	✓	
Regional Community Outcomes	✓	✓	✓	✓	✓
Community Outcome Monitoring	✓	✓	✓	✓	✓
Regional Strategic Coordination Group	✓	✓	✓	✓	✓
Civil Defence Group	✓	✓	✓	✓	✓
Policy Sharing	✓	✓	✓	✓	✓

13. All five Councils agreed to include this table in their respective Long-Term Council Community Plans (or Ten-Year Plans) for 2009-19.

### 3.2 UPDATES SINCE TEN-YEAR PLAN

14. Opportunities for shared services and collaboration between the five Councils arise on a regular basis. Since the adoption of the Ten-Year Plan table additional initiatives have been identified and are included in the revised table within the 2010/11 Annual Plan. These additions are:

Initiatives	Hawke's Bay Regional Council	Wairoa District Council	Napier City Council	Hastings District Council	Central Hawke's Bay District Council
<b>Community Services</b>					
Healthy Homes Coalition	✓	✓	✓	✓	✓
<b>Essential Infrastructure</b>					
CHB Wastewater Treatment	✓				✓
Mahia Wastewater Treatment	✓	✓			
Public Transport	✓		✓	✓	
<b>Strategy and Planning</b>					
Local Government Efficiency Study	✓	✓	✓	✓	✓
Policy Development	✓	✓	✓	✓	✓
Joint Consent processing	✓	✓	✓	✓	✓

15. Further opportunities are identified in the Annual Plan, these being:
- 15.1. The outcomes of the Heretaunga Plains Urban Development Study and how these will impact on regional and district planning documents;
  - 15.2. Information systems support between the Regional Council and Wairoa and Central Hawke's Bay District Councils.

## **4.0 FACTORS IN ESTABLISHING SHARED SERVICES AND COLLABORATION OPPORTUNITIES**

### **4.1 INTRODUCTION**

16. The opportunities for potential increased collaboration and shared services opportunities will depend on a number of factors including the drivers for collaboration/shared services; the ability, once implemented, for a service to be sustained, and the barriers to the development of collaborative or shared service opportunities.
17. Legislatively the Local Government Act (2002) does not direct councils to collaborate with each other or set reporting requirements about collaboration undertaken, rather it encourages councils to do so where it is appropriate<sup>1</sup>. It has however helped to encourage consideration of collaborative opportunities by:
  - 17.1. Widening the number of councils that any particular council has a strategic relationship with
  - 17.2. developing a common language around common processes and making best practice easier
  - 17.3. Spelling out the distinction between governance and management roles
  - 17.4. Making the role of the Chief Executive clearer
  - 17.5. Making more explicit each council's role in the social and cultural life of their area.
18. The Local Government Act 2002 Amendment Bill 2010 does not appear to amend this passive legislative approach.

### **4.2 GUIDANCE FOR WORKING TOGETHER**

19. In 2004 the Office of the Auditor General produced a brochure on how local authorities could identify opportunities and prepare proposals for working together<sup>2</sup>. The brochure provided the following guidance:
  - 19.1. A supportive environment within local authorities is needed for working together
  - 19.2. Joint arrangements should be carefully planned and deliver value for money; and
  - 19.3. In managing joint arrangements local authorities need to:
    - 19.3.1. Understand each other's objectives, priorities, timetables and working style;
    - 19.3.2. Reach agreement on how they will work together, including how decisions will be made and how differences will be resolved;
    - 19.3.3. Establish governance arrangements that provide policy direction, accountability requirements, project oversight and control of resources;

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<sup>1</sup> One of the principles relating to local authorities set out in the Local Government Act 2002 states "a local authority should collaborate and co-operate with other local authorities... to promote or achieve its priorities and desired outcomes, and to make efficient use of resources" Section 14(1)(e)

<sup>2</sup> Controller and Auditor General (2004): *Local Authorities Working Together - How local authorities can work together effectively*



- 19.3.4. Involve councillors where joint arrangements have implications for the community or for inter-council relationships; and
  - 19.3.5. Determine the most suitable structure and (in some circumstances) legal form for the joint arrangement
20. A survey undertaken by the Department of Internal Affairs and published in December 2009<sup>3</sup> surveyed New Zealand local authorities and identified the perceived drivers of inter-council collaboration, what initiates them and what hinders them. The results of the survey are briefly described below

#### **4.3 MOTIVATING FACTORS FOR COLLABORATION/SHARED SERVICES**

21. The research perceived the drivers of inter-council collaboration to include a desire for saving money (or getting better value for the money spent), better quality services and outcomes, better use of human resources, increased efficiency and flexibility and reduced duplication, more effective management of issues, more consistent policies and practices, and for the development and sharing of best practice.

#### **4.4 INITIATING FACTORS FOR COLLABORATION/SHARED SERVICES**

22. All participants highlighted ways of thinking or operating at an organisational and/or individual staff level which they felt facilitated or supported collaboration occurring. A common theme from participants was the importance of the personal qualities (leadership, open mindedness, strategic thinking skills, good communication skills) of individuals, over governance or structural arrangements supporting the collaboration.

#### **4.5 FACTORS HINDERING COLLABORATION/SHARED SERVICES**

23. Key barriers that the participants identified included leadership in one of the councils not supporting or promoting collaboration, negative attitudes among councils and individual staff members, and councils operating under different constraints (time-frames, policies and processes etc).

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<sup>3</sup> Department of Internal Affairs (2009): *Local Government Information Series – A Review of collaboration among Councils*

## **5.0 POTENTIAL SHARED SERVICES IN HAWKE’S BAY**

### **5.1 INTRODUCTION**

In considering the development of further collaborative or shared services opportunities a basic principle need to be established as part of an assessment criteria for any projects. That is, that if the driver of any shared services establishment is efficiency then there needs to be a minimum of a 60% overlap in function and services. If this is not the case then there is little opportunity for efficiency gains to be made by sharing resources.

If other purposes (e.g. enhanced customer service, more effective management of issues, more consistent policies and practices, and for the development and sharing of best practice) are the drivers for shared services then these expectations must be clearly espoused and managed so that other assumed expectations, such as cost savings where there may not be any, are not developed into goals which cannot be attained.

With this premise in mind the potential functions and activities that may be suitable for shared services are set out in two discrete sections: “back office” and “front office” deliveries.

### **5.2 BACK OFFICE FUNCTIONS**

Back office functions are those which have to do with the routine internal functions of an organisation, in this case councils. HBRC staff have spoken with two of the 4 TLAs in Hawke’s Bay to get a flavour of the types of activities which they consider would be shared. Two regional councils who operate local authority shared services companies were also interviewed for this report. All four councils have identified back-office functions as providing the greater opportunities for shared services. These include:

- Insurance groupings for premium reductions
- File management – a common database management system could be installed. The technological hindrance to this, and some other functions, is the capacity of broadband to Central Hawke’s Bay. Once this is addressed it would be technically much more feasible to consider these functions. Such a management system could reduce the risk to councils of failing to meet legislative requirements regarding the storing of information.
- Financial management – this is an area where different councils have chosen to go with different software packages. However indications from Wairoa and Central Hawke’s Bay are that they would be interested in considering an alignment with the Regional Council’s system in the future.
- Rating – every Council issues rates demands to its ratepayers. As the Regional Council has all Hawke’s Bay properties in its database there is potential for HBRC to assist where appropriate with database management services for rating. .
- Valuation services – potentially a contestable valuation service for all five councils could save considerable costs.
- GIS services – are technical services which could be collectively operated via one council e.g using the database from HBRC with a screen put into other councils.
- Regional debt collection – there is scope for one agency to coordinate debt collection on behalf of all councils

- Human resources management – there are some aspects of human resources management which may be able to be centralised (for example the advertising and processing of applications for job vacancies, and the use of legal services).
- Elections – at present there are six Returning Officers for local elections in Hawke's Bay. There may be a better combined rate if this role was contracted out by all six authorities.
- Vehicle fleet purchase – advantages of jointly undertaking this are discounts for bulk purchase
- Office supply purchase - advantages of jointly undertaking this are discounts for bulk purchase
- Info Council – product for formatting agendas and minutes which is being installed for HBRC and could be shared with other councils.
- Archiving – the archiving of council documents is already done in a collaborative way by several councils through the joint employment of an archivist. This could be expanded to all councils and to provide advice on the archiving of material not directly linked to council business but nevertheless in the ownership of councils. Consideration could also be given to the centralising of archives.
- Aerial photography – all councils use aerial photography for one or more purposes and there is scope to manage the procurement of aerial photography collectively.

In all these examples all five Hawke's Bay councils carry out these activities and they all meet the "plus 60%" rule giving them potential for cost savings.

### **5.3 FRONT OFFICE FUNCTIONS**

Front office functions are those which are more transparent to the ratepayer and with which they can interact. In terms of cost savings there are fewer examples of potential shared services among front office functions, the benefits of these however are more likely to occur in the area of improved customer services.

Some examples of potential shared services in front office functions are:

- Civil defence/rural fire fighting – all councils have civil defence responsibilities and, in addition, all four territorial authorities have rural fire fighting responsibilities. There is potential for collective management of these responsibilities as well as operational savings (e.g in the use of vehicles and equipment)
- Resource consent processing – there are opportunities for streamlining of resource consent processing and the sharing of human resources to match areas of demand. Streamlining would provide greater customer service in the joint processing of wastewater discharge and building consents or in other areas where there are joint Building Act and Resource Management Act requirements.
- Resource consent monitoring – As with resource consent processing the monitoring of consents (building or resource consents) could be streamlined to cross-over territorial boundaries where a more efficient level of service can be provided for one council by another.
- Joint Plan development – Amendments to the Resource Management Act have removed the requirement for district plans to be reviewed every ten years and have

thereby opened up greater possibilities for joint plan reviews or for the sharing of different types of skills required between councils.

- Technical design for infrastructure – there are a number of areas of infrastructural development which utilise in-house council design staff. These include roading, wastewater management, water supply, and stormwater management. The sharing of technical expertise across councils is an area of potential sharing or collaboration.
- Library services – investigations have already been held into the operation of libraries on a shared services basis. There is scope for this to be re-visited.

#### **5.4 POTENTIAL SHARED SERVICES WITH OTHER REGIONAL COUNCILS**

Between the Hawke's Bay Regional council and the region's territorial authorities there are a number of opportunities for shared services and collaboration which predominately fall into the "back office" category. There are opportunities for HBRC to look outside its region at for more front office shared services options with other regional councils. With whom we share some common functions. The potential for these includes:

- Shared web-based information portal - to report on the state of the environment
- Shared scientific capacity and the exchange of personnel in highly specialised areas
- Shared resource consent processing – based on the same resource management functions and similar resource consent processing requirements
- Technical design for infrastructure – around river control and flood management

The principle of shared services is transferable outside the region.

## **5.5 OPTIONS FOR IMPLEMENTATION OF SHARED SERVICES**

The progressing of shared services options from discussion in a report to the delivery of one or more shared services requires several fundamental elements:

- Support from the Chief Executives and senior management at the five councils
- Minimal political input to the implementation process other than an endorsement of the principle of strategic partnership through shared services and the setting of a strategic purpose for shared services
- A structure which supports the ongoing delivery of the service(s).

There are a range of structures which could be considered for implementation. For the purposes of this report two types of structures which are relatively commonplace in New Zealand shares services examined as the basis for further discussion.

## **5.6 LEAD AGENCY**

In this case one council becomes the lead agency organisation on behalf of the other councils. Alternatively one council with an existing contract already in place may allow other councils to “piggy back” onto their contract. The use of a lead agency reduces costs of procurement compared with every council approaching the market for the same service or goods. The disadvantage of a lead agency approach is the potential of potentially complex governance arrangements in ensuring that the interests of those councils being “puggy-backed” are secured.

It is probable that under this approach no one council would be the lead agency for all shared services arrangements and that all councils would share the lead agency responsibility for one service or another.

## **5.7 COMPANY STRUCTURE**

In the company structure scenario a formal structure is created comprising member councils from the region. Each council pays a nominal amount to be a member of the company (e.g \$1,000) and this grants them a membership on the Board. The Board is made up of the Council Chief Executives and may have an employee such as an Executive Officer, based at one of the member councils. The company issues a Statement of Corporate Intent which sets out the annual operating budget for the company.

There are a number of advantages to a company structure:

- It provides an umbrella company for resourcing and commitment to the concept of shared services which is required in order for it to succeed
- The Board has as its membership, the Chief Executives of the Councils and therefore has their buy-in, which research shows is critical to the success of any shared services model
- The Board is focussed on the operationalising of activities and has limited interest in governance arrangements
- The Board can limit the number of shared services projects it wishes to handle at any one time, thereby reducing stresses across councils to participate

- Any council can opt in or out of taking part in a particular shared service - it does not affect their membership of the Board.
- The structure is adaptable – there can be a shared service agreement between as few as two councils, organised through the company structure and with its support.
- Where central government funding is sought for a shared service the company provides a structure for reporting and other contractual requirements.

Bay of Plenty Regional Council and Manawatu-Wananganui Regional Council are two regions which have formalised the company structure. HBRC could investigate creating a Hawke's Bay model or could join one of the existing two companies, both of which border our region.

## **5.8 CONCLUSION**

This report provides a starting point for discussions to be held on advancing shared services in Hawke's Bay. The Regional Council is able to take a lead in this discussion as part of its Regional Leadership role and staff will take strategic guidance from councillors and discuss the operationalisation of this with contemporaries at other councils.