REVIEW OF RESOURCE SHARING ARRANGEMENTS

BETWEEN KENTISH AND LATROBE COUNCILS

October 2016

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CENTRE FOR LOCAL GOVERNMENT

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Background

The Australian Centre of Excellence for Local Government's work on local government reform, service delivery and the adoption and application of new ideas in the Australian local government sector confirms that the current economic, financial and policy climate in Australia requires councils to deliver better performance at lower costs. This requirement extends beyond a dedication to incremental and continuous improvement and requires a commitment to changes in the way services are planned, organised and delivered.

Councils need to engage effectively with their communities to ensure the needs of the ageing population, changing economy and rising expectations of high levels of services are addressed. Challenges such as managing and mitigating against natural disasters, provision of new services and programs, key workforce shortages and new technologies all need to be closely monitored and addressed. Internally, councils can prioritise regular service reviews to ensure efficiency, effectiveness and continuous improvement of service delivery.

Councils also need to take the opportunity to develop clear strategic objectives for the future. As such they can work with local communities to achieve those outcomes, support an organisation-wide understanding of the needs of local communities and facilitate the development of collaborative relationships and common goals with other organisations in the public and private sectors as well as at sub-regional, regional and state level.

Whilst acknowledging local differences, councils share many common statutory responsibilities and carry out similar functions and activities. Therefore, there are opportunities to work jointly to deliver services and share costs and resources[1]. In local government, the potential for innovation cuts across all functions and services, including asset management, development control, waste management, sustainability programs, natural resource management, community services, trading enterprises and economic development. There are examples of councils successfully working collaboratively across these functions in Australia and overseas.

This project

Kentish and Latrobe Councils have been undertaking various forms of resource sharing since 1992 in order to improve levels of service and preserve and maintain local representation. The councils are keen to continue to grow, enhance and refine the resource sharing arrangements and engaged the Australian Centre of Excellence for Local Government (ACELG) at the University of Technology Sydney to review the resource sharing arrangements between the two councils.

This project is particularly relevant to the current Tasmanian local government context because in 2015, the Minister for Planning and Local Government convened a series of regional meetings with Tasmanian councils to discuss how the state government can work with local government to build a strong and resilient local government sector and improve service delivery to Tasmanian communities. The focus of the opportunities for the future is voluntary council amalgamations and strategic resource sharing.

This project involved:

> Desktop analysis of various council documents

> Site visits, interviews and workshops with a range of staff and councillors

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[1] Victorian Auditor-General's Report 2014. Shared Services in Local Government. Available at: www.audit.vic.gov.au/reports_and_publications/latest_reports/2013-14/20140528-Shared-Services.aspx

> A financial analysis of savings and additional costs from resource sharing, including a review of soft benefits.

The aim was to:

> Determine the success factors of the current resource sharing arrangements

> Review the current governance arrangements, including decision making processes, and develop a framework for decision making in the future, particularly in relation to how decisions are made for determining future areas for resource sharing

> Review the State Government's current reform agenda and provide advice to the councils as to whether the current resource sharing arrangements will deliver the outcomes sought

> Identify whether the current arrangements have led to the councils having the strategic capacity to respond to current and future challenges

> Develop a framework for determining the most appropriate scale for working together, individually, through other regional groups, for example, the Cradle Coast Authority and state-wide through the Local Government Association of Tasmania (LGAT)

> Develop a set of commonly agreed objectives by which to assess the continued success or otherwise or resource sharing arrangements

> Undertake a financial analysis of the savings from resource sharing.

Key findings

The resource sharing arrangements for staff, procurement and plant and equipment at Kentish and Latrobe have been built around high degrees of trust, supported by a formal agreement. They are enabled by the significant efforts of the general manager, supported by councillors and senior staff. Both councils have seen improved levels of service quality, economies of scope and scale and increased organisational development and strategic capacity.

There are a range of success factors which have supported the arrangement including:

> A common, agreed rationale for resource sharing

> A shared, highly committed general manager

> Shared strategic planning to align organisational goals and objectives

> Incremental rather than transformational change over time which has helped build an organisational culture of resource sharing

> Transparency, equity and flexibility to create high levels of trust

> Complementary IT and communications systems.

Key lessons learnt include:

> For resource sharing to work and endure over the long term there needs to be significant levels of trust between the organisations involved and an investment in building strong relationships at senior, executive and councillor levels

> Not all staff are suited to resource sharing and recruitment needs to be made on an identified set of personal attributes as well as skills

> It is important to ensure that there is actual equity and allocation of shared resources across councils to ensure both function in the joint arrangements and to create the trust needed for the arrangement to endure

> Technology and management systems are a key enabler for shared assets and shared staff as they facilitate physical movement between locations and ensure efficiency of use.

Recommendations

The resource sharing arrangements between Kentish and Latrobe Councils are now well established with an increasing range and type of shared staff, projects and systems. The following recommendations aim to build on the solid foundations established over the past six years and are designed to improve and enhance the current arrangements, to make the arrangements more strategic, to ensure the objectives are clear and measurable and to ensure that resource sharing continues to benefit the communities of Latrobe and Kentish.

Strategic planning and leadership development

1.   Engage the senior leadership group and councillors in a strategic planning exercise to identify community expectations of service delivery in the next ten years and design an approach to resource sharing to respond to the long-term needs, including the development of a workforce plan for the two organisations

2.   Following the strategic review, refresh the vision for resource sharing and engage the leadership groups to proactively drive the strategic vision and thinking

3.   Convene regular meetings of the leadership and councillor groups of Kentish and Latrobe Councils to engage in strategic planning activities

4.   Informed by the long-term workforce plan, expedite alignment of organisation structures, strategic plans, budgets and annual reports.

Communications

5.   Develop an internal and external communications strategy to ensure staff, councillors, the community and other stakeholders understand the rationale for resource sharing and the vision and benefits of the arrangements. Measure the success of the communications strategy in increasing awareness and understanding of resource sharing in community feedback and staff surveys.

Staffing and workforce

6.   Ensure that recruitment policies clearly identify the desired attributes and skills for resource shared positions to ensure candidates are suitable for these positions

7.   Introduce a shared performance management and workload system for staff reporting to two managers

8.   As part of workforce planning, prepare guidance material for resource shared officers on how to carry out their role. Ensure the guide includes advice for dealing with any conflict of interest that might arise from their shared role. Ensure people in resource shared positions have a regular opportunity via the performance management system to discuss and resolve any issues or concerns with their managers

9.   Review current work policies and practices to ensure the councils are achieving the maximum benefits of resource sharing and remove barriers to productivity, such as travel between the two council offices.

New and expanded opportunities

10.   Informed by the long-term workforce plan, continue to expand resource sharing in areas such as human resources, strategic communications and other operational areas

11. Integrate and further develop existing plant and fleet management systems to allocate costs and evaluate lifecycle costings and to improve and maximise use of current plant and assets across the two councils

12. Continue to pursue structural changes in the works activities of both councils and implement the current proposal for Kentish and Latrobe Councils to specialise in their areas of expertise. It is noted there is a current proposal to coordinate the capital works for roads and road maintenance teams out of the Kentish Council Works Depot, comprised of staff from both councils. There is also a current proposal to coordinate the building/facility maintenance and parks and reserves management teams out of the Latrobe Council Works Depot, comprised of staff from both councils. The proposed changes will work towards a centre of excellence model that could be made available to other councils on a fee for service basis

13. Continue to improve the capacity of staff to better plan for infrastructure delivery through strategic asset management.

Governance

14. Develop a process for dealing with any conflicts of interest that may arise from resource sharing of staff across two councils

15. Review whether the three-month notice period to withdraw from the Resource Sharing Agreement is appropriate given the increasing scope of resource sharing, especially with integrated systems and technology. Consider amending the agreement to 12 to 24 months to reduce the risk of the impact on continuing operations with any withdrawal.

Succession planning

16. Develop a clear succession plan for the General Manager and other senior positions. Clearly identify the desired attributes and skills needed to perform this critical leadership role.

Managing change and project management

17. Ensure that any changes resulting from resource sharing are well managed, that staff fully understand the need for change and that the changes and new practices are well planned, documented and managed

18. Ensure that strategic projects across the two councils are supported with strong project management, a robust process for decision-making and clear procedures for managing potential conflicts of interest.

Evaluation and reporting

19. Develop an evaluation framework which monitors success on a regular basis and continues to refine the identification of financial outcomes

20. Engage in the resource sharing review being undertaken by the Cradle Coast Authority to ensure strategic opportunities for advancement are pursued

21. Share the findings of this review with the Minister for Local Government, the Division of Local Government, the Local Government Association of Tasmania, the Cradle Coast Authority and surrounding councils.

1 Introduction

1.1 Background

Kentish and Latrobe Councils have been undertaking various forms of resource sharing since 1992 in order to improve levels of service and preserve and maintain local representation. The councils are keen to continue to grow, enhance and refine the resource sharing arrangements and engaged the Australian Centre of Excellence for Local Government (ACELG) at the University of Technology Sydney (UTS) to review the resource sharing arrangements between the two councils.

ACELG has also undertaken a similar review of the resource sharing arrangements between Circular Head and Waratah-Wynyard Councils.

This section covers a high level background to resource sharing between the two councils, details of the current situation and an overview of resource sharing. It details:

> History of resource sharing between Kentish and Latrobe Councils (Section 1.2)

> The policy context in Tasmania (Section 1.3)

> Current policy drivers in Tasmania (Section 1.4)

> Shared services and resource sharing (Section 1.5)

> Current resource and service sharing arrangements (Section 1.6)

> About this review (Section 1.7)

> Methodology for this review (Section 1.8)

> About this report (Section 1.9).

1.2 History of resource sharing between Kentish and Latrobe Councils

Kentish and Latrobe Councils have been involved in various forms of resource sharing for over 25 years. The two councils formed the Kentish/Latrobe Joint Authority in 1997 largely in response to a review into the potential restructure of local government in Tasmania. This review concluded that neither Kentish or Latrobe Councils met the criteria to exist independently, but that the two councils were sufficiently diverse to remain separate. It was also acknowledged that some resource sharing was occurring and the review accepted the two councils' undertakings to extend this into the Kentish/Latrobe Joint Authority.

In 2001, the Local Government Board undertook a review of the Kentish/Latrobe Joint Authority and following this review, the authority was wound up and formal resource sharing arrangements ceased[2].

After a period of dormancy, resource sharing recommenced in July 2008 following a meeting between the Kentish and Latrobe Councils. The councils appointed a Kentish and Latrobe Councils Municipal Alliance Committee later that year. Resource sharing started with an agreement to assess the road maintenance requirements of the two councils and recommended a maintenance program for the future which included appropriate plant and equipment required to meet community needs.

In February 2010, Latrobe Council considered a request from Kentish Council to resource share the General Manager and agreed to enter into an agreement to resource share the position of General Manager for a trial period of eight weeks concluding in May 2010.

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[2] Local Government Board 2011. Report into the Findings of a General Review: Kentish/Latrobe Joint Authority. Available at: www.dpac.tas.gov.au/__data/assets/pdf_file/0019/56152/GR_Kentish-Latrobe_Joint_Authority_2001.pdf

The two councils signed an agreement in mid-2010 to employ the shared General Manager for a period of three years and to share other resources for the purposes of carrying out duties and performing functions required under the *Local Government Act 1993*[3]. This allowed resource sharing to gain momentum. According to the 2010 agreement:

> *The consideration of a resource sharing arrangement is driven by the belief that it would strengthen the future economic and social viability of each municipality. Given that the Latrobe municipality and the Kentish municipality are direct neighbours, each Council considers it is sensible and practical to explore a strategic alliance.*
>
> *The Latrobe and Kentish Councils acknowledge the benefits of resource sharing including:*
>
> > *Allows Councils to maintain their independence at the local level*
> >
> > *Allows Councils to provide services to a larger population*
> >
> > *Spreads costs and risks*
> >
> > *Encourages greater use of all available resources*
> >
> > *Allows financial savings in service delivery*
> >
> > *Releases savings for other service areas*
> >
> > *Provides for both broader and more specialised services*
> >
> > *Permits more equitable distribution of services for residents and ratepayers*
> >
> > *Attracts a financial contribution from non-resident users*
> >
> > *Generates additional capital from the sale of excess equipment or land.*

The resource sharing agreement was extended for a three-year period from 1 January 2013 and for a further three-year period from 1 January 2016.

1.3   The policy context in Tasmania

1.3.1   The need for innovation

The Tasmanian role of Local Government Project[4] built the case for cultural change within local government to encourage councils to move from a *focus on compliance and financial dependency to being an innovative and financially sustainable sector*.

As such, the project favoured a broader view in order to capture the full scope of local government roles. The project identified eight key roles of local government as shown in

TABLE 1 KEY ROLES OF LOCAL GOVERNMENT

Role	Description
Sense of place	Councils facilitate and work with their communities to develop a sense of place through branding, promoting and enhancing local identity and promoting social cohesion and health and well-being
Community engagement	Councils engage with their communities, sharing information about community, council and government business and where appropriate, provide opportunities

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[3] Kentish and Latrobe Councils 2015. *Website information Resource Sharing – Latrobe and Kentish Councils*. Available: www.kentish.tas.gov.au/webdata/resources/files/Resource Sharing Updated 2015.pdf

[4] The Role of Local Government Project is a collaborative project between the Tasmanian Government and local government. It was established in 2012 by the Premier's Local Government Council in response to the ongoing public debate about the current and future role of local government. Available at: www.dpac.tas.gov.au/divisions/local_government/role_of_local_government

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	for constituents to influence and/or participate in council decision making
Strategic leadership	Councils provide strategic leadership through understanding current and future operating environments, identifying opportunities and risks and making decisions which align with long-term strategic plans and corporate plans
Land use planning	Councils are strategic land use planners who work with communities to create an environment that guides the use of land to balance economic, environmental and community/social values and to support the health and wellbeing of communities
Economic development	Councils facilitate the economic development of communities by working with the business community to attract and retain investment and support sustainable economic growth
Services and assets	Councils are responsible financial managers who deliver cost effective, equitable and efficient services and assets which reflect local need and expectations and are guided by council's long-term corporate planning objectives
Legislation and by-laws	Councils enforce relevant state and national legislation and create by-lays and policies as required to support the efficient and effective functioning of council to support the community
Representation and cooperation	Councils engage with each other and other spheres of government to represent and advocate the needs of their communities, and where appropriate, co-operate and work in partnership to generate the greatest benefit for communities.

In establishing these roles, the project placed local government's service delivery role within a broad strategic leadership frame. The roles include concepts such as social cohesion, community well-being, local identity, participative decision making, strategic leadership, long-term strategic planning, economic development and collaborative partnerships alongside the more traditional roles of service delivery, asset management and policy development.

This means that, as a tier of government in its own right local government has representative responsibilities to the community it leads and serves but with an ever-increasing involvement in strategic and policy activities.

ACELG's work on local government reform, service delivery and the adoption and application of new ideas in Australian local government confirms that the current economic, financial and policy climate in Australia requires local governments to deliver better performance at significantly lower costs. Challenges such as managing and mitigating against natural disasters, provision of new services and programs, key workforce shortages and new technologies all need to be closely monitored and addressed.

While acknowledging local differences, councils share many common statutory responsibilities and carry out similar functions and activities. In local government, the potential for innovation cuts across all functions and services, including asset management, development control, waste management, sustainability programs, natural resource management, community services, trading enterprises and economic development. There are examples of councils successfully working collaboratively across this range of functions in Australia and overseas.

1.4   Current policy drivers in Tasmania

Earlier in 2015, the Minister for Planning and Local Government, the Hon Peter Gutwein MP, convened a series of regional meetings with Tasmanian councils to discuss how the Tasmanian Government can work with local government to build a strong and resilient local government sector and improve service delivery to Tasmanian communities.

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Minister Gutwein identified the range of issues and challenges facing local government and presented the options available to councils to improve outcomes for ratepayers. They are:[5]

> Nearly half of councils are not adequately maintaining their road system

> Councils' net financial assets have declined over the past three years by 27%

> Rates have exceeded CPI increases by approximately 110%, and have been above the Tasmanian Cost Index by approximately 35% over the past five years

> Tasmanian councils have the second lowest average population per municipal area of all Australian states

> Tasmania's population is forecast to rise by almost 7% to 550,000 by 2025

> Significantly more of the population will be 65 years of age or older

> Significantly less of the population will be younger than 30 years of age

> Small and medium sized rural agricultural councils will be affected most.

Two options were identified to improve outcomes for ratepayers: voluntary amalgamations; and strategic shared services. In relation to shared services, the Minister noted:

> Current shared services arrangements are driven by crisis, not strategy

> There is a poor understanding of the benefits to ratepayers

> There is a lack of empirical data regarding financial service delivery outcomes

> There is a lot of promise but only incremental progress in reality

> Councils have little understanding of what is best practice and what it would deliver

> Over half of the 154 current shared services arrangements have no formal governance structure or had an informal management arrangement

> Only 13% had been subject to cost-benefit analysis

> Many often rely on relationships rather than sound business cases

> Most are inadequately evaluated

> There is a lack of political and management support and leadership in driving efficiencies and cooperation.

It is important to note that, using the definitions in Section 1.5, most of the collaboration between councils in Tasmania is around shared services, often with a fee-for service component. However, Kentish and Latrobe Councils are different in that resource sharing is for staff, some plant and equipment and some procurement (Section 1.6) with the main benefit being the cost sharing of skilled staff which might otherwise not be available to these two councils.

The state government allocated funds to assist councils to undertake feasibility studies into voluntary amalgamations and new strategic shared services arrangements and many regional groups of councils are currently conducting reviews of shared services as part of this.

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[5] Department of Premier and Cabinet 2015. Voluntary Council Amalgamations: Voluntary Council Amalgamations Regional meetings. Available at:
www.dpac.tas.gov.au/__data/assets/pdf_file/0008/248246/Peter_Gutwein,_MP,_Minister_for_Planning_and_Local_Government_PowerPoint_Presentation_at_Voluntary_Council_Amalgamations_Regional_Meetings_Feb_2015.pdf

In addition, the new *Building Bill 2016*, as part of the Tasmanian Government's reform of Tasmania's Building Regulatory Framework, looks to introduce a risk-based approach to building and plumbing approvals that will streamline the process. This will reduce the Permit Authority workload of councils by up to an estimated 60% which will impact on how councils deliver building and plumbing approvals.

It is very timely for Kentish and Latrobe Councils to review their resource sharing arrangements to ensure they are robust, strategic in their focus and assist both councils to provide effective services and good governance to their communities.

1.5 Shared services and resource sharing

Shared services and resource sharing are often used interchangeably but they are different.

1.5.1 Shared services

Shared services is where two or more councils join together to provide a service to meet community needs. The <u>key aim</u> of shared services is to reduce costs via economies of scale but other reasons can be:

> Economies of scope – Shared services and collaboration provide important opportunities for local governments to capture economies of scope (where an organisation increases its critical mass in order to be able to do things it otherwise could not) and enhance its strategic capacity

> Improved service quality – Sharing a service with others can result in the provision of greater access and better quality of services

> Organisational development – The sharing of services can be the catalyst for bringing different employee groups together to work on joint projects and assist in upskilling and transferring experience between groups at different levels in the organisation

> Increased strategic capacity – The concept of 'strategic capacity' infers taking the organisation to a higher level of capability in terms of resources, skills, knowledge and innovation and building economies of scale and scope to plan and act more strategically and effectively.[6]

Examples of shared services are[7]:

> External services – services that councils provide to the local community, such as Meals on Wheels, waste collection and landfill operations, community and library services

> Back office functions – functions that support external services, such as information and communications technology, finance, legal, payroll, human resources, internal audit and asset management

> Procurement – purchase of goods and services.

Shared services can be provided via a range of mechanisms to achieve economies of scale such as: jointly establishing a separate organisation to deliver the service e.g. with waste collection; jointly procuring a shared IT system; or working collaboratively on regional economic development such as with the Cradle Coast Authority.

One such mechanism is resource sharing.

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[6] ACELG 2012. Legal and Governance Models for Shared Services in Local Government. Available at: www.acelg.org.au/news/legal-and-governance-models-shared-services-local-government

[7] Victorian Auditor General 2014. Victorian Auditor-General's Report: Shared serviced in local government. Available at: www.audit.vic.gov.au/publications/20140528-Shared-Services/20140528-Shared-Services.pdf

1.5.2 Resourcing sharing

Resourcing sharing is <u>one mode of shared service delivery</u> and involves sharing assets such as people and capital. For example:

> When one council is unable to attract or retain staff skills in a particular discipline and another council has spare capacity, such as in engineering design or development assessment

> Where one council has surplus plant and equipment and can rent the assets to another council

> Where one or more councils can pool their staff resources and collaborate on strategic planning at a local or regional level or on joint procurement.

So, resource sharing also has the same outcomes of economies of scale, economies of scope, improved service quality, organisational development and increased strategic capacity.

1.6   Current resource and service sharing arrangements

1.6.1 Expected outcomes

The expected outcomes from resource sharing as noted in the *Latrobe Council and Kentish Council Resource Sharing Agreement* are to strengthen the future economic and social variability of each municipality. The agreement notes the two councils are neighbours and that the benefits of resource sharing include:

> Allows Councils to maintain their independence at the local level

> Allows Councils to provide services to a larger population

> Spreads costs and risks

> Encourages greater use of all available resources

> Allows financial savings in service delivery

> Releases savings for other service areas

> Provides for both broader and more specialised services

> Permits more equitable distribution of services for residents and ratepayers

> Attracts a financial contribution from non-resident users

> Generates additional capital from the sale of excess equipment or land.

In addition, the role of the Municipal Alliance Committee (see Section 1.6.5) is to identify opportunities for alliances, sharing ideas and resources to improve the effectiveness and efficiency of service delivery provided by the two councils.

Kentish and Latrobe Councils share people and assets in order to provide services and collaborate on projects at policy, operational and strategic levels. The key objectives are linked to the aims of shared services as noted in Section 1.5.1 and shown in Table 2.

TABLE 2 OBJECTIVES FOR KENTISH AND LATROBE COUNCILS

Objective from Section 1.5.1	Description in website information document[8]
Improved service quality	Better responding to increasing expectations of the community for improved services without wishing to pay extra rates and charges
Economies of scale	Enabling more cost effective services to be provided
Economies of scope	Enabling more cost effective services to be provided
Organisational development	Improving career paths, enabling succession planning, ensuring back up resources exist

It is important to note that during this review, participants described the shared arrangements as 'resource sharing'. The term 'shared services' was rarely mentioned. However, a more appropriate terminology would be 'shared services, plant and equipment and procurement'.

1.6.2 Shared staff

Since the decision to share the position of General Manager, there has been a staged and steady approach to shared staff positions. Twelve positions are now shared across the two councils with one currently being vacant. These positions are shown in Table 3.

TABLE 3 CURRENT RESOURCE SHARING ARRANGEMENTS

Work stream	Position
Chief Officer	General Manager
Tourism and Economic Development	Tourism/Economic Development Officer
	Visitor Information Centre Coordinator (part-time)
Corporate Services and Finance	Accountant
	WHS/Risk Management
	Assistant Accountant
Planning and Building Services	Planning and Building Services Manager
	Planning Officer
	Permit Authority
	Plumbing Inspector (currently vacant)
Engineering Services	Engineering Services Manager
Works	Works Manager

1.6.3 Shared plant and equipment

As noted in Section 5.8, each council has different infrastructure needs with Kentish Council specialising in unsealed roads. However, plant and equipment is not fully utilised and resource sharing will enable both councils to share assets (especially sharing the Kentish Council grader) and increase the asset utilisation rate which in turn reduces the hourly rate for the equipment.

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[8] Kentish and Latrobe Councils 2015. *Website information Resource Sharing – Latrobe and Kentish Councils*. Available: www.kentish.tas.gov.au/webdata/resources/files/Resource Sharing Updated 2015.pdf p. 6.

1.6.4 Shared procurement

Shared procurement has generally been in the form of consultancy arrangements, for example, the Sheffield Recreation Ground Master Plan/Port Sorell Former Landfill Site Development Plan or from shared training and development.

1.6.5 Governance arrangements

The councils have established a number of governance mechanisms for resource sharing. The *Latrobe Council and Kentish Council Resource Sharing Agreement* sets out the operating arrangements for the General Manager role and for the establishment of a Municipal Alliance Committee. A council can withdraw from the agreement with the provision of no less than three months' notice to the other council.

The Municipal Alliance Committee exists to identify opportunities for alliances, sharing ideas and resources to improve the effectiveness and efficiency of service delivery provided by the two councils.

Key features of the committee include:

> The Committee consists of six council members – three from each council. A deputy member may be appointed by the councils and the General Manager is also a member of the Committee

> The Committee meets not less than three times each calendar year

> The Committee considers a report prepared by the General Manager at each meeting including an overview of resource sharing initiatives examined and undertaken.[9]

1.7 About this review

This review of the current arrangements between Kentish and Latrobe Councils is to:

> Determine the success factors of the current resource sharing arrangements

> Review the current governance arrangements, including decision making processes, and develop a framework for decision making in the future, particularly in relation to how decisions are made for determining future areas for resource sharing

> Review the State Government's current reform agenda and provide advice to the councils as to whether the current resource sharing arrangements will deliver the outcomes sought

> Identify whether the current arrangements have led to the councils having the strategic capacity to respond to current and future challenges

> Develop a framework for determining the most appropriate scale for working together, individually, through other regional groups, for example, the Cradle Coast Authority and state-wide through LGAT

> Develop a set of commonly agreed objectives by which to assess the continued success or otherwise or resource sharing arrangements

> Undertake a financial analysis of the savings from resource sharing.

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[9] Kentish and Latrobe Councils 2013. *Latrobe Council and Kentish Council Resource Sharing Agreement, January 2013*. Section 8.

1.8 Methodology for this review

The methodology for this review involved a mixture of desktop analysis, face-to-face meetings, workshops, site visits and follow up telephone discussions.

1.8.1 Desktop analysis

The review of key council documents included:

> Latrobe Council and Kentish Council Resource Sharing Agreement, January 2013

> Latrobe Council Profile, Local Government Division, February 2015

> Kentish Council Profile, Local Government Division, February 2015

> Local Government Board Report into the Findings of a General Review Kentish/Latrobe Joint Authority, 2001

> Kentish and Latrobe Information Technology and Communications Strategic Plan – Next Steps

> Kentish Council Annual Report 2013-14 and 2014-15

> Latrobe Council Annual Report 2013-14 and 2014-15

> Internal documents and memos provided by Kentish and Latrobe Council, including Municipal Alliance Committee agendas and minutes.

1.8.2 Site visits, interviews and workshops

Site visits were conducted at both Kentish and Latrobe Councils and included ten face-to-face interviews with senior staff and resource shared staff and a workshop at a joint meeting of Kentish and Latrobe councillors. Interviews were also held with:

> CEO of the Division of Local Government

> CEO of LGAT

> CEO of the Cradle Coast Authority

> General Manager of Burnie City Council.

1.8.3 Financial analysis

This involved the development of a spreadsheet for the councils to record their estimated savings and additional costs from resource sharing. Soft benefits were also identified. Care was taken to ensure that the underlying assumptions for the spreadsheet and the principles for data input were agreed (with ACELG and also with Circular Head and Waratah-Wynyard Councils).

The financial analysis occurred about six months after the site visits.

1.8.4 Reporting and presentations

The draft report was amended following feedback from Kentish and Latrobe Councils and was presented to a joint meeting of Councillors in September 2016.

1.9 About this report

This report is divided into the following sections as shown in Table 4.

TABLE 4 TABLE OF CONTENTS

Section #	Title	Description
-	Executive summary	High level summary of background to project, key findings, recommendations and next steps
1	Introduction	Background to resource sharing, definitions, current arrangements and details of this review
2	Success against original objectives	Key areas of success
3	Analysis of what has worked well and why	Analysis of factors for success
4	Lessons learned	Key lessons for other councils
5	Areas for improvement	Improvements for the future
6	Response to the current reform agenda	Details of current and potential policy context and whether the current resource sharing arrangements will deliver the outcomes sought by the state government
7	Financial analysis	Details of savings/additional costs and benefits of resource sharing
8	Monitoring success in the future	How to assess success using an evaluation framework
9	Recommendations	Recommendations for the future
Appendices	-	Appendices

Throughout this report there are quotes from interviewees. These are all unattributed, in line with the ethics policy for this project.

2 Success against original objectives

2.1 Overview

The original objectives for resource sharing were not clearly articulated however, as noted in Section 1.6.1, they can be summarised as aiming for:

> Improved service quality (Section 2.2)

> Economies of scale (Section 2.3)

> Economies of scope (Section 2.4)

> Organisational development (Section 2.5).

In addition, a key outcome was to ensure that each council had retained its independence at the local level and maintained decision making ability, identity and autonomy. This has been achieved.

2.2 Improved service quality

The arrangements have enabled the employment of staff who are shared across both councils. This has enhanced service delivery expertise and delivered services across a larger area with a larger population.

The other thing to me is that resource sharing is not an end in itself. It's only a means so you ought to be measuring here's the change in your output but how do you determine how much of that change in output is due to resource sharing and how much is due to other things.

Although, it is difficult to assess whether there has been a direct impact on service delivery there is now increased ability to better represent the interests of the two councils at a sub-regional level. As smaller councils, Kentish and Latrobe Councils can be swamped by the interests of larger, better resourced councils. Working in collaboration has enhanced capacity to promote the sub-region with shared tourism and other promotional activities which have increased tourist numbers[10].

2.3 Economies of scale

The arrangements have allowed both councils to spread costs and risk, particularly in relation to shared employment costs. The financial analysis in Section 7 provides details of specific hard and soft costs and savings as a result of resource sharing. In addition, there are opportunities to measure costs and risk sharing as part of a new evaluation framework see Section 8.

It will always come back to the financial. That's one of the areas where we probably can say that resource sharing has saved money.

We're not paying external consultants about a hundred thousand a year any more.

We're just reviewing the policies across two councils and that will benefit because we're basically sharing them and I wouldn't say it doesn't cut time in half, it certainly reduces it.

There has been a much greater efficiency of plant and equipment and steps are underway to maximise use of IT systems across the two councils. Efficiencies are also made when only one

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[10] Since the collaborative promotional activity began in 2013, Sheffield had an increase in tourists who stayed overnight of 22% in the 2014 calendar year, well above the average state and regional growth for the year. In 2015, that increased a further 16%. Latrobe had a rise of 6% and 8% respectively in 2014 and 2015 which compares favourably with the average annual growth of 2.2% since 2008. Visitor numbers in 2015 to the Sheffield visitor centre are almost 60% higher than they were three years earlier and Latrobe visitor numbers are 15% higher than they were two years ago.

staff member attends an external meeting and can represent and report back to both councils or when staff can implement the same policy or process for both councils.

If I'm going to a regional meeting on some issue, then I'm representing both councils, so there's a lot of savings there. And the shared arrangement can reduce duplication.

Most of my work that I do for one council I can just roll it over and just read through it and modify it.

Whilst working across two organisations can be challenging, it appears to have resulted in better staff management, particularly in relation to time spent in line management and staff taking the initiative in decision-making and being more autonomous (within their lines of responsibility).

Staff are getting better at planning. They're stepping up, so making decisions more so themselves and then reporting back to me.

Given the ongoing LGAT review of responsibilities of regional bodies, LGAT and LGPro Tasmania and the review of the Local Government Act it may be appropriate to await these findings before determining the most appropriate scale for working together in the future either under the current resource sharing agreement or with other regional groups or state-wide.

The idea of extending could be quite [appropriate] for this arrangement. Because some councils have common interests and because we're in this region there is a lot of commonality there. And I think that's perhaps the next area of expansion to look, at because there's a lot of benefits you might do some functions between four or five councils, others it might remain the two. It just depends how affective that is.

[We could] expand on what we'd done in emergency management – the regional arm where we've got four councils in. We haven't looked outside the Cradle Coast region or we haven't necessarily approached seriously councils outside our own region. So maybe that's the next step.

It's hard to imagine a third partner in the alliance stage, especially now and purely from a point of view of trust. So much trust has been built up over the last seven years.

2.4   Economies of scope

Both councils have shared specialist staff which they would not otherwise have employed. This has provided economies of scope in addition to the ability to exchange information and best practice.

We wouldn't have that quality staff without this arrangement anyway.

And I think it's really key to these resource sharing arrangements because you just wouldn't get that calibre of folk even if you could afford it.

And we are really getting a good young group of people together here.

You've got this cross pollination or cross fertilisation of ideas and agendas and you can get much more of that whole argument about economies of scope.

Another key benefit has been the creation of a strong middle management team as a direct result of shared general and senior management roles. Both councils have attracted and retained high calibre candidates to these positions.

For a small council, the works manager is a civil engineer [and has a] Masters in project management. We've got [another] engineer who's also just finished his Masters degree. For a place this size to have that sort of expertise…

The number of things that we're being asked to do [by government] is increasing all the time. But now since we've got better staff and a better handle on it... we've met our targets…We've got better staff they're actually able to handle doing all of those extra requirements.

Shared use of consultants has built economies of scope as staff have benefited from exposure to inter-state expertise. There have also been opportunities for the councils to review the policies and practices in place across each council and introduce best practice across both.

2.5   Organisational development

Perhaps one of the strongest benefits from the arrangements has been the ability to attract and retain a more highly skilled and experienced workforce. The potential gaps in succession planning and lack of ability to take annual leave have now been addressed and the more consistent presence of specialist staff creates quality assurance and hubs of excellence.

There are now opportunities to create specialist roles available to both councils, for example, planners and engineers; build up a specialist works teams; and provide career development and succession planning for these key roles. This has also resulted in the ability to backfill critical roles.

I didn't have to worry because there was sufficient staff here between the two councils to be able to cover me [to go on leave] so that was really great.

So you're sort of building best practice through that exchange of information and officers.

Most managers reported that they are able to retain staff for longer because shared staff are provided with more challenging roles and greater career development opportunities. Many staff consider they would not have applied for the position had it not been shared, as they felt that only working for one council alone would not have provided sufficient variety, diversity and challenge.

More highly skilled, highly qualified and experienced staff should be potentially better able to make service improvements. However, there is little direct data to support whether indeed this has occurred.

This is not always just about the dollars. It's about keeping those good young staff

In addition, many external stakeholders considered that both councils have successfully embedded a strong culture of resource sharing.

3 Analysis of what has worked well and why

3.1 Overview

Research on share services between local governments in New Zealand by the Association of Local Government Information Management found the following attributes of structure and governance were essential to the success of sharing services[11]:

> Chief Executive Officer commitment, coupled with political commitment and each local authority management team

> There must be passionate advocates within each local authority

> Willingness to invest time and energy into building relationships with staff from the other local authorities

> The shared service entity needs a culture of its own, separate from the individual local authorities

> The business structure 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 proactive and drive the strategic vision and thinking

> The members of the governance group must view their work on the shared service as an ordinary part of their job

> Use professional external support in drafting 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, and 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.

Similar factors contributing to the success of Kentish and Latrobe Councils' arrangements include:

> Agreed rationale for resource sharing (Section 3.2)

> Shared General Manager (Section 3.3)

> Shared strategic planning (Section 3.4)

> Improved strategic capacity (Section 3.5)

> Making incremental change over time (Section 3.6)

> Ensuring transparency, equity and flexibility (Section 3.7)

> IT and communications (Section 3.8)

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[11] ALGIM 2011. *Shared Services in New Zealand Local Government*. Presentation to the ALGIM annual conference.

> Strengthened middle management group (Section 3.9).

3.2   Agreed rationale for resource sharing

Research shows that where councils implement shared services or regional alliances as a means of avoiding amalgamation, it is unlikely to result in lasting partnerships and genuine benefits to the communities involved[12]. However, it is clear that Kentish and Latrobe Councils entered into the 2010 agreement based on a genuine desire to proactively strengthen the viability of each municipality, rather than actively resist amalgamation. This has given the arrangement a strong foundation for success.

Whereas clearly and despite the current environment this one wasn't driven by the need to prevent amalgamations…but it puts us in a good position which I think that the community hasn't necessarily picked up on yet. We're in a position to be able to defend ourselves against amalgamation, if they are the right words because of the strength of the alliance in many, many ways.

Shared services and resource sharing are often seen as soft options by local governments but Kentish and Latrobe Councils have acknowledged that issues will emerge from time to time and both councils are committed to working together to solve any problems in the interests of making the arrangements a success[13].

3.3   Shared General Manager

The shared General Manager position has significantly contributed to the success of resource sharing as it has:

> Promoted the benefits of resource sharing arrangements across staff at both councils and both sets of councillors to drive changes in organisational culture and support innovative ways of service provision

> Facilitated the alignment of organisational structures, reporting and strategic planning

> Assisted in identifying the most appropriate personnel to be assigned to shared roles (either current or new staff, within or outside of the region)

> Enabled the deployment of staff and resources where there is the greatest need and/or greatest opportunity for success.

You know the governance is important but to me it's always been about leadership.

That's the number one criteria that you use if you want a general manager shared across two organisations. They need to able to demonstrate where they've done it elsewhere or how they'd go about doing it so that you can assess whether they've got the right sort of temperament and the right sort of personality to do it.

I guess they, with the one GM they've got, will have more control over, they're aware what's happening in both places and can identify more issues, issues where there are benefits to share and be more efficient in, in what's happening rather than just picking out random I guess tasks that, that you think you can resource share.

The General Manager is the key to the whole thing working.

To date, there do not appear to have been any conflicts of interest in the shared role.

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[12] ACELG 2011. *Consolidation on Local Government: A Fresh Look, Volume 1 Report*. Available at: www.acelg.org.au/news/international-study-highlights-need-consolidation
[13] Kentish and Latrobe Councils 2013. *Latrobe Council and Kentish Council Resource Sharing Agreement, January 2013*.

3.4 Shared strategic planning

Both councils have managed to retain their individuality whilst having shared strategic plans. Although the economic, social and environmental issues for Kentish and Latrobe Councils are different there is a high degree of similarity in some of the fundamental visions and goals.

The alignment of strategic plans has helped staff develop similar (and aligned where necessary) financial, operational and asset management plans and associated policies, programs and procedures.

We have lined up the strategic plans. They are 80% the same – visions and values change – the rest of it is all lined up.

There is a long-term strategy for IT integration and progress is also being made to align general ledgers. Two budgets and two annual reports are produced but there have been some synergies and commonalities in approach to both. Reports to councils now also follow similar formats. This is very much valued by staff and has created more efficient processes and reporting turnaround times,

The protocols and the general processes in the two councils are gradually becoming more aligned as we go along and each one of those is a step forward.

3.5 Improved strategic capacity

The 2007-08 Queensland council amalgamations represented a decisive shift in the debate about structural reform[14]. The priority was to create a more robust and capable system of local government, with no mention of economies of scale or reducing rates. The objectives of the reform were as follows:

> Facilitate optimum service delivery

> Ensure that local governments effectively contribute to and participate in regional economies

> Manage economic, environmental and social planning consistently with regional communities of interest

> Effectively partner local government with other levels of government to ensure sustainable and viable communities.

The Reform Commission argued that government must be capable of responding to the varied challenges facing different regions of Queensland. This required organisations with the requisite 'knowledge, creativity and innovation', as well as adequate financial capacity and skills both to deliver services efficiently and to plan effectively[15].

The Tasmania *Role of Local Government Project* clearly sets out the case for change in Tasmania, highlighting the need for the local government sector to look beyond the status quo to future challenges[16].

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[14] ACELG 2011. *Consolidation on Local Government: A Fresh Look, Volume 1 Report*. Available at: www.acelg.org.au/news/international-study-highlights-need-consolidation

[15] Local Government Reform Commission (Queensland) 2007. Report of the Local Government Reform Commission report, Volume 1. Available at: bishop.slq.qld.gov.au/view/action/nmets.do?DOCCHOICE=877518.xml&dvs=1470794303531~379&locale=en_AU&search_terms=&adjacency=&VIEWER_URL=/view/action/nmets.do?&DELIVERY_RULE_ID=4&divType=&usePid1=true&usePid2=true

[16] Department of Premier and Cabinet 2012. *Role of Local Government Project*. Available at: www.dpac.tas.gov.au/divisions/local_government/role_of_local_government

A definition of strategic capacity is therefore:

Local governments that are robust and capable, with the requisite knowledge, creativity, innovation and financial capacity to deliver services, plan effectively and partner with other levels of government.

It is clear from discussions with staff and councillors that Kentish and Latrobe Councils have been able to use resource sharing as a means to improve the strategic capacity of both councils. Resource sharing has assisted the councils to:

> Provide a broader range of services to the two communities

> To better respond to local government reform

> To build a stronger and more capable workforce with a broader range of skills, qualifications and expertise

> Engage in better asset management, stronger advocacy, more effective regional promotion, and enhanced economic development activities.

So, just having someone here to provide a voice regarding economics for these two municipalities it puts them on the radar and reminds the State Government and the regional organisation and the Federal Government when they come to town that we're here and we have needs. Otherwise they'd just be glossed over, so I think that that's probably important too.

This is evidenced in a number of ways:

> The opportunity to apply specialist skills existing in one council to the benefit of two councils, dispensing with the need for each council to retain in-house expertise in some areas (the economies of scope concept, as detailed in Section 2.4)

> Provision of improved access for the community as a result of positions working across two council areas

So both municipalities are still getting a staff member available five days a week that's there to help businesses and to promote the district and to attract people and that sort of thing. I don't think either council would employ someone for five days to do that. And it wouldn't be effective if they only employed them for two or three, so I think that's a big advantage.

> The ability to deploy staff and resources across a larger area and in areas where there is greatest need

I think there's a huge advantage to the community, more so than the council operation, and that is that they're both such small councils with such limited budgets that I don't think that they could individually afford to have someone in my position.

> A strengthened middle management team shared across two council areas, with the ability to attract highly qualified and skilled candidates to key roles

> Creation of specialist roles and the provision of career development opportunities in specialist teams

> Provision of more challenging opportunities for specialist staff

> Improved ability to respond to reform initiatives, for example the introduction of a new planning system, asset and financial management

> Improved access and exposure to inter-state specialist consultants

> Introduction of best (or better) practice policies and work practices across the two councils

> Greater participation in regional and sub-regional planning initiatives

> Better asset and plant management

> Enhancements to IT and telephone systems.

3.6   Making incremental change over time

Although the criticism of resource sharing in Tasmania (see Section 1.4) is that is has been driven by crisis rather than strategic, this is not the case at Kentish and Latrobe Councils. For both councils resource sharing has often meant making adjustments based on changed needs or where a resignation/retirement has created an opportunity to improve scope or scale. In addition, there has been a strategy of ensuring at least one second-tier manager not being shared to ensure stability at each council.

They wanted softly, softly and I think that's one of the lessons – to get where we've got to if you look back five years and when you read this you will just get a picture of how we have gone.

It's been a slow process, changing one thing at a time and it's not been an overwhelming change from day one.

I think if you put the end result down on the table [from the start] people would have freaked out.

My perception is that it is ad hoc, it hasn't been driven by a design, it has been driven out of necessity. So I don't think it started from a place of here's an opportunity, it just became well we've got to do something about it.

There is merit in small councils to introduce change gradually and certainly for Kentish and Latrobe Councils (with strong corporate memory of the failed Joint Authority, see Section 1.2) the pace of change has resulted in minimal disruption and uncertainty in the workforce. This has led to greater acceptance of resource sharing than there otherwise might have been.

3.7   Ensuring transparency, equity and flexibility

There is strong acceptance among resource shared staff that they need to be visible in both organisations to ensure that the broader staff group sees they are getting value from the resource shared positions. One way to achieve this is to be present in both workplaces.

In addition, the approach to alternating the employment of staff by the two councils has also assisted in ensuring that neither council is seen to dominate. At the same time, a degree of flexibility is needed to ensure the benefits from resource sharing are realised. There appears to be strong support for the notion of allocating staff and resources to the areas of greatest need at the time.

So you've now got the works manager; engineering; planning and development – see that's a big issue – for a council to give up its planning.

He works here three days and Kentish two days but the council said we're happy to share the resource – but it's 50/50 even if he works here three days and both councils agreed to that.

We can populate our ten year plans because we've got the growth, whereas Kentish it's keeping up what you've got. I mean there's some issues in the future with the level of service of the roads – do you reconstruct and do you make these roads a metre wider with all of the milk tankers and everything going out there. That's the big discussion we need to have in the future.

3.8   IT and communications

IT integration and the new telephone system have been real enablers of resource sharing as shared staff are now able to be responsive to both councils regardless of whether they are located at Latrobe or Kentish Council offices. Shared staff reported that the ability to access both councils' IT systems remotely has been a turning point in the arrangements in terms of their own efficiency and effectiveness.

3.9   Strengthened middle management group

The creation of a strong middle management group with highly skilled staff has enabled both councils to be more strategic in their focus and to provide support to the General Manager, leadership and councillor groups.

There is great value of the middle level positions, this building up of the middle level management operational positions is part of the success and a requirement of the structure.

4 Lessons learned

4.1 Overview

Lessons learned through the implementation of resource sharing include:

> The importance of building trust and investing in relationships (Section 4.2)

> Not all staff are suited to being a shared resource (Section 4.3)

> Need to ensure equity of allocation across councils (Section 4.4)

> Ensure technology and management systems support resource sharing (Section 4.5).

4.2 The importance of building trust and investing in relationships

Building high degrees of trust at various levels within and across the two councils has been as important as investing in the process of resource sharing and the formal Municipal Alliance Committee structure. For Kentish and Latrobe Councils strong working relationships have been built:

> Across the two groups of councillors

> Across the senior management team

> Between the General Manager and the two groups of councillors.

Where trust levels are strong, issues such as the need for flexibility within the arrangement to allocate resources based on need rather than percentage split of time have been accepted and easy to implement.

I think trust. Trust is so important.

Straight away you need to have a degree of trust…because we might in some ways be seen to be losing and they'll be winning.

We are comfortable with each other. You know how it works and you've set the ground rules and everybody's happy to play by those rules.

So unless you've got trust, you're wasting time even getting these partnerships off the ground. It's all about leadership and trust and belief and I think that's basically what's happening in both in Latrobe and Kentish.

4.3 Not all staff are suited to being a shared resource

Working as a resource shared staff member appears to suit people who:

> See the big picture

> Are forward looking

> Can see the opportunities that resource sharing can bring to the community

> Are motivated by the challenges and opportunities of working across two organisations

> Have specialist skills to bring across a larger area

> Are interested in role which is resource shared

> Are interested in creating a sustainable workforce.

This means that personal and career attributes need to be taken into account when assessing whether a particular person (current or potential staff member) is suited for a resource shared position.

Interestingly, many younger staff welcome the opportunity to work in resource shared roles due to the variety, perceived career enhancement and ability to learn new capabilities.

He wants to work for both councils. He said to us he wouldn't work for just one council because the job is not challenging enough.

I think [offering resource shared roles is] important because it is about appealing to the ambitious young professionals both the planners and the engineers because it's hard to keep them for more than five minutes.

I had to learn to use a new system but didn't have an issue at all. I guess if you want to make it work you will make it work.

It is hard stretching yourself across two councils. Culturally both councils are very different from a political thing so you've got to sort of adapt to that.

Oh it spreads me thin but that's probably part of just the huge job description as much as resource sharing. It is a bit hard in the sense that when you're going across two councils, sometimes they have different processes or they want to do things in different ways and so I have to do the same thing twice.

4.4   Need to ensure equity of allocation across councils

At levels below General Manager it is important to have transparency of time allocation although there is an acceptance that (especially with shared IT systems now) an equal physical presence is not always necessary. However, most office based staff tend to work equal number of days across both councils over a fortnight.

So, I split my time evenly between the Sheffield and Latrobe offices. So, three days in one and two in the other one week and then vice versa the following week to make it fairly even. But I really only do it that way so that pretty much all the staff here know roughly where I am on a week by week basis.

I've got to make sure I'm getting that 50/50 because if someone's look at, oh wait a minute, he should be here, but he's up there. So there are people [who check].

Q: Who are those people?

A: Everybody. Everyone is looking.

In addition, the councils take it in turns to employ shared staff to ensure neither council is seen to dominate and ensures the community can see there is no loss of employment as a result of the arrangements.

There's been serious efforts to make it equitable and it has worked very successfully,

At the General Manager level, councillors and staff understand that the General Manager is accessible to both councils equally, regardless of where he is located on any given day. Whereas staff tend to 'watch' where the General Manager is, councillors take a more pragmatic approach and suggest that the General Manager should be where the need is rather than enforcing a strict equal split of his time.

It's not a time base thing, it's a responsibility based thing…

There's no point in Gerald spending or anyone spending half of their time at one Council and half of their time at another if they're not producing results for either of them. Who cares if you're getting airtime? It's a matter of what you're getting out of it in the end.

4.5   Ensure technology and management systems support resource sharing

The IT and new telephone systems have been key enablers of resource sharing and have allowed shared staff to be more efficient and responsive to both councils regardless of where they are located. However, the opportunity to meet face-to-face with staff of both councils is also important and valued, so a mix of remote and local presence is vital.

The long-term strategy for integrating IT and the strategic plans for the two councils is about 80% complete. In addition, progress is being made to align general ledgers. Budgets and annual reports now also follow similar formats and these synergies reduce time to prepare reports and improve cross-council comparisons.

The protocols and the general processes in the two councils are gradually becoming more aligned as we go along and each one of those is a step forward.

Once we got that integrated IT system, or the ability to log on at different councils, it sort of freed up a lot of opportunities and made things a lot easier.

So we can now openly share data and resources, printers and what have you, between the two organisations. So any given employee from either site, if they are authorised, can access the resources at the other side. That has been huge.

The alignment of the computer system was absolutely critical to me.

5 Areas for improvement

5.1 Overview

Key areas for improvement for resource sharing include:

> Adopt a more strategic approach to resource sharing (Section 5.2)

> Strengthen the governance framework for decision-making (Section 5.3)

> Improve communication and revisit the vision (Section 5.4)

> Closely align organisation structures and staff reporting arrangements (Section 5.5)

> Strengthen asset management systems (Section 5.6)

> Clarify work practices (Section 5.7)

> Expand resource sharing and specialisation (Section 5.8)

> Implement succession planning (Section 5.9)

> Improve change management (Section 5.10)

> Measure outcomes and demonstrate the benefits (Section 5.11)

> Ensure continuity of arrangements (Section 5.12).

5.2 Adopt a more strategic approach to resource sharing

Whilst the staged implementation of resource sharing has contributed to the success of the current arrangements, there appears to be a sufficient level of maturity and acceptance across both councils to consider a more strategic approach to resource sharing.

Resource sharing arrangements were initially implemented as opportunities arose (see also Section 3.6) but as the organisational structures, strategic plans and budgets of both councils are now more closely aligned it may be appropriate to take a more strategic approach given future challenges/opportunities and community expectations around services and levels of service. This approach will also lead to more strategic recruiting, shared projects and strategies which could create more effective and efficient outcomes for both councils and their communities.

[It] just sort of evolved over time which is fine for what it was and to get them to this stage. But I think going into the future they need to sharpen things up a bit.

You know [it just needs] a bit more robust framework around it.

So of course there's going to be teething problems if you do it opportunistically because when you do one position it logically flows that the next one should be resource shared and if it's not, it's going to cause some issues.

The senior leadership teams from both councils should drive a more strategic approach, especially aligning the strategic visions of both councils. Whilst General Manager's role is to provide strong leadership and commitment to resource sharing, it is equally important for the two senior leadership teams to demonstrate their commitment by setting the strategic direction into the future and further embedding resource sharing into the culture of the two organisations. Regular joint planning sessions and meetings of the two leadership groups and councillor groups may assist in this respect.

5.3   Strengthen the governance framework for decision-making

The *Latrobe Council and Kentish Council Resource Sharing Agreement*, appears to be fit for purpose and has been extended twice already with little amendment. In addition, the Municipal Alliance Committee generally appears to provide good oversight of the resource sharing arrangements.

However, the decision-making framework could be strengthened and:

> Involve more active participation of the senior leadership teams

> Be more closely aligned to the strategic visions and plans of both councils

> Take into account the results of current sector reviews and reform processes.

The governance framework should reflect also good practice principles. The Western Australia Department of Local Government outlines the essential characteristics of regional collaboration models and these present a useful starting point for Kentish and Latrobe Councils to consider when strengthening the governance framework for decision making[17]. The characteristics are summarised as:

> Different models for different circumstances – more than one model may be needed to accommodate differing purposes within a group of councils

> Flexibility – collaborative models must have sufficient flexibility to meet the needs and streamline the operations of participating councils

> Accountability – flexibility must be balanced by accountability both to ratepayers and to the state government

> Compliance – accountability brings with it issues of compliance, which need not be burdensome if targeted to specific functions

> Transparency – processes need to be put in place for the appointment of members on the decision making body and individual accountability needs to be maintained through appropriate mechanisms such as codes of conduct. Transparency of decision-making is also required, including the extent of oversight and reporting to participating councils. There also needs to be adequate protection for the expenditure of public funds, and appropriate approvals for significant business operations.

5.4   Improve communication and revisit the vision

Although councillors have a very clear, shared view on the vision for resource sharing, especially as they are part of the Municipal Alliance Committee, staff have less understanding about the reason for resource sharing, the expected benefits and the actual results so far. More frequent communication (especially from senior management) around this is necessary to create a sense of ownership across both councils for resource sharing and embed thinking about resource sharing (and other opportunities for service delivery) into organisational culture.

In addition, it is important to ensure that all staff understand the relative priorities for the resource shared positions, especially where they are different across the two councils. This will help set expectations about how responsive shared resource staff are able to be.

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[17] Department of Local Government 2001. *Information Paper: Regional Collaboration Models for Local Government in Western Australia*. Available at:
metroreview.dlg.wa.gov.au/OpenFile.ashx?Mode=446E37686749376A356D684D2B6E6D6D4D6E555273773D3D&
ContentID=48645766583762544C42413D&usg=AFQjCNGZYzbtE2wM79LExU7YijlNajOn8g

The arrangement is also now at a point where the Municipal Alliance Committee and/or the leadership teams from both councils could usefully revisit the original aims and objectives and potentially realign the vision given the changes made in the past six years.

5.5   Closely align organisation structures and staff reporting arrangements

There is a high degree of duplication in staff reporting, especially in terms of line management because resourced shared staff are employed by one council but work across both. In these cases, the manager at the employing council is responsible for performance management and leave approval whilst the manager at the other council is responsible for professional development and workflow management. This creates risk and uncertainty, particularly if the two managers have different views about staff performance and workflow.

This could be addressed through shared performance management and open communication to collectively manage workflow and absences. Alternatively, the staff member could report to just one manager and the managers could then communicate regularly with each other.

So when, at Latrobe, I'm employed by Latrobe so I report to X.   X is my Manager and when I'm at Kentish I report to Y. But I find that challenging as well because Y doesn't have a good understanding of [the technical aspects of my role] like X does and that makes it a bit challenging as well.

Currently, there are few joint meetings of councils or the leadership groups. Whilst a key objective is to ensure council retains its independence, decision-making ability, identity and autonomy (see also Section 2.1) there may be benefits in convening joint meetings of councils and/or the senior management groups. This may increase awareness and understanding of organisational strategy (in order potentially to more closely align) and further strengthen levels of trust (as noted in Section 4.2).

5.6   Strengthen asset management systems

With resource shared plant and equipment there is a huge opportunity to improve efficiency and effectiveness. The newly appointed Works Manager is currently strengthening existing plant and asset management systems to:

> Allocate costs and evaluate lifecycle costings

> Improve utilisation rates of available plant across the two councils

> Better manage fleet.

But I question whether they've actually changed the processes at the same time or whether what we do is we just bring in a new solution but put on top of an old process. And part of this they've got to be taking it back to your process mapping.

5.7   Clarify work practices

There is some inconsistency in work practices which could be addressed by internal policies and clarification of expectations. These include:

> Minimising journey to work time as some staff commence working at their employing council, pick up a pool vehicle and then drive to the other council, even if they live closer to the other council. Guidance is required to ensure all staff are operating consistently

> There is no guidance provided to resource shared officers on the conduct of their role, for example, how to manage and use multiple email addresses, how to manage relationships and workloads

> Systems/structures in place for resolving potential conflicts of interest, for example, when working for two councils how should staff address competing grant applications, economic development and tourism promotion

> Reviewing and aligning work flows for similar operations, for example, in the planning and building departments to ensure staff can efficiently work in either council.

Well I, I think we've just commenced a review of all the processes and procedures and I think that's a good next step. Even the way the two councils operate is very different even though they're doing the same tasks. So I think there are lots of efficiencies to be gained by having a proper review of all of those systems and procedures.

5.8 Expand resource sharing and specialisation

The two councils are very different in terms of their infrastructure needs, with Latrobe Council focused on capital works and construction and Kentish Council focused on unsealed roads. This presents opportunities for teams to specialise in these areas and work towards a centre of excellence model that might be made available to other councils on a fee for service basis.

Each council in a grouping could become a hub of excellence in something which is I think how it's starting to pan out in these places. Someone takes the running on IR and someone takes the running on engineering. That means that you can staff it much more appropriately and attract the right people into the job. But they need to have these ongoing sort of agreements in place because otherwise it all falls over. So it needs to be embedded somehow in the structure.

It seems that just using the engineering area as an example with the councils being just so different that Kentish is about maintaining the roads and the like and Latrobe is more about the construction of the new areas. They could potentially specialise in those fields.

The building and capital works stuff, because that's where the expertise is, because they're doing tons of it, and you could have all the roads done by Kentish because they've got those expertise.

There is also the potential to share more staff positions in the works field, for example, a shared horticulturalist and to further examine the delivery mechanisms of each council to identify opportunities for further alignment.

Additional opportunities for resource sharing were also identified, particularly in the strategic communications and human resources functions and these should be explored in the context of a broader strategic positioning of resource sharing to respond to community expectations. These two roles do not currently exist in either council, and there may be benefits in creating these positions to better respond to future service needs for the two councils.

I think there's certainly some strategic roles like [communications and HR] that would be beneficial.

The creation of a human resources function could further assist with workforce planning and development, especially succession planning, and managing the operational issues noted in Section 5.7.

Ultimately if we have one workforce then the scope and magnitude of the projects we can take on will increase, maybe we'll have less subcontracting, it's hard to say where that will go but potentially we will be able to take on more.

5.9 Implement succession planning

The role of the General Manager has been pivotal in the success of resource sharing for Kentish and Latrobe Council and succession planning will be critical to maintain momentum.

It will be important to increase the exposure of next level of managers across both councils and with both sets of councillors and at the same time determine what type of skills, attributes and capabilities a successor might possess.

The next person who steps into the General Manager role will have a structure already in place…so it'll be much easier I think to recruit a person and we'll also be looking at a person who can manage two councils, not one, and there'll be a particular skill set and personal attributes that person will need that wouldn't be the case if they were in one council.

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Well that's one of the challenges that sparks me too – spot someone that can run both [councils].

It would harder to attract somebody with a young family for example.

5.10 Improve change management

Any change is difficult but change for resource sharing, especially where there has been a history of failure in the past is particularly challenging. Any future changes (incremental or more strategic) need to be actively and sensitively managed. For example, with the roll out of a common IT platform there may be reluctance and uncertainty about changing especially where staff are more aligned to one system over the other.

Everybody wants the system that they're familiar with. So, someone's going to have to give.

In addition, there is also still a strong perception that one council is taking over the other and the previous Joint Authority experience still looms large for some. Both of these restrict the ability to build staff buy-in for change and this needs to be addressed more explicitly.

And then you get people [who say] no, I don't think it's going to work because we tried it before. When they had the Kentish and Latrobe Joint Authority, a lot of people revert back to it as a problem. Obviously this time around it needs to be done differently because it didn't work that time, so how do we do it differently to make it work.

This has resulted in some additional pressure for resource shared staff, as there are some sceptics within both councils who are waiting for the initiative to fail, and create barriers to change. Strong leadership and regular, positive communication about key benefits and outcomes (see also Section 5.4) are key enablers to break down these barriers.

I guess it's taken us a fair while to break down some of the barriers to the resource sharing.

It needs a level of leadership to say okay, I'm going to bring you people on board with me. It needs leadership, it needs to be led from the top, this is the way we're going to be doing it, give them the vision, benefits, and look at positives.

Just changing the mindset and getting people to look outside and think is there another way. Even when there are clear advantages it just takes people a long time to move on in their minds.

The cultural thing has been huge especially in light of the way they had a joint authority between the two councils many years ago which didn't work out and there are still some staff members here that were involved in that time and they carried forward a negativity from that.

We are constantly being told this is how Latrobe does it, so this is how you're going to do it. It's been a very one-way street, which makes us feel very inferior.

5.11 Measure outcomes and demonstrate the benefits

With any change, it is important to be able to measure the outcomes and the benefits, whether soft or hard. The expected outcomes and benefits for resource sharing were not defined in any great detail six years ago and the lack of baseline data, an evaluation framework, robust data collection and associated targets means it is difficult to measure how and whether resource sharing has contributed to outcomes against the original objectives of improved service quality, economies and scale and scope and organisational development benefits.

The costing system hasn't really been set up to be able to individually track time.

Because the baseline was wrong it's difficult to sort of manage that against the baseline.

I don't think we have got good KPIs and good systems for us to be able to make that assessment.

And some things are really hard to measure, like from the emergency management co-ordinator for both and that saves us time and effort and all the rest of it.

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In addition, the attribution of cost savings and other benefits specifically to resource sharing is hard to quantify, particularly in a changing policy environment in Tasmania. For example, state government requirements for improved asset and long-term financial planning and management may have also contributed to improvements in service provision and the financial bottom line.

If your outputs changed you may have had one person and now you've got one and a half or whatever but they may be doing twice as much work. Exactly how much you can't know. How do you measure the output?

Anecdotally, there have been benefits in staff satisfaction, the ability to attract and retain qualified profession staff (which hopefully leads to better service quality). In addition, there are additional services such as tourism promotion and economic development which have only been made possible across both councils with resource sharing.

I see it as rewarding because I see it helping the community because they get a better facility.

But we're hearing that there are people, particularly the resource shared positions, who are feeling quite positive about the new computer arrangements where they can log in remotely which sounds like it's had a really big opportunity to see the gains from resource sharing.

Well I mean I suppose the point that seemed to have come across to us a lot is to make sure the council remains sustainable into the future financially which is understandable but there's also got to be sustainability in our workforce too. You can't be expected to do too much in too little a time. There's got to be a balance.

There is a still a strong feeling at both councils that resource sharing is about economic outcomes and saving money to improve financial sustainability. Aside from the issue of attribution noted above, both councils need to develop better systems to capture outcomes and benefits from resource sharing, both financial and otherwise.

One of the things that worries me though to be frank is how are you going to quantify the benefits of a lot of what's been done in terms of staff retention, in terms of recruitment and reduction of the use of consultants for example. All those things are hard to put a dollar value on.

In five year's time we want to be able to say, 'We've saved this much money with resource sharing'. So we can't measure whether we've got there yet.

It makes an interesting exercise to simply compare the whole economic package of these two councils like the level of our rates, the level of service, our financial wellbeing – all of those indicators I think are in pretty good shape.

Well and maybe that's coincidence but I think resource sharing has had a huge impact on the bottom line. If you compare where we were financially before I think you'll find we were not healthy and now you can understand we're really healthy.

A more detailed analysis of financial benefits is in Section 7.

In the future it will be important to introduce an evaluation framework to measure success. This is explored in greater detail in Section 8.

5.12 Ensure continuity of arrangements

Under the *Latrobe Council and Kentish Council Resource Sharing Agreement* a council can withdraw from the agreement with the provision of no less than three month's notice to the other council. With an increasing number of resource shared staff, projects and systems there is a business risk for both councils in the (unlikely) event one council decides to withdraw from the arrangement.

This notice period may not be sufficient time to make alternative arrangements, particularly as many of the resource shared positions are providing critical services to the community so a review of this clause of the agreement should be considered as are the details of how and when which staff and systems/processes/projects would be handed to which council.

You are getting [to that stage where] to pull it apart is very, very difficult so I really reinforce as we really start sharing our IT this is much more difficult if you ever want to pull it apart. So I don't think there is any going back particularly as we link all the systems in.

It's just a risk management thing but I wouldn't have thought there was any going back.

In addition, with the broader strategic resource sharing exercise about to commence in the Cradle Coast region, it will be important for both councils to strongly engage in the initiative to ensure strategic opportunities for advancement are pursued and any potential changes to the agreement are highlighted.

6 Response to the current reform agenda

6.1 Overview

This section considers whether the current resource sharing arrangements will deliver the outcomes sought by the state government. It includes:

> Current reform agenda (Section 6.2)

> Analysis of government concerns (Section 6.3)

> Resource sharing as a support for government reforms (Section 6.4).

6.2 Current reform agenda

As noted in Section 1.4, the state government is currently exploring two reform options for local government which are voluntary amalgamation and strategic shared services. At the time of preparing this report, two groups of councils have signed Memoranda of Understanding[18] with the Tasmanian government to examine options for voluntary amalgamation and strategic shared services. They are the Greater Hobart Councils and South East Councils. In other regions, the Cradle Coast Authority has entered into a Memorandum of Understanding with the State Government of Tasmania to undertake a Strategic Resource Sharing Feasibility Study, which commenced in mid-2016.

There was some scepticism about the success of resource sharing in other local governments across the state. Interviewees cited governance failures, personality clashes and lack of data to measure success as reasons for failure. There was also a view that some councils are reluctant to pursue resource sharing as they see it as a step towards eventual amalgamation and a perception that Burnie and Devonport Councils desire to merge with their neighbouring councils may have contributed to tensions in the region.

I think if you're going to do amalgamations you have to have a strategic whole of state [approach]. You've got to look at boundaries not just what's opportunistic around the geography. You've got to look at where your economic flows are and what makes sense. I really object to this process in that sense. I think if you want an amalgamation, do it properly.

But do you do get to a point where there are 22 people in Latrobe and say, 14 in Kentish and each one of those is 50% here and 50% there, in actual fact, what has happened, it's been amalgamated. So I don't know how far down the track do you go with resource sharing until it turns into amalgamation.

A big aspect to me is that I think both our communities received resource sharing very well. There is a bit of a monster in the room that neither of us want to be amalgamated with Devonport [and this has driven] a serious approach to resource sharing.

6.3 Analysis of government concerns

There is a range of concerns in government about current shared services arrangements in place across Tasmania. These concerns, their applicability to Kentish and Latrobe Councils and whether there is a need/opportunity for improvement are detailed in Table 5.

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[18] Peter Gutwein 2015. Investigating local government reform for the Cradle Coast. Available at: www.petergutwein.com/news/investigating-local-government-reform-cradle-coast/

TABLE 5 ANALYSIS OF GOVERNMENT CONCERNS

Concern	Applicable to Kentish Council and Latrobe Council?	Need/opportunity for improvement?
Current arrangements are driven by crisis not strategy	The reasons for establishing the arrangements in Kentish and Latrobe are sound	Yes – Opportunities for further strategic alignment of resource sharing
Poor understanding of the benefits to ratepayers	The benefits are generally understood internally but not necessarily externally	Yes – Need to do more to communicate the benefits to ratepayers, staff and external stakeholders
Lack of empirical data regarding financial service delivery outcomes	It has been a difficult and lengthy process to identify savings resulting from resource sharing	Yes – Need to improve data collection and analysis. Use the proposed evaluation framework (Section 8) and undertake further financial analysis
Little understanding of best practice and what it would deliver	Both councils have clearly identified the benefits of resource sharing in the *Resource Sharing Agreement* and elsewhere	Yes – Opportunities to include benefits in all strategic and operational documents
No formal governance structure	There is a sound governance structure in place	Yes – Opportunities to further improve with input from senior management teams
Rely on relationships rather than sound business cases	The two councils do rely on strong relationships and generally the resource sharing arrangements are being undertaken for sound business reasons	Yes – Opportunities have been identified in this report to improve business cases, evaluation and assessment of financial benefits
Most are inadequately evaluated	This review has gone a long, initial way towards evaluating the arrangements between Kentish and Latrobe	Yes – Need to use the proposed evaluation framework (Section 8) to support ongoing, robust evaluation
Lack of political and management support and leadership in driving efficiencies and cooperation	There is strong political and management support and very strong cooperation in Kentish and Latrobe	Yes – Opportunities have been identified in this report to strengthen such support and further embed resource sharing in organisational culture

In addition, in his media release announcing the two Memoranda of Understanding, Minister Gutwein again emphasised that shared services must:

> Incorporate initiatives which involve significant business activities

> Be supported by a formal agreement

> Have a sound governance structure in place

> Provide substantial benefits to ratepayers and be sustainable.

It will be important for Kentish and Latrobe Councils to communicate the outcomes of this review and the councils' responses to its recommendations to the Minister, Division of Local Government, LGAT and the Cradle Coast Authority. It will also be important for Kentish and Latrobe Councils to engage in the resource sharing project being undertaken with the seven other councils in the Cradle Coast region and consider new opportunities where appropriate.

6.4   Resource sharing as a support to government reform

Resource sharing of quality, specialised staff has enabled both councils to more effectively comply with new legislation and new reporting requirements. Hopefully this will also support proposed planning and other reforms in the future.

The number of things that we're being asked to do [by government] is increasing all the time. But now since we've got better staff and a better handle on it...we've met our targets…We've got better staff and they're actually able to handle doing all of those extra requirements.

7 Financial analysis

7.1 Overview

Demonstrating financial outcomes, especially through economies of scale and scope, is seen as a key measure of success for resource sharing although the value of the benefits as a percentage of total costs may change over time from the original baseline cost. These economies are most likely to be achieved where there are strong synergies between the type of service provision and similar expectations of service levels. They are also dependent on the geographic size of councils in a shared service arrangement and the distances people and assets need to travel.

In addition to qualitative research (noted in Sections 2 to 6) on the outcomes for resource sharing, this project also involved an assessment of financial savings. The approach to identify savings was agreed between both Kentish and Latrobe Councils and Circular Head and Waratah Wynyard Councils.

7.2 Approach to analysis

The lack of baseline data collected at the start of resource sharing (seven years ago) made it difficult to assess the cumulative impact of resource sharing.

With the lack of baseline it is very difficult to measure what services did we have at, at that point before we commenced and where are we now.

However, a high level financial assessment was undertaken for both councils for two financial years using an agreed set of principles. The principles are shown in Table 6.

TABLE 6 PRINCIPLES FOR FINANCIAL ANALYSIS

Principle	Explanation
Like for like service delivery	Skills and capability of staff are the same regardless of whether they are staff members or contractors/consultants
	All variables must remain constant (skills, outputs or levels of service) except for number of FTEs and cost
Overheads	Overheads such as HR, WHS, Comms, IT, GIS, Asset Services costs, are assumed to be fixed in the short to medium term i.e. resource sharing activity has little impact on overhead costs
Organisational outputs the same	Outputs or productivity of the organisation remain the same
	For example:
	Maintain the same number of kilometres of road to the same standard
	Same lead time for HR assistance in recruitment processes
	Australia Day festival at same level in either scenario
Service delivery needs of 2016 not pre-resource sharing are used as the comparison	The way the organisation was pre-resource sharing is irrelevant
	Part of the benefits of resource sharing are that we can get more and/or better services for similar costs
Staff costs	Wages plus 21% on costs as a basis for direct employment
Expenses	IT Infrastructure per FTE: Cost $1,400
	Travel expenses per FTE (two trips between councils per week for 48 weeks): Cost $3,226

The data was gathered for each council using the principles and the savings and additional costs documented.

7.3 Savings and additional costs

Savings and additional costs for shared procurement, staff and plant and equipment were calculated on a conservative and less conservative estimate. The conservative estimate assumes minimum 'leverage/ synergies' of labour. This means that if a staff member spends an hour on an activity at one council, it will take them an hour to do the same thing at the other. The less conservative estimate recognises for example, that in some instances an hour of work at one council can be transferred to the other council sometimes with as little as five minutes additional work.

Details are summarised in the following section.

7.3.1 Hard savings and additional costs

A summary of the savings and additional costs for 2014/15 and 2015/16 is at Tables 7 to 10.

TABLE 7 SUMMARY OF COSTS/BENEFITS FOR 2014/15 – CONSERVATIVE

Shared service	Direct one-off saving	Direct ongoing saving	Additional ongoing cost	Total saving
Shared procurement	$7,960	-	-	$7,960
Shared staff	$21,133	$288,737	($6,336)	$303,534
Shared plant and equipment	$38,977	-	($23,927)	$15,050
Total	**$68,070**	**$288,737**	**($30,263)**	**$326,544**

TABLE 8 SUMMARY OF COSTS/BENEFITS FOR 2014/15 – LESS CONSERVATIVE

Shared service	Direct one-off saving	Direct ongoing saving	Additional ongoing cost	Total saving
Shared procurement	$7,960	-	-	$7,960
Shared staff	$21,133	$386,844	($6,336)	$401,641
Shared plant and equipment	$38,977	-	($23,927)	$15,050
Total	**$60,110**	**$394,804**	**($30,263)**	**$424,651**

TABLE 9 SUMMARY OF COSTS/BENEFITS FOR 2015/16 – CONSERVATIVE

Shared service	Direct one-off saving	Direct ongoing saving	Additional ongoing cost	Total saving
Shared projects	$20,358	-	-	$20,358
Shared procurement	$11,466	-	-	$11,466
Shared staff	$18,140	$548,040	($6,336)	$559,844
Shared plant and equipment	$24,100	$2,400	($23,927)	$2,573
Total	**$74,064**	**$550,440**	**($30,263)**	**$594,241**

TABLE 10 SUMMARY OF COSTS/BENEFITS FOR 2015/16 – LESS CONSERVATIVE

Shared service	Direct one-off saving	Direct ongoing saving	Additional ongoing cost	Total saving
Shared projects	$20,358	-	-	$20,358
Shared procurement	$11,466	-	-	$11,466
Shared staff	$20,559	$719,468	($6,336)	$733,691
Shared plant and equipment	$24,100	$2,400	($23,927)	$2,573
Total	**$76,483**	**$721,868**	**($30,263)**	**$768,088**

As expected, most of the (one-off and ongoing) savings arise from shared staff positions:

> In 2014/15 mainly the following: general manager, engineering services manager, planning services manager, planning officers, WHS and risk officer and accountant

> In 2015/16 due to additional staff including: tourism and economic development officer, environmental health officer, works manager, engineering officer, technical officer, building service manager and permit officer.

These annual savings are not insignificant and add to the financial sustainability of both councils. Cost savings have generally been reinvested into increases of scope and scale of services.

Over half of the shared projects in 2015/16 came from a joint RFQ process for the phone system replacement which led to reduced costs for project management, installation and training. Other savings from shared projects were due to labour, travel and accommodation.

Shared plant and equipment contributes some savings due because increased plant utilisation reduces the hourly cost but the main advantage of this type of resource sharing is the ability to gain access to plant and equipment which might not previously have been possible due to capital costs.

Most of the additional cost for both years is attributable to the one-off cost of installing a WAN link (with associated ongoing depreciation cost) between the councils.

7.3.2 Soft benefits

Soft benefits are not insignificant and (based on the original objectives in Section 2) include:

> Improved service quality: Standardised policies, frameworks and planning have been implemented across the two councils. This has especially been evident in improved risk management/mitigation and approaches to strategic planning

> Economies of scope: There is now better access to plant and equipment across both councils which has also improved plant utilisation and reduced the hourly cost. Full time positions for a WHS and risk officer and tourism and economic development officer have also been enabled through resource sharing which would otherwise have been difficult positions to fill on a part time basis

> Economies of scale: Staff are now able to leverage from discussions and outputs from meetings at both councils and there is more efficient policy, framework and strategy development as these functions can be undertaken in one council and the learnings/practice translated into the other council

> Organisational development: There are now stronger career paths for middle management with an increased ability to attract and retain. In addition, resource sharing has provided great opportunities for collaboration across the councils (especially in asset management) and has enhanced strategic capacity. Relief support is now in place for when staff are on leave.

Another soft benefit from resource sharing is the potential for it to be seen as an indicator of financial strength and good management. Resource sharing, if implemented successfully, can deliver economies of scale but it is especially the economies of scope which are perceived positively by the community.

I think one of the things which underpins people's perception or acceptance of resourcing sharing is the strong financial position which comes from the resource sharing. Our strong position now means that if we weren't in a strong position there'd be a lot more question from our communities of what we're actually doing. So the benefits haven't only been in terms of staff retention and all those other things but I think the benefits clearly in my mind have been financial and that builds acceptance within the community.

7.4   The issue of attribution

There is some debate about whether some economies of scale at both councils, such as improved asset and financial management, can be attributed to resource sharing or not, especially where changes in policy or practice are driven by legislative requirements. In addition, shared staff may also lead to, or occur as a result of, organisational restructures and in turn this may have made operations more efficient and effective.

You talk about asset and financial management as being improved but it's actually been driven by a lot of reform and efficiencies across the Local Government sector. So you could say resource sharing's had a role to play but then so too has just doing better asset and financial planning.

This issue is not uncommon in cost/benefit analyses and the resolution is to ensure the detailed collection of key measures so that outcomes in strategic and operational processes can be attributed to the correct levers or factors. This should be built into any monitoring framework for the future (see Section 8).

7.5   Overall summary

Although not quantified since the inception of the resource sharing agreement, annual financial savings are most likely increasing over time as more positions are resource shared and there is improved plant utilisation. In the future there may be more opportunities through shared procurement, but the majority of the savings will continue to be via shared staff.

8 Monitoring success in the future

8.1 Overview

The outcomes and impacts of resource sharing between Kentish and Latrobe Councils have been difficult to assess given the lack of clarity over the objectives and limited baseline data. Although a number of benefits and improvements to service delivery were identified, more needs to be implemented to set outcomes and targets and collate data in a suitable format to monitor progress.

8.2 Why evaluate?

Evaluation is the systematic collection of information about activities and outcomes to:

> Track progress

> Make judgements and decisions

> Improve effectiveness

> Build understanding.

Evaluation enables decision makers to:

> Judge merit or worth

> Make improvements to programs

> Generate knowledge

> Engage stakeholders

> Demonstrate accountability

> Gain support for future projects.

It is important for evaluation to have a methodological approach with a structured monitoring and evaluation framework to assess performance outcomes whilst at the same time offering a flexible mechanism to document unanticipated outcomes, innovation and lessons learned.
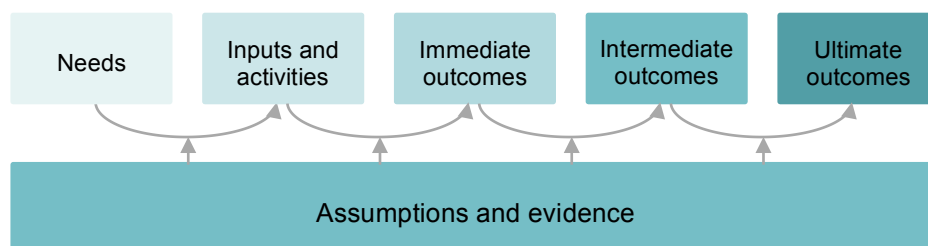
8.3 Program logic

An effective way to ensure a rigorous evaluation is an approach based on program logic. Program logic offers an analysis of the factors which contribute to program outcomes at different levels of interventions. Program logic is the underlying rationale which links the aims and objectives of a service model or overall approach with its various components. These components are:

> The range of activities undertaken

> Outputs delivered

> Outcomes achieved.

The major benefit of program logic is that it seeks to evaluate the assumptions or evidence that have been used to make change. It also helps ensure that any proposed actions will lead to the desired outcomes. A basic model of program logic is at Figure 1.

FIGURE 1 BASIC MODEL FOR PROGRAM LOGIC

In program logic, the monitoring and evaluation approach can be defined by an outcomes hierarchy using the structure outlined in Figure 2.

FIGURE 2 OUTCOMES HIERARCHY

Hierarchy of Outcomes	Definitions
Ultimate outcomes	Impacts, outcomes and achievements across strategic and organisational frameworks
Intermediate outcomes	Impacts, outcomes and achievements in specific program areas
Immediate outcomes	Models of service delivery and provision and how these have been implemented
Inputs/activities	Including policies, services, activities, processes
Needs	Priority issues that the program must address, the evidence base and conceptual underpinnings for the program

8.4 Proposed program logic for resource sharing

In the future, it will be important to more regularly review the financial outcomes and other impacts such as economics of scope and scale and increased strategic capacity. Clear measures and performance indicators need to be set and data gathered from the outset in order to be able to demonstrate the benefits (or otherwise) of resource sharing.
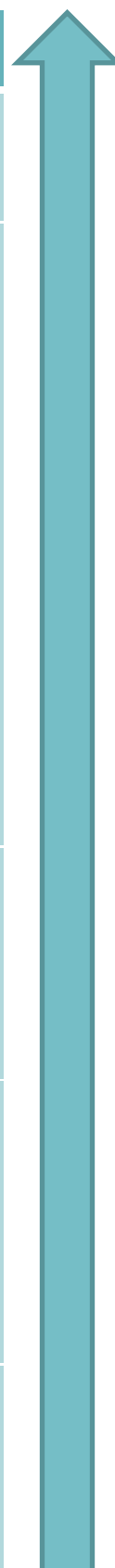
Well I don't know how…they map their costs now, their KPIs? Do they measure it? You know, when it's been opportunistic, how do you get that data? I mean, I know that's part of what your job is, but it's hard if they haven't set it up to begin with. So how do we introduce the appropriate thinking when they - even if all it is, is looking at a job share to begin with so that they have some structure and some data capture.

A program logic approach, using a hierarchy of outcomes can be a valuable tool to develop a monitoring framework for resource sharing. Framework development should be undertaken collaboratively by senior management at both councils and include key measures of success.

A proposed program logic for the monitoring and evaluation of resource sharing between Kentish and Latrobe Councils is outlined in Figure 3.

FIGURE 3 PROPOSED PROGRAM LOGIC FOR RESOURCE SHARING

Hierarchy of Outcomes	Description
Ultimate outcomes	> Resource sharing has strengthened the future economic and social viability of each local government area > Councils are able to better respond to increasing expectations of communities for improved services without wishing to pay extra rates and charges

Intermediate outcomes	> Economies of scope are captured – by working together councils have the critical mass to warrant the employment of skilled staff to work across a larger area
	
	> Economies of scale – cost savings are achieved through economies of scale
	
	> Improved services – resource sharing results in the provision of greater access and better quality of services
	
	> Organisational development – assists in the up-skilling and transference of experience between employees
	
	> Increased strategic capacity – resource sharing takes councils to a higher level of capability
	
	> Resource sharing:
	  – Allows councils to maintain their independence
	  – Allows councils to provide services to a larger population
	  – Spreads costs and risks
	  – Allows financial savings in service delivery
	  – Releases savings for other service areas
	  – Provides for both broader and more specialised services
	  – Permits more equitable distribution of services for ratepayers
	  – Attracts a financial contribution from non-residents and ratepayers
	  – Generates additional capital from the sale of excess equipment or land
	  – Creates improved career paths, succession planning and back up resources

Immediate outcomes	> Councils attract, retain and train appropriately skilled staff involved in resource sharing > Employees involved in resource sharing are appropriately skilled and suitable to work within and across councils > There is elected member and senior management support for resource sharing > The strategy/framework for resource sharing is implemented consistently and reviewed on an ongoing basis > Any conflicts or challenges are identified and an agreed process for resolution is utilised
Inputs/ activities	> Council resources to be shared are identified > Benefits of resource sharing for councils and the community that will be realised are identified and clearly articulated > A strategy/framework for resource sharing is developed and documented. This should include elements such as governance, scope and priorities, decision making processes, communication protocols, culture management, barriers to be addressed and statutory/policy/business rules etc. > Senior leaders are strongly involved in, own and drive the process > Staff skills and capabilities required for involvement in resource sharing are identified

Needs	> Respond to identified challenges and issues facing local government:
	  – Lagging asset base
	  – Lack of job opportunities in the area and/or sector
	  – Rates increasing beyond CPI
	  – Changing demographics – population ageing and declining youth population
	
	> Council responsibility for delivering statutory functions within their local government area

9   Recommendations

The resource sharing arrangements between Kentish and Latrobe Councils are now well established with an increasing range and type of shared staff, projects and systems. The following recommendations aim to build on the solid foundations established over the past six years and are designed to improve and enhance the current arrangements, to make the arrangements more strategic, to ensure the objectives are clear and measurable and to ensure that resource sharing continues to benefit the communities of Latrobe and Kentish.

Strategic planning and leadership development

1.   Engage the senior leadership group and councillors in a strategic planning exercise to identify community expectations of service delivery in the next ten years and design an approach to resource sharing to respond to the long-term needs, including the development of a workforce plan for the two organisations

2.   Following the strategic review, refresh the vision for resource sharing and engage the leadership groups to proactively drive the strategic vision and thinking

3.   Convene regular meetings of the leadership and councillor groups of Kentish and Latrobe Councils to engage in strategic planning activities

4.   Informed by the long-term workforce plan, expedite alignment of organisation structures, strategic plans, budgets and annual reports.

Communications

5.   Develop an internal and external communications strategy to ensure staff, councillors, the community and other stakeholders understand the rationale for resource sharing and the vision and benefits of the arrangements. Measure the success of the communications strategy in increasing awareness and understanding of resource sharing in community feedback and staff surveys.

Staffing and workforce

6.   Ensure that recruitment policies clearly identify the desired attributes and skills for resource shared positions to ensure candidates are suitable for these positions

7.   Introduce a shared performance management and workload system for staff reporting to two managers

8.   As part of workforce planning, prepare guidance material for resource shared officers on how to carry out their role. Ensure the guide includes advice for dealing with any conflict of interest that might arise from their shared role. Ensure people in resource shared positions have a regular opportunity via the performance management system to discuss and resolve any issues or concerns with their managers

9.   Review current work policies and practices to ensure the councils are achieving the maximum benefits of resource sharing and remove barriers to productivity, such as travel between the two council offices.

New and expanded opportunities

10. Informed by the long-term workforce plan, continue to expand resource sharing in areas such as human resources, strategic communications and other operational areas

11. Integrate and further develop existing plant and fleet management systems to allocate costs and evaluate lifecycle costings and to improve and maximise use of current plant and assets across the two councils

12. Continue to pursue structural changes in the works activities of both councils and implement the current proposal for Kentish and Latrobe Councils to specialise in their areas of expertise. It is noted there is a current proposal to coordinate the capital works for roads and road maintenance teams out of the Kentish Council Works Depot, comprised of staff from both councils. There is also a current proposal to coordinate the building/facility maintenance and parks and reserves management teams out of the Latrobe Council Works Depot, comprised of staff from both councils. The proposed changes will work towards a centre of excellence model that could be made available to other councils on a fee for service basis

13. Continue to improve the capacity of staff to better plan for infrastructure delivery through strategic asset management.

Governance

14. Develop a process for dealing with any conflicts of interest that may arise from resource sharing of staff across two councils

15. Review whether the three-month notice period to withdraw from the Resource Sharing Agreement is appropriate given the increasing scope of resource sharing, especially with integrated systems and technology. Consider amending the agreement to 12 to 24 months to reduce the risk of the impact on continuing operations with any withdrawal.

Succession planning

16. Develop a clear succession plan for the General Manager and other senior positions. Clearly identify the desired attributes and skills needed to perform this critical leadership role.

Managing change and project management

17. Ensure that any changes resulting from resource sharing are well managed, that staff fully understand the need for change and that the changes and new practices are well planned, documented and managed

18. Ensure that strategic projects across the two councils are supported with strong project management, a robust process for decision-making and clear procedures for managing potential conflicts of interest.

Evaluation and reporting

19. Develop an evaluation framework which monitors success on a regular basis and continues to refine the identification of financial outcomes

20. Engage in the resource sharing review being undertaken by the Cradle Coast Authority to ensure strategic opportunities for advancement are pursued

21. Share the findings of this review with the Minister for Local Government, the Division of Local Government, the Local Government Association of Tasmania, the Cradle Coast Authority and surrounding councils.

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