



Association of Local Government Information Management Inc

SHARED SERVICES IN NEW ZEALAND LOCAL GOVERNMENT 2010

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Executive Summary

This purpose of this research paper is to provide a comprehensive report on shared services activities within local government in New Zealand with an emphasis on Information and Communications Technology (ICT) whilst encompassing related areas such as library services and shared procurement.

The research used as the basis of this report was gathered through interviews with key personnel involved in six shared service initiatives in New Zealand and summarised as case studies in Appendix One of this paper.

Learnings

This report considers what opportunities exist for shared services and the key considerations and learnings from those already involved in shared services.

The key findings of this paper will be presented, along with the full copy of the report, at the 30th ALGIM Conference in Taupo, New Zealand in November 2010.

Shared services provide an option for local authorities to share scarce resources such as funds and staff to achieve better results in terms of service provision than what they might be able to do working in isolation.

The key learnings from this research have been collated into three main critical success factors. These are:

- Structure and Governance
- Shared Service Design
- Plan for Success

Selecting the right business structure and supporting that with good governance is critical for the success of a shared service. The research indicates the following attributes of structure and governance are essential to the success of a shared service:

- There must be Chief Executive commitment to a regional focus, matched with commitment from the politicians and each local authority management team.
- There must be passionate advocates for the shared services approach within each local authority.
- There must be a willingness to invest time and energy into building relationships with the key staff from the other local authorities.
- The shared service entity needs a culture of its own, separate from the individual local authorities, preferably written.
- The business structure selected must enable the shared service to conduct business with external parties from a position of strength.
- There must be equal rights in decision-making and influence over the activities of the shared service.

- The governance group must meet regularly with a key focus on monitoring performance and evaluating strategic direction and new opportunities.
- The governance group must be prepared to be proactive and drive the strategic vision and thinking on new shared services opportunities.
- The members of the governance group must view their work on the shared service as just an ordinary part of their job.
- Use professional external support in the drafting of key documents.
- Use third party facilitators when establishing a new shared service structure, adding new members or when considering strategic direction.
- Foster transparency and trust across the board. Share the goals, activities and performance of the shared service with politicians, management teams and staff.
- Match great ideas for shared services with a structured project management methodology and resource.

A shared service must be well designed if it is to achieve its potential and be self sustaining. The following needs to be considered during the design of a shared service:

- Don't rush into a shared service; be very clear about the drivers, the expected benefits and the costs.
- Follow a structured process of capturing the requirements of all parties and document the shared requirements along with any unique requirements.
- Use the governance process to agree the scope of the service based on the captured requirements.
- Follow standard procurement processes such as issuing an RFI and RFP, based on the agreed requirements.
- Look to standardise where possible. A key benefit of a shared service is standardised processes that produce consistent business and customer service outcomes.
- Be willing to give up some autonomy in the name of standardisation and sharing.
- Share the risk and reward on an equitable basis.
- Recruit the right people, with the right attitude and continually foster a culture of sharing, regional focus and customer service.
- Construct normal business arrangements and agreements such as service level agreements, budgets and annual plans.
- A full shared service requiring significant capital expenditure will require an alignment of investment/replacement cycles to make a business case work. Prepare to take a long term approach to alignment or design a shared service structure that will allow additional local authorities to join at a later time.
- Budget for post implementation costs that may be higher than expected.

Finally, you need to give your new shared service every chance of being successful. There will be sceptics and doubters who question the benefit of this approach over the status quo, staff that are concerned that some rationalisation at the regional level may impact their job and politicians concerned that the decentralised nature of local authority democracy might be

impacted. Taking the following actions will go a long way to addressing these concerns and giving the shared service a fighting chance of become self sustaining:

- Undertake initial activities or 'low hanging fruit' that build confidence in a shared approach. This might include starting with a simple alignment of policies or processes or a shared procurement activity that delivers immediate real savings.
- Communicate the results of early activities and achievements to staff and management teams to ensure they understand the benefits.
- Continually communicate with the local authorities through user groups and regular scheduled meetings with management teams.
- Resource the shared service appropriately, giving it the right opportunities to be successful.
- Focus communications about the shared service on value based benefits such as improvements in customer service, training opportunities and career development opportunities.
- Don't underestimate the resources required especially if a service can be impacted by external factors such as the weather.
- Involve staff with the right attitude, expose them to staff from other authorities and continually communicate the benefits.
- Go with the movers; don't allow the shared service to deliver to the service level requirements of the lowest common denominator.
- A successful shared service will result in higher service expectations from external and internal customers. This should be anticipated and planned for to ensure service levels are not negatively impacted.

Key Drivers

The research provides solid evidence as to what are the key drivers for shared services. There is a great deal of commonality across all of the case studies with the common themes being a perception that working together will reduce costs and will produce better value in terms of customer service. In some cases, the key driver was a requirement of several neighbouring local authorities to replace a legacy application and the old adage of 'a problem shared is a problem halved' kicked in.

Shared Services Activity

The nature of shared services activities from a conceptual view has been considered, whilst providing details of some of the shared service activities already underway in New Zealand.

The table below summarises the results of the ALGIM Shared Services Survey undertaken as part of this research. The results indicate a strong support for the shared services approach.

Question	Percentage Response	Local Authority Responses
Currently involved in a shared service	70.8%	34
Not currently involved but with plans to join/create a shared service	69.2%	9
Planning to join additional shared services	68.2%	15
Satisfied (or better) with the benefits of being part of a shared service	80%	16
Would recommend a shared service approach to other	100%	20

Table 1 Summary of ALGIM Shared Services Survey responses

This paper reviews the types of shared service activities that might be undertaken and, using the ALGIM Shared Services Survey and the case study, identifies what activities are currently being shared in New Zealand. These include:

- Shared procurement of insurance, energy, office supplies, software licensing, broadband, hardware, aerial photography
- Call centre services
- Library management systems
- Application/server hosting and provision
- Business solutions such as valuation databases, archives and e-procurement
- Application development
- IT services including service desk
- Health and Safety Management
- Core council services including animal control, building services, asset management and health services

Structures

As noted in the learnings above, organisational structures for shared services are important. The research suggests a move towards formalised Local Authority Shared Services (LASS) limited liability companies.

The case studies also include successful shared services based on informal partnerships with a documented Memorandum of Understanding (MOU) as the basis for agreeing the partnership.

In the case of the Palmerston North After-hours Call Centre service, that council provides the shared service on a commercial footing through a contractual arrangement with twenty-five individual councils.

Governance

Supporting the structure is governance. Good governance is essential for decision-making, review of performance and setting strategic direction. In most cases, some type of board structure is put in place and meets regularly, commonly monthly to six weekly.

In larger shared services these might be supported by advisory groups and user groups.

The more successful governance processes are supported by administrative and secretarial resources and are guided by a written culture in a constitution or charter.

Cost Allocation

Shared services incur costs and the method for allocating costs should reflect the benefits that accrue to the members of the shared services. These methods include:

- Equal allocation of costs across all members
- Charges based on population or population bands
- Direct charges for services used
- Share of savings charges
- Charge per transaction process by the shared service
- No charges at all

Benefits

Participation in a shared service should provide benefits to the local authorities involved. In some cases, especially shared procurement, the benefits are easily quantified. Some of the case studies show financial savings in the millions of dollars, such as the savings made by BOPLASS Ltd in the procurement of insurance, where other opportunities, such as the same company's purchase of ESRI licenses, are in the thousands of dollars but have resulted in a smaller council having access to software they could never afford to own previously.

Benefits relating to improvements in value such as enhanced customer service are more difficult to determine. These intangible benefits include:

- Improved customer service
- Access to skills and experience
- Maximising the value of expenditure
- Addressing market issues
- Better Community Outcomes

The ALGIM Shared Services Survey provides strong evidence that those participating in shared services are experiencing benefits as expected or higher.

Shared services in New Zealand Local Government are gaining momentum and as in Australia may be seen by local authorities and politicians as a way to achieve a more sustainable local government without a need to surrender decentralised democracy. This may occur if central government follows an agenda of forced amalgamation similar to the Auckland Super City.

It could well be a case of 'do it to yourself before someone else does it to you'.

Glossary of Terms

Term	Definition
ALGIM	Association of Local Government Information Management
CISGo	Consortium between Clutha District, Invercargill and Southland Councils
CCO	Council Controlled Organisation. An organisation in which Council owns or controls 50 percent or more of the voting rights or has the right to appoint 50 percent or more of the directors of the organisation
Community Outcomes	A term defined in the Local Government Act 2002 relating to a set of desired outcomes as defined by the community of a Local Authority. Community Outcomes must exist for the Social, Cultural, Economic and Environmental expectations of the community.
eLGAR	Libraries for the Greater Auckland Region. Consortium between Auckland Regional Councils.
ESRI	Environmental Systems Research Institute. A company who provide GIS databases.
GIS	Geographic Information System
IRIS	Integrated Regional Information System – group developing integrated local authority software for regional councils in New Zealand
JDE	JD Edwards, software company
LASS	Local Authority Shared Service. Generally formed as a company formed for the implementation and delivery of services and as the contracting entity for shared procurement activities.
LMS	Library Management System
Millennium	A Library Management Systems provided by Innovative Interfaces Limited.
MOU	Memorandum of Understanding. A non-contractual document describing an agreement by two or more parties.
PPP	Public Private Partnership. A government service that is funded and operated via a partnership between government and one or more private sector company.
RFI	Request for Interest. A document requesting expressions of interest for a specified piece of work.
RFP	Request for Proposal. An invitation for suppliers to submit a proposal to a bidding process.
Shared Services	Products or services that are required by more than one organisation that are provided for through a shared arrangement between multiple organisations acting as if one entity
SLA	Service Level Agreement. The agreed contracted service level between a vendor and client.
SVDS	Shared Valuation Database Service. A single database of property and valuation data for properties in the Waikato Region allowing Councils to leverage valuation services and retain data sales income.

TLA	Territorial Local Authority. Second tier of local government, below regional councils.
VMWare	Virtual Machine Software that enables multiple instances of servers on a single physical server.
WRTM	Waikato Regional Transport Model. Provides an integrated model for long term transport planning in the Waikato region.

Background

Shared services initiatives between local authorities in New Zealand have become a common approach to improving outcomes and reducing the costs of delivering local government services.

This research paper, commissioned by the Association of Local Government Information Management (ALGIM) has reviewed six shared services initiatives within New Zealand to gain an understanding of how a shared service might be constructed; how these shared services are performing; and what can be learned that might assist the success and sustainability of future shared services initiatives in this country.

This research has been supported by a review of available literature on shared services in New Zealand and internationally, and a survey of ALGIM members to provide information on other shared services initiatives and how those initiatives are performing.

The six cases studies, included as an appendix to this research paper, review the following shared services initiatives:

This research paper reviews some of the key issues relating to establishing and operating a shared service such as what services should be shared, what structures might be used, governance and cost sharing. It considers what benefits might be expected and have been realised by the six initiatives in the case studies and outlines any learnings from these six studies that might be of benefit to other local authorities considering participation in a shared service.

Methodology and Scope

The research findings in this report are largely based on a series of structured interviews undertaken with representatives of a selection of shared services participants across local government in New Zealand.

These interviews have been used to construct case studies for six shared services initiatives. These case studies are included in Appendix One of this report.

The interview methodology was developed by Effectus who also completed a number of these interviews as part of a consulting assignment for a client.

The interviews were designed to capture information about the following key attributes of the shared services initiatives:

- Key drivers
- Business structure
- Governance arrangements
- Nature of services shared
- Cost sharing mechanisms
- Savings made
- Learnings
- Future Opportunities

Supporting this research and informing the detail of the research paper was a literature review of publicly available information on shared services in New Zealand and internationally and a survey completed by ALGIM on the state of shared services, completed by forty-eight local authorities.

Overview of Case Studies

Appendix One of this report includes six case studies that have informed much of this paper. The case studies are summarised in Table 2

Case Study	Overview
Case Study 1 – BOPLASS	BOPLASS is a Council Controlled Organisation (CCO) formed by nine councils in the Bay of Plenty to deliver shared procurement and shared services opportunities to those councils and others on a contract basis.
Case Study 2 – Palmerston North City Council After-hours Call Centre Service	Palmerston City Council provides a contracted service to twenty five other councils.
Case Study 3 – eLGAR	Libraries for a Greater Auckland Region (eLGAR) was an informal library consortium established to improve library services in the Auckland Region. The consortium embarked on an award winning project to implement one library management system for the participating councils.
Case Study 4 – Local Authority Shared Services Limited	Local Authority Shared Services Limited is a CCO established by thirteen councils in the Waikato region to deliver shared procurement and shared services opportunities. It was initially established as a business structure to own and deliver the Shared Valuation Database Service (SVDS).
Case Study 5 – CISGo	CISGo is an informal shared service established between the Invercargill City Council and the Southland and Clutha District Councils to jointly procure and host the Pathway PPR and JD Edwards Financial applications.
Case Study 6 – SouthLib	SouthLib is an informal library consortium of eight councils in the lower South Island Region. The consortium has implemented a single library management system across five of the councils within the consortium.

Table 2 Overview of the Shared Services Case Studies

What are shared services?

The concept of a shared service first began within large corporate organisations sharing support functions such as payroll, finance and human resources between divisions.

In a public sector context, a shared service can be simply defined as one or more public sector bodies working collaboratively together in a way that derives a benefit, either financial or otherwise to the organisation or to the people they serve.

There are many examples of shared services in local government in New Zealand and internationally with a wide range of drivers for this approach to service delivery.

In some countries, such as Australia, the shared services model is viewed as having the best potential to address the long term sustainability of local government, in light of the perceived failure of other options such as amalgamations, however limited evidence exists to justify this position (Dollery et al, 2007).

It is from Australia, primarily due to this strong focus on shared services, that most of the literature has been drawn for the purposes of this research paper. However, Australia does have some key differences which need to be considered including a significant issue in terms of sustainability of local government, the influence of state government and its associated funding, and in some cases much larger geographical catchment areas of the local authorities

A report by the South Australian Financial Sustainability Review Board (FRSB 2005) *Rising to the Challenge* noted that cooperation through shared service provision 'can be a practical and cost effective way for councils to share experiences and resources, tackle common tasks, or take advantage of economies of scale' (Dollery, 2007)

Brian Dollery, a leading academic in the area of shared services research, states that the conceptual case for a shared service approach is based on two main propositions.

The first being that the existing model of small local councils, with decentralised democratic decision-making, is ideal in terms of equity and efficiency. This can be attributed to spatial variations in community preferences.

The second proposition, based on the research of Oakerson (1999) in his *Governing Local Public Economies*, is that there is a fundamental difference between local service 'provision' – the core responsibility of the local authority, and local service 'production'. The concept of production relates to the actual creation of a product or delivery of a service which can be achieved through many structures, both internal and external, including shared services (Dollery, 2007).

Oakersons work provides details on the options available for production, a useful model for assessing the potential structure for shared services. The seven possibilities identified by Oakerson are listed in Table 3.

Option	Description	Example
In-house production	Where a local council arranges its own production. For example, an individual council organises its own production units along traditional grounds.	<ul style="list-style-type: none"> • Internal IT department
Coordinated production	The departments of two or more adjoining councils cooperate on activities affecting both jurisdictions.	<ul style="list-style-type: none"> • BOPLASS Ltd procurement activities • Waikato's LASS Ltd procurement activities • Waikato LASS Ltd Waikato Regional Transport Model
Joint production	Where two or more adjacent Councils organise a single production unit, for example, joint rates processing.	<ul style="list-style-type: none"> • Waikato LASS Ltd Shared Valuation Database • eLGAR • SouthLib
Intergovernmental contracting	One council contracts services from another council or state or federal government agency.	<ul style="list-style-type: none"> • Palmerston North City Council After-hours Phone Service
Private contracting	Where a private firm undertakes production for a council	<ul style="list-style-type: none"> • IT managed services or outsourcing
Franchising	Where a council gives a commercial producer the exclusive right to produce a given service from which residents can purchase the service	<ul style="list-style-type: none"> • Limited examples in New Zealand
Vouchering	Vouchering where a council sets standards and the level of provision, but allows households to select their own producer using a voucher.	<ul style="list-style-type: none"> • Limited examples in New Zealand

Table 3 Options for local authority provision of services

The most common form of shared services in New Zealand is in the area of Coordinated Production and Joint Production with some limited examples of Intergovernmental Contracting. A shared services model could also be used to provide procurement and administration structure for private contracting, franchising and vouchering.

It could be argued that joint procurement activities are directly related to the purchase of private contracting services and this is the case in infrastructure and asset management functions of local government. However, the types of services purchased in the case studies within this report are largely internally focused rather than directly linked to core council service delivery.

Within the New Zealand context, two distinct areas of shared service activity are evident. These are shared procurement and shared service provision.

Shared procurement is the most common and is often the starting point for wider shared service initiatives. Local authorities working together to get a better purchasing position is generally easy to manage and is often well supported by the suppliers in the market as it can reduce their costs of doing business which can be passed on to their customers. A win-win for all parties.

Shared services initiatives such as BOPLASS Ltd have focused on shared procurement as a 'low hanging fruit' where early success can prove the concept and deliver ongoing support for more ambitious endeavours.

Shared Services in terms of application sharing, hosting, transaction processing, or providing common council services directly to customers is more challenging. It requires close co-operation, clarity of purpose and clarity of individual and collective requirement. Most often it requires that all parties give up some degree of autonomy. It often requires alignment of contracts or system replacement cycles to justify the investment. This type of shared service is less common and there are some examples where the outcome has not been to the level desired.

Shared Service in New Zealand Local Government

The ALGIM Shared Services Survey undertaken as part of this research resulted in twenty-one of the forty-eight councils that responded indicating that they were part of a shared service. Table 4 provides details on the nature of shared services these councils were participating in:

Shared Service Type	% Participation
Call centre or after hours service	61.9 %
Shared Library Service or system	42.9 %
Procurement	42.9 %
Other	33.3 %
Hosting of IT services	28.6 %
Business service e.g. – valuations	28.6 %
Delivery of business applications e.g. financials or LIS	23.8 %
Provision of networks or fibre cables	19.0 %
Shared ICT support or service desk	4.8 %

Table 4 Shared Services Types in Local Government in New Zealand

This table needs to be considered in the context that the ALGIM Shared Services Survey targeted Information Management professionals and as such does not include information on the full spectrum of local government shared services.

The shared services listed as 'Other' includes the sharing of services relating to application development, health and safety, environmental and health services, collection services, building services, asset management, archives services and animal control.

Key Drivers

The key drivers for establishing the shared services included in the case studies all came from internal business issues, with those responsible for initiating the shared services discussions at Chief Executive level or lower. Some form of Chief Executive involvement, either directly or at a regional forum level, was evident in all cases.

There is limited evidence to suggest that shared services is an area of focus at the political level, either locally or nationally, however support for shared services initiated at the officer level is generally forthcoming at the political level.

In all cases, the shared service conversation started through a realisation that working together should enable financial benefits or might deliver value related benefits such as an improved service outcome for ratepayers and customers.

The common drivers include:

- A recognition of improved outcomes and/or cost savings through shared activities
- A common requirement to replace legacy applications
- A common set of customers with expectations of a consistent service delivery across boundaries.
- Small councils looking to leverage the skills and facilities of larger councils or to get better value from their procurement activities.
- As a vehicle to deliver regional solutions. Examples of this include regional broadband and the Waikato SVDS.
- To address issues with markets especially those with a small number of dominant suppliers.
- To leverage a council's own objectives to build a better service for its customers by leveraging the cost of establishing the service through provision of the service to other local authorities.
- Building solutions that address issues at a regional level

In all of the case studies, the initial driver was related to addressing an immediate issue or opportunity. These were:

- **BOPLASS Ltd:** an ownership structure was required for a regional broadband initiative.
- **Palmerston North City Council After-Hours Call Centre Service:** providing call centre facilities during regional emergencies stemming from the 2004 Manawatu floods.
- **eLGAR:** all five councils had an immediate requirement to replace their Library Management Systems.
- **Waikato's LASS Ltd:** An ownership structure was required for the SVDS.
- **CISGo:** all three councils had an urgent requirement to replace their LIS and Financial Systems.

- **SouthLib:** two councils had an immediate requirement to replace their Library Management System.

What services might be shared

The research undertaken and the information received through the ALGIM survey suggest a wide range of procurement and service opportunities are being shared in New Zealand.

It is important to consider what should be shared from a conceptual position before providing any recommendations on what opportunities exist.

Dollery points to the work of Percy Allan in his paper on the New South Wales Independent Inquiry into Local Government Inquiry (LGI) (Allan 2006). Allan identifies the characteristics of services that might be shared (Dollery, 2007). These are:

Low core capabilities – sharing the core business of council - those with a community focus reflecting community preferences, can be problematic. Sharing should be limited to services that require low core capabilities.

Higher Supplier Availability – this relates to developing the competitiveness within the market. Smaller, region and rural councils may not be able to attract the type of suppliers they require to deliver services or it may result in the selection of suppliers who lack the required level of skills, experience and resources. Working at a regional level can address this issue by providing access to a wider range of larger suppliers.

Low task complexity – more complex tasks are often more difficult to manage and therefore may be less suitable for shared services unless a regional solution provides the smaller parties with access to the capability they do not possess internally.

Substantial scale economies – shared services that can leverage regional size to undertake tasks, produce services or improve purchasing represent good opportunities. These can occur at both the 'back office' and 'front office'.

Specialised Technology – IT is recognised by Allan and Dollery as presenting perhaps the best opportunities for shared services as 'The costs involved in acquiring IT hardware and software and subsequently maintaining, upgrading and operating this equipment are substantial' (Dollery 2007).

Low asset specificity – this relates to the purchase of expensive and specific assets that may not be cost effective for a supplier to invest in on behalf of the Council. In the situation where a Council does not need to consume the full capacity of the asset, a shared services approach allowing a fuller utilisation of the asset may be financially beneficial for all parties.

Considering opportunities through conceptual lenses will allow local authorities to consider the suitability and likely success of an activity being considered for a shared service with others.

Table 5 outlines possible shared services options in New Zealand.

Shared Service Opportunity	Examples	TLA's undertaking or considering this type of activity
Procurement	<ul style="list-style-type: none"> • Insurance • Stationery • Software Licenses • Aerial Photography 	<ul style="list-style-type: none"> • BOPLASS Ltd (Bay of Plenty) • LASS Ltd (Waikato) • Auckland Regional GIS Group • Manawatu-Wanganui LASS Ltd
IT Service Delivery	<ul style="list-style-type: none"> • Hosting • Support • Service Desk 	<ul style="list-style-type: none"> • CISGo • eLGAR • CITAG (Auckland IT Managers) • Queenstown Lakes DC
Application Delivery	<ul style="list-style-type: none"> • Library Management Systems • GIS 	<ul style="list-style-type: none"> • eLGAR • SouthLib • Infoshare (BOP) • BOPLASS Ltd
Business Services	<ul style="list-style-type: none"> • After-Hours Call Centre • Valuation Databases • e-procurement • Health and Safety management • Debt Collection • Archives 	<ul style="list-style-type: none"> • PNCC • LASS Ltd • BOPLASS Ltd • Manawatu-Wanganui LASS Ltd
Fibre and WAN Provision	<ul style="list-style-type: none"> • Regional Fibre networks • Council to Council Microwave networks 	<ul style="list-style-type: none"> • BOPLASS Ltd
Application Development	<ul style="list-style-type: none"> • Regulatory Systems • Regional Transport Models 	<ul style="list-style-type: none"> • IRIS (Regional Councils) • LASS Ltd
Service Delivery	<ul style="list-style-type: none"> • Environmental and Health Services • Animal Control • Asset Management • Building Services 	<ul style="list-style-type: none"> • PNCC • Manawatu DC

Table 5 Shared Services Opportunities in New Zealand

It is interesting to note the growth of cloud based IT solutions including Software as a Service and Infrastructure as a Service which are in effect a shared service delivered by a single supplier with multiple customers sharing IT infrastructure. The key difference is that the various customers sharing these types of service have no formal or informal relationship with each other apart from being the customers of the same supplier and therefore have little combined influence on the service provided.

How prevalent is shared services activity in New Zealand? Seventy percent of the forty-eight local authorities that responded to the ALGIM survey are involved in shared services activities and many are involved in more than one as shown in Table 5.

Number of Shared Service the TLA is involved in	Percentage
1	40.7%
2	33.3%
3	11.1%
4	3.7%
5+	11.1%

Table 6 Number of shared services local authorities are involved in.

Of those Councils that weren't currently involved in a shared service, sixty-nine percent were currently considering joining a shared service and of those already participating in a shared service, thirty percent were actively pursuing additional shared services activity.

These results provide strong evidence that shared services activity is strong with the New Zealand Local Government community and continues to grow.

Options for structuring a shared service

There are several options available for structuring a shared service and these are outlined in Table 7. This table includes examples of all of these options already in use in New Zealand.

Structure	Description	Examples
Co-operative or partnership	Two or more councils agree to provide a shared service on a partnership basis. This is generally based on a Memorandum of Understanding (MOU) but can be more informally applied.	eLGAR SouthLib CISGo
Council Controlled Organisation as a Charitable Trust	This business structure operates as a separate entity from the individual councils. This structure has some tax advantages and requires independent trustees.	Local Authority Protection Programme Disaster Fund (LAPP)
Council Controlled Organisation as a Limited Liability Company	This business structure operates as a separate entity with the individual councils as shareholders who can appoint a director (most often the Chief Executive of the Council). The CCO structure often allows for subsidiaries or B share structures to be created to represent each council's individual equity value in activities or assets.	BOPLASS Ltd LASS Ltd Manawatu-Waikato LASS Ltd
Council Controlled Organisation as a Public Private Partnership	This is where a formal Public Private Partnership (PPP) Joint Venture is established that shares the risk and rewards of a shared service initiative with a private sector entity. This structure might be considered where the private sector organisation can provide capabilities necessary to deliver the shared service and/or funding. This approach is more commonly associated with the provision of infrastructure projects.	Canterbury Regional Landfill Project
Councils providing services to other councils through a business unit	This is where one council, with the appropriate capabilities and spare capacity is able to provide a particular service to other councils.	PNCC After-hours Call Centre

The case studies undertaken for this report provide evidence to suggest that the structure selected is often determined by the nature of the shared service and the particular circumstances and drivers leading to the creation of the shared service.

In the case of CISGo and eLGAR, there was an immediate and to some degree urgent requirement to replace legacy applications. With time at a premium, the simplest option to establish the shared service was a co-operative partnership.

The co-operative approach was also adopted by the SouthLib consortium that also had some degree of urgency but as in the other two cases, had an initial focus on delivering IT applications rather than a wide range of services. This type of service provision does not often result in major structural change such as consolidated supplier contracts or changes to employment arrangements and can therefore be adequately achieved and sustained through this type of partnership

In the cases where councils are taking a more strategic approach to the delivery of shared services across a range of activities in their region that would include regional purchasing contracts and potentially employment of staff, the more structured CCO approaches have been adopted.

The most common of these structures is the Local Authority Shared Services (LASS) CCO. This model is generally favoured over the Charitable Trust structure which is seen to present issues when contracting with third parties due to the issues of trustee liability and the requirement for independent trustees lessening the shareholders ability to influence outcomes and the PPP model which has limited application outside of infrastructure projects involving high capital expenditure and specialist skills not always available within local authorities.

Recent examples of the LASS model include BOPLASS Ltd, LASS Ltd in the Waikato and the Manawatu-Wanganui LASS Ltd.

The provision of a service by one council to others is relatively uncommon at this stage with the Palmerston North After-hours call centre being the largest example of this type in New Zealand with twenty-five councils utilising this service.

Table 8 below shows the results of the ALGIM Shared Service Survey question in regard to what structures are in use for shared services. Twenty-one Councils responded to this question.

Structure in use	% of Shared Services using this Structure
CCO (Council Controlled Organisation)	42.9%
Commercial contract	28.6%
Memorandum of understanding	28.6%
Partnership agreement	19.0%
No formal structures	23.8%

Table 8 Structures used for the delivery of shared service in New Zealand Local Government

Governance

The evidence from the case studies completed as part of this research suggest that governance approach for shared services are largely influenced by the structure selected, however there are variances in the level of responsibilities and the frequency with which governance groups meet.

Table 9 outlines the governance approach of the six shared services reviewed:

Case Study	Governance Structure	Responsibility	Frequency of meeting
BOPLASS	Board of Directors <ul style="list-style-type: none"> One Director from each shareholding Council Director must be Chief Executive of the shareholding Council Each shareholder as one vote 	<ul style="list-style-type: none"> Strategic direction Approval of business cases Monitoring of performance 	<ul style="list-style-type: none"> Six Weekly
	Advisory Group <ul style="list-style-type: none"> One representative from each council involved in each shared service activity 	<ul style="list-style-type: none"> Operational management and decision-making relating to the shared service activity 	<ul style="list-style-type: none"> Six Weekly
PNCC After-hours call centre service	Internal Steering Group <ul style="list-style-type: none"> Four internal business mangers No external representation Decision-making as per standard PNCC business practices 	<ul style="list-style-type: none"> Monitoring of performance Strategic direction Recommendation of business cases for approval through standard council governance processes 	<ul style="list-style-type: none"> Quarterly
	User Group <ul style="list-style-type: none"> Representatives from each council using the service 	<ul style="list-style-type: none"> Reviews performance of the service Discusses service improvement opportunities 	<ul style="list-style-type: none"> Six Monthly

Case Study	Governance Structure	Responsibility	Frequency of meeting
eLGAR	Board <ul style="list-style-type: none"> • Most senior library manager in each council • Consensus decision-making 	<ul style="list-style-type: none"> • Strategic direction • Approval of business cases (expenditure still subject to individual council delegated authority and associated processes) • Monitoring of performance 	<ul style="list-style-type: none"> • Monthly • Was weekly during implementation
Waikato LASS Ltd	Board of Directors <ul style="list-style-type: none"> • Directors from each shareholding Council • One Director may represent more than one shareholding Council • Director must be Chief Executive of the shareholding Council • One vote per shareholding Council 	<ul style="list-style-type: none"> • Approval of business cases • Monitoring of performance 	<ul style="list-style-type: none"> • Six Monthly
	Advisory Group <ul style="list-style-type: none"> • One representative from each council involved in each shared service activity • Second tier manager 	<ul style="list-style-type: none"> • Operational management and decision-making relating to the shared service activity 	<ul style="list-style-type: none"> • Quarterly
	User Group <ul style="list-style-type: none"> • Practitioner level representatives from each council using the service 	<ul style="list-style-type: none"> • Review service performance • Reviews opportunities for improvements and makes recommendations to the Advisory Group 	<ul style="list-style-type: none"> • Quarterly
CISGo	No formal governance structure <ul style="list-style-type: none"> • IT managers meet on an ad-hoc basis 	<ul style="list-style-type: none"> • No formal responsibilities are evident 	<ul style="list-style-type: none"> • Ad-hoc/as required

Case Study	Governance Structure	Responsibility	Frequency of meeting
SouthLib	Board <ul style="list-style-type: none"> • Most senior library manager in each council • Includes Councils who are not currently using the shared service solution. • One vote per Council but decisions generally made on a consensus basis 	<ul style="list-style-type: none"> • Strategic direction • Approval of business cases (expenditure still subject to individual council delegated authority and associated processes) • Approval of shared costs • Monitoring of performance 	<ul style="list-style-type: none"> • Monthly

Table 9 Governance structures of the shared services case studies.

The evidence from the case studies suggests a strong correlation between the effectiveness of the governance structure and the benefit realisation of the share service and its long term sustainability.

The Waikato’s LASS Ltd and BOPLASS Ltd provide a contrast of governance approaches that are delivering very different results. The BOPLASS Ltd Board are meeting on a six weekly basis, have full representation from each council and are actively pursuing new shared services initiatives, helped significantly by being resourced with a near full time Chief Executive.

The Waikato’s LASS Ltd meets two to three times a year to review performance. The Board, which has directors representing multiple Councils, are largely in a holding pattern, awaiting business cases for new initiatives to be developed by individual councils. These directors are now considering whether the current representation model is working and whether they should be taking a more proactive role to ensure new initiatives are undertaken. A key focus in recent time has been reducing the administrative cost of the company rather than focussing on realising the potential outcomes the company could be delivering.

The two library examples also represent good examples of governance with the board’s meeting on a monthly basis and in the case of SouthLib, being inclusive of the three councils that are not currently utilising the shared service solution.

In contrast the CISGo initiative, despite surviving eight years, it has no formal governance structure. In this case, Invercargill City Council (ICC) has largely become a service provider who receives no financial reward for doing so. This type of shared service ‘charity’ is absent of any true sense of sharing of risk and reward and the other councils, in not contributing on a financial basis, lack any way of influencing decision-making and have no levers to enforce any level of service.

Culture

Closely linked to the nature of governance is the issue of culture. The long term sustainability of a shared service appears dependent not just on what decisions are made but how those decisions are made.

In the case of the CCO models, the directors are required, under law, to put the best interest of the company forward. When the directors enter a board meeting they must put aside their roles as Chief Executives of their councils and act in the best interest of the CCO.

Achieving this in reality requires strong leadership from the Chair. The research, undertaken to develop the case studies in this report, noted examples of chairmen regularly reminding directors of this responsibility.

The existence of a written culture appears as a common thread in successful shared services initiatives such as *'the eLGAR Way'* which guided the expected behaviours of the eLGAR Board, and similarly the written constitution of BOPLASS Ltd.

A key strength of a written culture is related to its use in the indoctrination of new board members. The introduction of new people to a board is a key moment of risk, especially when replacing founding board members, and the written culture enables the core ideas of the shared service and the expected behaviours it embodies to be passed on to the new members.

Options for Cost Sharing

An important decision when designing a shared service is how the costs of the shared service will be allocated back across the local authorities who are party to the shared service.

The types of costs associated with a shared service may include:

- Establishment and facilitation costs
- Administrative and Secretarial Support
- Capital purchases such as equipment, IT hardware and software licenses or application development
- Employment costs for shared staff
- Consultant costs associated with procurement activities such as RFPs
- Operating costs directly associated with a shared service
- Costs of goods and services procured by the shared service on behalf of the local authorities
- Audit fees
- Interest costs on borrowing

In some cases, especially with the LASS CCO's, the goal is to make the CCO self sustaining with minimal funding from the shareholding councils. This can be achieved by retaining a percentage of savings from procurement activities within the CCO or by charging an administrative transaction cost on services provided to the local authority customers of the CCO.

The case studies include a range of methodologies for cost allocation and often more than one method is used depending on the nature of the expenditure. These methodologies include:

Equal allocation – this method, used primarily when the benefit of the expenditure is viewed as equal value to all parties, requires each local authority to pay an equal share. Costs that might be split in this way include costs incurred in establishing the shared service such as facilitated workshops and fees for expenses that might ordinarily be occurred such as Audit fees.

Population Based – this is the most common method used for allocating costs relating to the establishment of a shared service solution and for the ongoing operational and administrative costs of the shared service.

There are variations to these methods whereby the allocation of costs is based on a banded approach. For example BOPLASS Ltd shares costs on a small, medium and large council basis.

In some LASS CCO cases, B shares or a subsidiary company are created to recognise the shareholding council's equity or share of a capital investment by the LASS. The value of shares purchased by or allocated to shareholding councils is usually calculated on a population basis.

Direct Charge – in cases where shared procurement results in the purchase of a good or service on behalf of a council and where that benefit accrues entirely to that council, a direct

charge is appropriate. This may be subject to a share of savings cost or transaction charge to recover the operating costs of the underlying shared service.

Share of Savings Charge – in some examples, a percentage of the amount saved through procurement activities may be retained by the CCO to fund its activities. Evidence suggests there are some issues with this method over the longer term as the value of procurement savings due to changes in the nature of the service and inflation may make accurate assessment of savings difficult.

Transaction Charge – a transaction charge either as a fixed cost or as a percentage of the face value of a transaction can provide a robust method for recovering the operating costs of the shared service. This type of approach is being considered by BOPLASS Ltd for recovering operating costs associated with share procurement activities and systems such as the UniMarket e-procurement portal. This approach could also be adopted for a shared service set up to process transactions such as rates.

No Charge – the CISGo hosting by ICC is on a no charge basis. The underlying rationale for this is that ICC would have needed to provide the required IT infrastructure anyway and the marginal cost of providing servers for the other two councils is minimal. This is especially true in a virtualised environment. As noted previously, this type of shared services ‘charity’ can have its downsides as the consumers of the service have little influence on service levels as they are not contributing financially to the service.

The following table outlines the cost sharing mechanisms for each of the shared services reviewed.

Case Study	Cost-Sharing Mechanism
BOPLASS Ltd	<ul style="list-style-type: none"> • Banded Population Method for base and operating costs • Banded Population Method for allocation of shares representing shares in equity or investments • Share of Savings using Banded Population Method for procurement savings • Investigating Transaction Charge Method for e-procurement and processing activities
PNCC After-Hours Call Centre	<ul style="list-style-type: none"> • Banded Population Method
eLGAR	<ul style="list-style-type: none"> • Equal Allocation Method for costs with equal benefit • Population Method for allocating procurement and implementation costs • Population Method for allocating operating costs
Waikato LASS Ltd	<ul style="list-style-type: none"> • Population Method for base and operating costs • Population Method for allocation of shares representing shares in equity or investments
CISGo	<ul style="list-style-type: none"> • Population Method for allocation of direct expenditure relating to upgrades

SouthLib	<ul style="list-style-type: none"> • Equal Allocation Method for costs with equal benefit • Population Method for allocating procurement and implementation costs • Population Method for allocating operating costs
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Table 10 Cost allocation methods used in the local authority case studies

Benefits Realisation

A report by KM Management Consulting (KMCC, 2005) proposed five major benefits of shared services arrangements: (Dollery, 2007)

- Scale economies
- Leveraging of technology investments to achieve cost savings and improved service delivery
- Standardisation, consistency and continuous improvement of process to provide improved service provision
- Achievement of a customer service focus
- Greater concentration of strategic outcomes

There is also some evidence from both New Zealand and Australia that entering in a shared services arrangement might be a step taken to deflect political interest at the state and national level for amalgamations or at the very least enable local authorities to manage the amalgamation agenda themselves rather than have it forced upon them (Dollery et al, 2009). It is strongly evident from Case Study 2, eLGAR, that the pre-existence of the Auckland library shared library management system significantly reduced the costs, risks and overall business disruption associated with creating a regional library service as part of the Auckland 'Super City' amalgamation.

Above all, the key driver for undertaking a shared service is an expectation that the benefit of undertaking that activity with other local authorities will deliver better value, financially or otherwise than undertaking the activity in isolation.

Realising those benefits is not always a simple task, especially as many of the perceived benefits of the shared service are not financial but relate to some type of improved value to the local authority, its ratepayers or customers.

The ALGIM Shared Services Survey conducted as part of this research asked the local authorities participating in shared services as to whether the shared service had met expectations in terms of benefits realisation. Twenty local authorities responded to this question and Table 11 presents their responses.

Have shared services delivered the benefits to your organisation that you had expected?	Response
Not at all	5.0%
To a lesser degree	15.0%
As expected	65.0%

Better than expected	15.0%
Exceed our expectations	0.0%

Table 11 ALGIM Shared Services Survey question relating to the benefits of a shared service

It was also interesting to note that while 80% reported that the benefits were as expected or better, all twenty local authorities then stated they would recommend a shared services approach to other local authorities.

The types of benefits that have been identified through the case studies and a review of other research literature include:

Reduction in costs: this is the most common in the area of shared procurement where shared procurement can deliver economies of scale. Cost savings might also be achieved through sharing implementation costs on large and expensive IT projects.

Improved Customer Service: this is often a key driver for shared services that involve connecting or standardising service offerings of local authorities which are close neighbours and share a common population base. Examples of this include the libraries in the Auckland region and parts of the SouthLib region. The PNCC after-hours call centre is another example where the councils using the service can leverage off the PNCC systems and staff expertise to provide better service than they could access using local suppliers and resources.

Access to skills and experience: one of the benefits of a shared service between smaller and larger local authority can be providing the smaller councils with access to skills and experience they are unable to attract or afford. This is especially the case in smaller regional or rural authorities. This was a key driver for the CISGo shared service as Clutha District Council had limited IT capability.

Maximising the value of expenditure: by pooling financial resources local authorities can achieve a better purchasing outcome. This was a key driver for the eLGAR initiative where the libraries wanted to purchase the best possible library management system with maximum functionality. This was something they may not have been able to achieve purchasing a system in isolation. This benefit is also evident for Palmerston North City Council who have been able to provide a desired 24/7 call centre for its own customers by leveraging the expenditure to establish this service across its other local authority customers.

Addressing market issues: in some cases local authorities find themselves or their community participating in a market that is not operating as efficiently as possible due to large monopoly suppliers. Local authorities may work together to work towards addressing issues by becoming a supplier of services to create competition in the market. The outcome of this might be cost savings in the longer term for the council but there drivers might also be linked to the social, culture and environmental outcomes of the local authority. Examples of this include some of the early regional broadband initiatives and the Waikato Valuation Database Service.

Better Community Outcomes: local authorities are required by the Local Government Act 2002 to contribute to the achievement of Community Outcomes. Local authorities working

together at a regional level can contribute to better outcomes across the region. This might include regional tourism, economic development, planning, or transport initiatives. The Waikato Regional Transport Model developed through the Waikato's LASS Ltd is a good example of this regional approach.

The following table summarises the benefits expected and/or received by the six shared services case studied for this research paper:

Case Study	Benefits Expected	Value of Benefit
BOPLASS	<ul style="list-style-type: none"> Reduction in costs 	<ul style="list-style-type: none"> Insurance – \$2m over 2 years Office Supplies – 8-10% Classified Advertising – 10-12% ESRI Licenses – \$20k PA Anti-Virus Licenses – 25%
PNCC	<ul style="list-style-type: none"> Customer Service Improvements Access to skills and experience Maximise expenditure 	<ul style="list-style-type: none"> Not measured/disclosed Some councils may have a higher cost but receive an improved service
eLGAR	<ul style="list-style-type: none"> Maximise expenditure Improved Customer Service Access to skills and experience 	<ul style="list-style-type: none"> Not measured/disclosed Anecdotal evidence suggests significant savings in the subsequent creation of a regional library service as part of the Auckland amalgamations
Waikato Ltd	<ul style="list-style-type: none"> Address market issues Better Community Outcomes Reduction in costs 	<ul style="list-style-type: none"> An individual case study of Hamilton City Council indicated direct cost savings and indirect internal savings from the SVDS Insurance Savings Energy Savings
CISGo	<ul style="list-style-type: none"> Reduction in costs Access to skills and experience 	<ul style="list-style-type: none"> Not measured but savings have occurred in training, implementation and IT procurement
SouthLib	<ul style="list-style-type: none"> Reduction in costs Improved Customer Service Access to software smaller councils could not afford on their own 	<ul style="list-style-type: none"> \$90,000 per annum savings across the libraries using the shared library management system Significant Capex savings on software purchase across the 5 councils.

Table 12 Benefits of shared services initiatives to the six case studies.

Learnings

The research undertaken for this paper included case studies developed from interviews, a review of the available literature and the ALGIM Shared Services Survey completed by forty-eight local authorities. This has provided some valuable insights into the shared services activities underway in New Zealand and has provided excellent learnings that can be used across the board to develop new shared services and improve those already underway.

These learnings can be grouped as three critical success factors for shared services. These are:

- Structure and Governance
- Shared service design
- Plan for success

Structure and Governance

The shared services that can be viewed as successful have appropriate business structures and matching governance processes.

Some are more formal than others such as the CCO LASS companies whereas others, such as the library consortiums, have worked successfully as informal partnerships founded on MOU's. In both cases the structure was appropriate for the nature of the initiative being undertaken.

Overall the key learnings in regard to Structure and Governance are:

- The structure selected will determine the relative strength of the shared services entity when conducting business with external parties. For example, complex procurement activities are better suited to being conducted by a CCO.
- There must be passionate advocates for the shared services approach within each organisation.
- Chief Executive commitment to a regional focus and therefore shared services is essential. This must be matched with commitment from the politicians and each local authority management team.
- The governance group must be willing to invest time and energy into building relationships with each other.
- The shared service entity must develop a culture of its own, separate from the individual local authorities, and it is preferable that this is a written document such as a charter or constitution.
- Involve professional support, especially lawyers, in the drafting of key documents such as shareholder agreements, constitutions or Memorandum of Understanding.
- All parties to the shared service must have equal rights in decision-making and influence over the activities of the shared service.
- The governance group must meet regularly with a key focus on monitoring performances and evaluating strategic direction and new opportunities.

- The governance group must be prepared to be proactive and drive the strategic vision and thinking on new shared services opportunities.
- The members of the governance group must view their work on the shared service as just an ordinary part of their job and not an additional or unwanted responsibility
- Third party facilitators can provide excellent value when establishing a new shared service structure, adding new members or considering strategic direction. Their value is in ensuring that all parties are given an opportunity to contribute and have their views considered – especially the smaller local authorities.
- Foster transparency and trust across the board. Share the goals, activities and performance of the shared service with the politicians, management teams and staff
- Match great ideas for shared services with a structured project management methodology and resources.

Shared Service Design

In any business activity success is strongly related to the good design of the solution, the people operating the business and the underlying systems. This is no different for a shared service but designing a solution that meets the needs of a number of similar but equally unique local authorities is a challenge which requires careful consideration.

Overall the key learnings in regard to shared service design are:

- Follow a structured process of capturing the requirements of all parties and document the shared requirements along with any unique requirements. Every local authority is different and local issues approaches and areas of focus must be understood and accommodated.
- Use the governance process to agree the scope of the service based on the captured requirements
- Don't rush into a shared service. Be clear about the drivers, the expected benefits and the costs. Joining a solution late or joining one being pushed by a third party supplier is risky especially in regard to ensuring individual requirements have been established.
- Follow standard procurement processes such as issuing an RFI and RFP, based on the agreed requirement, to ensure a full market analysis is undertaken before selecting a preferred supplier. Involve staff in the selection process.
- Look to standardise where possible. A key benefit of a shared service is standardised processes that produce consistent customer service outcomes and may reduce costs such as application development.
- Be willing to give up some autonomy in the name of standardisation and sharing.
- Share the risk and reward on an equitable basis. All parties must contribute their fair share, ideally financially or at least in the equivalent value of staff resourcing.
- Recruit the right people, with the right attitude and continually foster a culture of sharing, regional focus and customer service.

- Construct normal business arrangements and agreements such as service level agreements, budgets and annual plans to ensure performance can be measured and reported.
- A full shared service requiring significant capital expenditure will require an alignment of investment/replacement cycles to make a business case work. Prepare to take a long term approach to alignment or design a shared service structure that will allow additional local authorities to join at a later time that make sense for them and the shared service entity as a whole.
- Post implementation costs may be higher than expected.

Plan for success

Shared services represent a significant investment in time, money and in many cases the reputation of the local authority, its staff and its political representatives. They should be constructed in a manner that ensures a successful and sustainable outcome is achieved.

The key learnings in regard to planning for success include:

- Undertake initial activities by targeting 'low hanging fruit' that build confidence in a shared approach. This might include starting with a simple alignment of policies or processes or a shared procurement activity that delivers immediate real savings. Communicate the results to staff and management teams to ensure they understand the benefits and negate initial resistance to the change.
- Continually communicate with the local authorities through user groups and regular scheduled meetings with management teams to review performance, discuss opportunities and address issues.
- Resource the shared service as much as possible, giving it the right opportunities to be successful.
- Don't underestimate the resources required especially if a service can be impacted by external factors such as the weather.
- Involve staff with the right attitude, expose them to staff from other authorities and continually communicate the benefits.
- Focus communications about the shared service on value based benefits such as improvements in customer service, training opportunities, career development opportunities and not the financial benefits.
- Go with the movers; don't allow the shared service to deliver to the service level requirement of the lowest common denominator.
- A successful shared service will result in higher service expectations from external and internal customers. These need to be anticipated and planned for to ensure service levels are not negatively impacted.

Appendix 1 - Case Studies

Shared Services Case Study 1- BOPLASS

Introduction

BOPLASS is a Local Authority Shared Service (LASS) organisation formed as a Council Controlled Organisation (CCO). It was established in 2007 and has implemented a number of shared procurement initiatives for the nine Councils it serves. BOPLASS is supported by its Chief Executive, Ross Carter and Business Development Manager, Stephen Boyle.



Purpose

The following statement, included in the BOPLASS Statement of Intent for 2009-2010 outlines the purpose of BOPLASS:

'The Councils that operate within the Bay of Plenty and Gisborne Regions have formed a CCO to investigate, develop and deliver shared services, joint procurement and communications where and when that can be done more effectively for any combinations of some or all of the councils'.

The expected benefits that can be achieved through shared services are:

- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils in procurement;
- These benefits and opportunities can apply to all councils irrespective of location or size'

Participants

- Bay of Plenty Regional Council
- Kawerau District Council
- Opotiki District Council
- Rotorua District Council
- Taupo District Council
- Tauranga City Council
- Western Bay of Plenty Council
- Whakatane District Council
- Gisborne District Council

Structure

BOPLASS is a limited liability company formed under the Companies Act 1993 and recognised as a Council Controlled Organisation under the Local Government Act 2002.

The company is owned by all of the participating councils with each Council owning one share and allowed one vote. Each council has the right to provide one director who must be the Chief Executive of the Council.

The company has two options available for the situation where a shared service is formed that requires the recognition of council equity or share of an asset. BOPLASS can either issue B shares to the Councils which reflect their respective interest in the asset or a subsidiary company can be formed with the shareholding representing the respective interest in the asset. BOPLASS prefers the subsidiary approach.

BOPLASS does not intend to add any additional shareholders but will invite other councils to participate in activities on a contracted basis.

Governance Arrangements

The Board of Directors meet every six weeks. BOPLASS has a written constitution, a shareholders agreement and produces an annual statement of intent.

Independent Directors with specialist skills can be appointed in accordance with the constitution but to date this has not occurred except in the case of a subsidiary established to deliver broadband services in the region.

Advisory Boards provide operational governance of the activities. An Advisory Board may be responsible for several activities. Each Council that is involved in the activity is entitled to membership of the Advisory Board on a one for one basis.

Key Drivers

BOPLASS was formed as an initiative of the Chief Executives of the region who perceived benefits could be accrued through shared services and procurement. The key area of focus in the beginning was regional broadband with a subsidiary company established in response to government policy of the time.

Services Shared

BOPLASS has the intention of developing shared procurement and shared services initiatives. To date the activities of BOPLASS have focussed predominately on shared procurement as follows:

- Insurance
- Stationery
- Software Licensing – ESRI GIS and Sophos Anti-Virus
- Broadband/WAN
- After Hours Telephone
- Classified advertising

Cost Sharing Mechanisms

A cost sharing mechanism has been established which is related to population but is determined using a ratio banding method. The ratio used is on the basis of \$500 for small councils, \$1,000 for medium size councils and \$2,000 for the larger councils.

Each council pays a set fee per year for the base costs of BOPLASS with BOPLASS receiving a percentage of savings on each activity. The percentage of savings method is not perceived as sustainable as savings become more difficult to measure over time and will move to a cost per transaction model for future activities.

Savings

An attempt has been made to measure savings where possible and estimates are as follows:

- Classified Advertising 10-12%
- Office Suppliers 8-10% on average but the smaller councils have saved more as a percentage
- ESRI licenses - \$20,000 across the region
- Sophos Anti Virus – 25% discount
- Insurance – \$2,000,000 over two years

Future Plans

The following shared procurement and shared services activities are being identified:

- Electronic Procurement with UniMarket
- A base regional GIS
- Information Services Strategic Plan which will include shared enterprise applications
- Centralised Rates processing
- Managed IT services or remote hosting and disaster recovery

Key Learnings

The following key learnings have been identified:

- It must be driven by the Chief Executives
- It must be resourced with staff
- The Chief Executives must act as company directors not Chief Executives when representing BOPLASS
- It must have its own codified culture
- Councils need to be willing to give some things up for the regional good
- Commitment is required at the 2nd tier level within the Councils
- Ongoing charges need to be transaction based to better attribute costs
- Go with the movers – don't let the lowest common denominator pull you back
- Success may divert government attention away from amalgamation

Shared Services Case Study 2 - Palmerston North City Council After Hours Phone Service

Introduction

Palmerston North City Council (PNCC) operates an after-hours phone service that provides specialist services to the local government market in New Zealand. Twenty-five Councils provide after-hours phone based customer service by accessing the PNCC service - a service that is much deeper than just taking a message and passing it on. PNCC has developed a rich service that enables them to deliver a wide range of council services and manage contractors and after-hours staff for its clients.



Purpose

PNCC provides a local government after-hours service delivered by knowledgeable operators trained to deal with the unique requirements of local government, supported by a structured knowledgebase and an efficient phone system. The service is provided on a contractual basis to twenty-five councils in New Zealand including city, district and regional council customers.

The goal of the service is to improve the level of customer service received by the community of those councils outside of the normal business hours of the council.

Participants

This PNCC service is utilised by twenty-five Councils including Regional, City and District Councils from Queenstown to the Bay of Plenty. In the case of the Bay of Plenty, the arrangement was negotiated via BOPLASS, the Local Authority Shared Service for that region.

Structure

The service is provided by PNCC on a contractual basis to the twenty-five councils. It is provided through a standard business unit of that Council.

Governance Arrangements

PNCC has established an internal steering group to provide governance of the operation of the after-hours service which meets quarterly to review performance against the set plan for the year. There is no external representation on that steering-group.

A user group forum of the twenty-five council customers has been established and meets on a six monthly basis to discuss the performance of the service and service improvement opportunities.

PNCC also contacts each council on a monthly basis to review performance via a standard monthly report that includes agreed key performance indicators.

Key Drivers

The service was formed after PNCC provided a similar service to other councils in its region, during the Manawatu floods in 2004, when many of the other councils' systems in the region were unavailable.

This unfortunate opportunity provided proof that PNCC had the capacity, people and systems to provide such a service.

The other key driver was a desire by PNCC to provide 24/7 customer services to its own customers.

When the service was developed, it was apparent that no third party solution was available that could meet the diverse requirements of the local government business.

This service was initially operated just in the Manawatu region and was initially subsidised by PNCC and Horizons Regional Council before it was extended more widely across New Zealand and has become self sustaining.

Services Shared

PNCC provide an after-hours phone-based customer service utilising their existing call centre. The service is delivered by twenty-seven staff working in shifts with numbers of agents scaled to the time of day, day of the week, public holidays and weekends. The staffing numbers are also adjusted for busy periods and weather events around the country. From a technology perspective the PNCC phone system is configured with fifty queues with operators accessing council specific information from the Knowledgebase solution developed by Hindin Solutions and supplemented by the individual council websites.

Councils switch over to the system during the evenings, weekends and public holidays.

Cost Sharing Mechanisms

The method for charging for the service is related to population size in terms of small, medium and large councils. Charging is based largely on the ability to pay rather than a direct market-driven approach.

The break-even point for the service is twenty-five councils and at this level there is a high degree of certainty of sustaining the service through having a critical mass.

Savings

The purpose of the service is to increase customer service levels across all councils rather than reduce costs, however an earlier driver for the service from PNCC's perspective was to enable that council to provide a 24 by 7 service to its own customers and extending the service to others has enabled them to do that at an affordable cost.

Cost increases have been small and the addition of new customers has been used as an opportunity to extend the service in terms of staff and tools.

Introducing a New Council

PNCC has developed a structured approach to introducing new customers which involves the completion of template based process documents. This ensures the individual council services can be captured into the knowledgebase in a consistent manner.

It takes approximately three calendar months of effort to establish a new customer.

Future Plans

PNCC has identified a number of opportunities for the future. These include:

- Mail integration with each Council's Request for Service systems – this is currently in development
- Provide a complete Council call centre service by extending the service to business hours
- Provide extended services such as weather information and tracking
- Provide more depth to the services available

Key Learnings

The following key learnings have been identified:

- Each Council is different and has a different approach or focus when delivering services and this must be understood and accommodated.
- The service is only as good as the people providing it so recruiting the right people is essential.
- As customers get a better quality of service, the volume of calls will grow with their expectations
- There are many advantages of being physically separate from the council area such as during the Canterbury Earthquake. PNCC have also enabled the identification of poor performing contractors who were being looked after by the locals.
- Call Centre staff need to have a culture aligned to provide service to all customers and not just see themselves as PNCC employees
- Prove the service early to new customers to soften the resistance of local managers to the change to an external service provider
- Never underestimate the resourcing required to deliver a service especially one that is at the mercy of Mother Nature. You must be constantly on alert.
- Standardisation of processes is essential and can be achieved by using a structured template based process design.
- User-groups provide a good opportunity to feedback new ways of doing things and showcase success stories.

Shared Services Case Study 3 - Libraries for the Greater Auckland Region - eLGAR

Introduction

eLGAR was a library consortium, formed by five Auckland councils, to work together to improve library service delivery in the region. A key eLGAR initiative was the Smarter Systems Project that involved the implementation of a single Library Management Systems for the five councils.



Purpose

eLGAR was formed out of a desire of five library managers in the Auckland Region to work more closely together to improve the delivery of library services across the region. An informal consortium was formed that undertook both shared procurement and shared services activities. The existence of eLGAR and the work it has undertaken to date has enabled the rapid creation of a regional library service at minimal cost as part of the Auckland Super City transition.

Participants

eLGAR was established in 2001 and comprised Auckland City Council, Manukau City Council, North Shore City Council, Waitakere City Council and Rodney District Council. The Smarter Systems Project commenced planning in 2002 and was fully implemented by mid 2005 with these five councils now all using the single library management system.

Papakura District Council joined eLGAR in 2009/2010 and Franklin District Council was incorporated in 2010 as part of the Super City transition.

Structure

eLGAR is an informal consortium formed by a Memorandum of Understanding (MOU) signed by each participating Council. This MOU is effectively a partnership agreement that outlines the roles and responsibilities of the parties and the method of decision-making and cost sharing.

It is supported by a document called 'The eLGAR Way' which defines the expected outcomes of eLGAR and the behaviours required to support the achievement of those outcomes.

The eLGAR Board had an informal reporting requirement to the Auckland Chief Executives Forum but had no connection to the Auckland Shared Services Forum that was in existence at the time.

Governance Arrangements

The eLGAR Board is comprised of the most senior library manager from each Council. The frequency of meetings has varied over the years from weekly to, more recently, monthly.

Because of the informal nature of the consortium, decision-making has been on a consensus basis rather than by vote but this has never proven to be a barrier to decision-making.

A project board was formed to provide governance to the Smarter Systems Project. This Board included the core eLGAR Board as well as two IT Managers from the respective Councils, brought on board to provide expert IT advice and support.

The eLGAR Board provided regular progress reports to the CE Forum and sought advice and support from that group where required.

Key Drivers

The regional library managers, having built a strong personal relationship, were looking for opportunities to work more closely together. They held a facilitated workshop where they identified a number of opportunities to work together. Their initial effort was as simple as aligning one lending policy.

They then recognised that they all had a need to replace their core library management systems in similar timeframes and that this presented a great opportunity for them to work together. They undertook the Smarter Systems Project to implement a single library management system across the five councils.

The eLGAR Board felt that a shared procurement, implementation and hosting solution would enable them all to get a better outcome for the budgets available which would deliver a better customer service for their customers. They were also keen to be seen as contributing to the growing interest in shared services in the Auckland Region at the time.

Services Shared

At the heart of the eLGAR consortium is the shared Millennium Library Management System. This system was purchased through a shared procurement process, a shared implementation project, and ongoing support and development is achieved through a small support team and project management office. All of this will now be absorbed into the new Auckland Council as part of a regional library service.

Technical Services such as cataloguing were not set up as a shared service but a catalogue standard was adopted and libraries shared responsibility for updating the catalogues with new holdings.

Some shared procurement activities were undertaken within the group such as the purchase of RFID technology through a shared tender for Waitakere and Rodney Councils.

Cost Sharing Mechanisms

Two mechanisms are used for sharing costs:

1. Costs that are seen to provide equal value to all parties is shared on an even split basis. An example of this was the cost of the facilitated workshop.
2. Costs where the corresponding value is more reflective of the size of each organisation are shared on a population basis. An example of this is the overall cost of the Smarter Systems project.

The application of the appropriate cost sharing methodology was generally agreed to be obvious and involved little discussion within the Board.

Savings

An important goal of eLGAR was always to achieve the best outcome for its customers from the individual investments of each Council rather than treating the shared service as a cost savings opportunity.

This outcome appears to have been achieved as attempts to measure costs against the original budgets for the individual organisations reflect cost levels as expected. This may not have been achieved uniformly across the region as some level of subsidisation by the larger councils is suspected but not documented.

The efforts of eLGAR have resulted in significant savings in regard to the formation of the Auckland Council as minimal system modification has been required to establish the regional library service. These savings have not been quantified to date.

Introducing a New Council

It was always the intention of eLGAR to extend the service to additional libraries in the Auckland Region and potential further afield if the opportunity arose. The MOU allowed for this to occur with only the cost of implementation to be attributed to the joining Library.

Papakura District Council joined eLGAR in 2009/2010.

Future Plans

The eLGAR Board met for the last time in October 2010 with the Board now largely comprising the management team of the Auckland Council regional library service.

The last project, called the MyCard Project, incorporated Franklin District Council, aligned all business rules and policies and allowed patrons to have full access to the services of all the libraries in the Auckland Region.

Key Learnings

The following key learnings have been identified:

- Spend the time building a close relationship based on trust and shared values
- Develop a codified culture that will enable the partnership to survive changes in personalities
- When turning to bodies like the CE Forum for direction, always present them with a recommended solution
- Each organisation must be willing to give up some autonomy for the greater good of the group
- Staff must be involved as much as possible, especially in decision-making such as selecting the new library management system
- A sustained effort is required to ensure success and it must be viewed as just 'part of the job'
- Invest in staff training and development especially as part of the implementation projects to get better buy in
- More could be done and it could be done faster but sometimes the slow cooker approach results in a much richer outcome
- An established share service can result in more control of outcomes in a forced amalgamation.

Shared Services Case Study 4 - Local Authority Shared Services Limited

Introduction

Local Authority Shared Services Limited is a Local Authority Shared Service (LASS) organisation formed as a Council Controlled Organisation (CCO). It was established in 2005 and has implemented shared services and procurement initiatives for the thirteen Councils it serves in the Waikato region. The key achievements of the LASS have been the Shared Valuation Database Service (SVDS) and the Waikato Regional Transport Model (WRTM).



value beyond boundaries

Purpose

The following statement, included in the Directors Report to Shareholders for 2009-2010 outlines the expected benefits of the LASS:

“The Councils of the Waikato Region have put in place a Council Controlled Organisation ..., to deliver shared services across the Waikato Region. In making this decision they consider the benefits from the services developed under this company structure will result in-

- Improved level and quality of service
- Coordinated approach to the provision of services;
- Reductions in the cost of services;
- Opportunity to develop new initiatives;
- Opportunity for all councils, irrespective of location or size, to benefit from joint initiatives;
- Leverage provided from economies of scale, resulting from a single entity representing councils leveraging procurement opportunities.

Participants

- Environment Waikato
- Franklin District Council
- Hamilton City Council
- Matamata Piako District Council
- Otorohanga District Council
- Rotorua District Council
- Hauraki District Council
- South Waikato District Council
- Taupo District Council
- Thames Coromandel District Council
- Waikato District Council
- Waipa District Council
- Waitomo District Council

Structure

The Waikato LASS is a limited liability company formed under the Companies Act 1993 and recognised as a Council Controlled Organisation under the Local Government Act 2002.

The company is owned by all of the participating councils with each Council owning one share and allowed one vote. The company has six directors who are Chief Executives of the Councils that own shares, however four of the directors provide representation for the interested of two or more councils on the Board.

The company has created B shares in the instances where an asset has been created and the value of that asset must be represented in the accounts of the shareholding councils. B shares have been created for the SVDS, WRTM and for the investment in regional aerial photography called the Waikato Regional Aerial Photography Syndicate (WRAPS).

The Waikato LASS does not intend to add any additional shareholders but are negotiating with other councils to extend the SVDS service on a contracted basis.

Governance Arrangements

The Board of Directors meet two to three times per year.

The Waikato LASS produces an annual statement of intent which is monitored by the directors and an annual report to shareholders outlining progress and includes the annual financial statements.

Advisory groups provide operational governance of the activities and meet three monthly. These groups comprise of second tier managers with council responsibility for the area covered by the activity. For examples the SVDS advisory group comprises the Chief Financial Officers of the councils that use the SVDS. These groups initially had shared representation similar to the model used for directorship but this has now changed to full representation by each council.

User groups are made up of practitioners from within the Councils and also meet three monthly to provide guidance to the advisory groups and discuss and resolve operational issues.

The Board is serviced on an outsourced basis by a Company Secretary and does not employ any resources to actively develop new shared services. The advisory groups and individual councils are required to present business cases to the Board for any new opportunities.

Key Drivers

The initial driver for the Waikato LASS was to provide a business structure for the SVDS. The development of this type of shared service was largely driven at the officer level with support from the Chief Executives.

The goal of the SVDS was to improve competition within the valuation market which was at the time dominated by one or two large suppliers who often maintained the valuation data and provided the valuation service whilst making significant income from the sale of property information.

The Waikato LASS has subsequently been used as the vehicle for the WRTM development and the WRAPS shared procurement.

In the light of amalgamation activity with the Auckland Region, the Chief Executives are now looking more proactively at opportunities for the LASS to pursue.

Services Shared

The Waikato LASS has the intention of developing shared procurement and shared services initiatives. The following activities are provided by the LASS:

- **Shared Valuation Services Database** – used and owned by Environment Waikato, Hamilton City Council and Franklin, Hauraki, Matamata Piako, Rotorua, South Waikato, Thames Coromandel, Waipa and Waitomo District Councils.
- Nine Councils have also participated in a shared tender process for the procurement of valuation services with the contracts let to three valuation service providers.
- **Waikato Regional Transport Model** – used and owned by Environment Waikato, Hamilton City Council, Matamata Piako, Taupo, Thames Coromandel, Waipa and Waikato District Councils. The WRTM is designed to provide an integrated model for long term transport planning across the region.
- **WRAPS** – shared procurement of Aerial Photography has been undertaken for nearly a decade but is now managed through the LASS framework. The WRAPS shares are owned by all thirteen councils that own the LASS.
- **Procurement** – shared procurement activity has also been completed in relation to the purchase of insurance and energy services.

Environment Waikato is also part of the Integrated Regional Information System (IRIS) project which is developing integrated local authority software for regional councils within New Zealand.

Cost Sharing Mechanisms

The base costs of the operation of the Waikato LASS are shared on a population basis.

Activity costs are shared on the basis of agreed benefit of the activity. For example, the costs of the SVDS are allocated based on the number of properties within the database with Environment Waikato paying 50% of costs and the rest of the costs attributed across the remaining users of the service by property count.

Savings

The overall objective of the Waikato LASS is to provide shared services that provide a benefit to ratepayers. These benefits could be in terms of reduced cost or improved service delivery.

The driver for the SVDS was to improve the competition and quality of data as it related to property valuations. No definitive effort has been made to determine whether any cost savings have occurred but a case study of the impact of the SVDS on Hamilton City Council has identified some cost savings in real terms and in process/time savings.

The WRTM is a new initiative, only going live in the last year. The objective of the model is to produce better transport outcomes across the region and as such, any benefits will take many years to be quantifiable, if at all.

Savings have been made in shared procurement activities such as WRAPS, insurance and energy services but the value of these savings is unavailable.

Plans

The Waikato LASS has largely been in a holding pattern with no new business cases received or approved by the Board. There has been a degree of focus on improving the administrative and operational activities of the company.

The directors are now considered whether they should be taking a more proactive approach to shared services and have identified three areas for further investigation:

- Archiving
- Shared procurement
- Rates Processing

Key Learnings

The following key learnings have been identified:

- Good governance and good representation is essential and must be in place from day one.
- A strong vision is required and supported by people with passion.
- Good ideas must be backed up with good implementation through strong project management methodologies.
- Shared services initiatives business cases may not stack up unless key timelines are aligned such as system replacement cycles.
- Shared ownership of the vision is required to ensure no one party is viewed as empire building.
- Business cases must be realistic to avoid over promising and under delivery which will place future initiatives at risk.
- Chief Executive commitment to a shared services vision is essential.

Shared Services Case Study 5 - Clutha, Invercargill, Southland - CISGo

Introduction

in 2001-2002, three councils in the lower South Island formed an informal shared service group as they all had a requirement to upgrade/replace their Land Information and Financial Systems. The resulting procurement activity resulted in the purchase of Pathway LIS and JD Edwards Financials all hosted at Invercargill City Council.



Purpose

CISGo was formed through the desire of the Chief Executives of the Invercargill City Council, Clutha and Southland District Councils and was seen as an opportunity for those Councils to work more closely together. Two other Councils were involved in the initial discussions but adopted to continue on their existing software platforms. The requirement to upgrade/replace systems provided such an opportunity and working together was expected to result in savings in regard to:

- Shared procurement
- Implementation
- Training
- Hosting
- Ongoing support

Participants

- Invercargill City Council (ICC)
- Southland District Council (SDC)
- Clutha District Council (CDC)

Structure

CISGo was formed through a gentlemen's agreement between the three Chief Executives based largely on emails and handshakes.

The nature of the shared service has evolved over time. Today, the relationship is largely a facilities management arrangement with servers hosted and managed by Invercargill City Council. No formal Service Level Agreement (SLA) exists between the parties.

Governance Arrangements

There is no formal governance arrangement in place for the CISGo shared service initiative. There is no structured meeting or performance review processes in place.

The lack of structured governance is perceived by some parties as a major impediment to the long term sustainability of this partnership but the arrangement to licence each Council separately was adopted to allow any or all parties to leverage any change with preferred software for the benefit of one or more Councils and not impact on the remaining partners.

Significant cultural differences exist in each of the three Councils and this was not recognised or addressed during the implementation of shared services.

There is also a regional Shared Services Group that meets on a six weekly basis to drive commonality in operations across the region but this is largely driven by politicians and has little or no impact on the operations or future direction of CISGo.

Key Drivers

The initial drivers for CISGo was the desire of the Chief Executives for the member Council to work together more closely and the opportunity to upgrade/replace their respective enterprise systems was seen as a move that would potentially enable this to happen. By working together, the smaller councils were able to access a better solution than they may have been able to afford on their own and provided the smaller councils with access to Information Technology skills not available internally.

Services Shared

CISGo was initiated for the purposes of the joint procurement of Pathway PPR and JD Edwards Financial solutions. Associated with this procurement was a joint effort to implement the new software and share the cost of training staff. For two of the Councils the implementation was an earlier than expected, although pre-planned, upgrade while the third was a significant move to new software from existing legacy systems and introduced a need to address potential issues through change management

The initiative is now largely a facilities management solution hosted by ICC and uses a VMware virtualised environment for hosting of the software.

Both Pathway and JDE Financial systems are implemented as separate database and application instances. Upgrades/patches for JDE Financials are applied to all three instances simultaneously while Pathway Production system upgrades/patches are applied by ICC staff under direction from each individual authority. Training Environments are maintained at the latest release for all three Councils. All internal business processes are the responsibility of the individual Councils.

CDC and SDC continue to use the JDE Financials hosted by ICC but an option to transition to the financials solution implemented by ICC is available when/if they so desire.

Cost Sharing Mechanisms

The initial costs relating to procurement and implementation of the systems were shared using a model developed by the Chief Executives and was related to population.

Operational costs for licensing of the software are charged directly by the supplier to the individual councils.

Operational costs for hosting are largely covered by ICC on the premise that ICC would have incurred that cost anyway in the normal course of business, however actual costs incurred for upgrades are recovered by ICC using a population based method.

This was only used once for an upgrade from JD Edwards from 8.10 to 8.12 (this covered the hardware and consulting costs associated with the upgrade).

Savings

No formal attempt has been made to quantify savings but all parties agree that savings have occurred in the following areas:

- Initial implementation
- Initial training
- Hardware and Hosting
- Licensing costs

All parties recognise some intangible benefits through knowledge sharing but this may have been of greater value to the smaller councils.

Plans

CISGo is now close to ten years old and is largely of a business as usual nature with ICC providing a facilities management role for the other two councils.

Although outside of the CISGo shared service arrangement the three Councils have extended shared services for their newly acquired Library Management System and joined with a consortium of local council libraries including Dunedin, Gore, Queenstown Lakes, Central Otago and Waitaki with the system hosted in Invercargill. All three CISGo councils continue to investigate ways and means of furthering the shared services arrangements.

The Shared Services Forum has identified some opportunities for further consideration either with the two councils or with other councils in the region:

- GIS
- Payroll
- Infrastructure Asset Management
- Election processing

Key Learnings

The following key learnings have been identified:

- Examine the need for a formal governance arrangement
- Ongoing and structured communication is essential
- Put in place agreed service level agreements
- Make fair charges for services delivered to enable accountability
- Define what is to be shared and recognise the limitations of what can be shared
- There is value in transparency and trust especially where organisations have different cultures, and this must be embraced and continually developed by all parties
- Don't underestimate the need for change management at all levels of the business

Shared Services Case Study 6 - SouthLib

Introduction

A library consortium, called SouthLib, has been formally in place in the Otago Southland region since 2009 and comprises eight councils. However, it was initiated as a project in 2007. The consortium has worked together to implement a single Library Management System using the Symphony application from SirsiDynix.



Purpose

Southlib was initially formed in response to the requirement for Dunedin and Invercargill cities to replace their Library Management Systems (LMS). It was recognised at the time that by joining together, the two councils could leverage a better deal from the supplier. It was also apparent that other councils in the region would need to replace systems in the near future so a wider consortium was established.

Participants

Full User of the Shared Services

- Invercargill City Council (ICC)
- Queenstown Lakes District Council (QLDC)
- Southland District Council (SDC)
- Dunedin City Council (DCC)
- Central Otago District Council (CODC)

MOU Signatory Only

- Clutha District Council (CDC)
- Waitaki District Council (WDC)
- Gore District Council (GDC)

Structure

Southlib is a partnership between the eight councils based on a Memorandum of Understanding (MOU) signed by the Mayors and Chief Executives of each council. It was constructed with the assistance of lawyers and provides for a strong governance framework.

The agreement allows councils to be party to the MOU and the board but to join the consortium in terms of using the shared LMS at a time appropriate to that council's software replacement cycle until the end of 2010.

Governance Arrangements

Southlib is governed by a board that meets on a monthly basis and has a Chairman. Decision-making is by way of a single vote per library but decision-making is largely consensus based. The board includes the three libraries not currently using the shared service.

Key Drivers

The initial driver for Southlib was a requirement by DCC and ICC to replace their LMS within a similar timeframe. A shared service was viewed as an opportunity to leverage a better deal from the supplier.

The benefit of the consortium approach was extended to the wider Otago Southland Region with the supplier agreement allowing additional libraries to be added to the agreement.

Services Shared

SouthLib is a shared Library Management Systems comprising of a single instance of the Library Management System, hosting, application support and a disaster recovery failover site.

Cost Sharing Mechanisms

The initial purchase and implementation costs were shared by DCC and ICC on a 70:30 split with the software supplier providing a deal allowing the smaller councils to join on an ability to pay basis.

Ongoing operational costs are split on a population basis.

ICC and SDC also provide assistance in kind through the hosting of servers for production and DR environments and the provision of support for operational backup and recovery processes. The production infrastructure has been outsourced under SLA to Gen-i along with the Telecommunications infrastructure across the eight councils. Formal RFP processes were followed in selection of both service provider requirements.

Savings/Benefits

With all five councils on board, the expected savings are \$90,000 per annum. The upfront savings in software and infrastructure capital costs were substantial across the first five councils.

In addition the smaller councils and libraries have received significant benefit from access to world class software that they could not have afforded to purchase in their own right. One outcome of the development of a shared services model is a very healthy dialog and willingness to work together emerging between the eight councils library staff.

Plans

Future opportunities for extending the shared service have been identified and include:

- Bibliographic subscriptions
- Leveraged procurement of books and other supplies
- Leveraging activities required to get books “shelf ready”

The three remaining libraries are still considering their options including the possibility of joining the Kotui initiative being led by the National Library of New Zealand to implement a New Zealand wide library shared service.

Key Learnings

The following key learnings have been identified:

- A high level of trust and goodwill is required
- Strong leadership is required in pulling the parties together
- Ensure costs are well defined so that each Library is very clear on what the impact will be
- Be very clear on what is in and out of scope
- Third party facilitators can be useful in ensuring the needs of the smaller parties are listened to and considered
- A culture of sharing and community service is essential and must be cultivated with staff
- Clearly document every ones requirements and follow a full procurement process if possible to ensure the best solution is selected – don’t just upgrade to the next version of the existing software
- A service driven approach over a cost driven mentality will provide better buy in from staff

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