WELLINGTON REGION LOCAL AUTHORITIES SHARED SERVICES INITIATIVE

SHARED SERVICES CHARTER

[DRAFT]

STATUS	Final draft for CEOs' approval
VERSION	V0.3 (EDRMS)
FILE NAME	WGN_DOCS-#674019-v1-Attachment_1_to_report_09_461.DOC
PUBLICATION DATE	11 June 2009
OWNER	Wellington Region local authorities CEOs' Forum

Version history

Version	Date	Author	Nature of Amendment
0.0	13/02/09	Colleen Bredican	Created initial draft
0.1	13/02/09	Neil Cherry	Review for release to CG for review
0.2	19/02/09	PwC	Created revised draft based on CG feedback
0.3	05/05/09	PwC	Created second revised draft based on CEOs' feedback
0.4	08/06/09	PwC	Created third revised draft based on CG feedback
0.5	11/06/09	PwC	Final draft reviewed and agreed by CG

The following signatures indicate approval and acceptance of the above document.

Developer(s)

Name	Position	Date
Colleen Bredican PwC	Programme Manager Shared Service Advisors	11/06/09 11/06/09

Reviewers

Name	Details of final review	Date
Champions Group	Refer to minutes of Champions Group meeting 18/06/09	18/06/09

Approvers

Person	Position	Signature	Date

1. INTRODUCTION

Purpose of document

The purpose of this charter document is to establish the strategy and basis for the shared services implementation programme, outline the manner in which this programme will be executed over time and identify the key individuals and their roles.

Vision

In response to current financial, economic, operational and capability challenges, local authorities within the greater Wellington region have agreed to work collaboratively to explore opportunities for greater sharing of services and resources under a strategic shared services programme.

The local authorities have informally agreed to work together to a point where the opportunities for introducing shared services can be well defined and the case for charge articulated to a level where benefits and impacts on each participant local authority can be readily identifiable. The subsequent participation of a local authority in any initiative will be a decision that each authority can make at certain stages of the shared services assess phase activity.

The overall outcomes and objectives sought under the shared services programme are set out below.

What are shared services?

In local government, shared services are recognised as the model whereby authorities come together to deliver part of their business – be they front-line services or corporate support functions – in a combined or collaborative operation. All of these can be termed shared services, working across the boundaries of more than one organisation, irrespective of whether the delivery model involves the public or private sectors.

Shared services are fundamentally about optimising people and their skills, assets, time and other resources. A shared service arrangement, regardless of the governance model under which it operates, can in practice handle any business function effectively, as long as there is competent management to realise the benefits from the arrangement and performance criteria that meets the needs of the ‘parent’ councils.

Background and business drivers

Traditionally, local authorities in the Wellington region have maintained their own corporate services. However several factors such as increasing pressures from the public for high quality service delivery and pressures on local authority expenditure have meant that councils have had to look at other ways to ensure cost savings. Change is inevitable and a new way to look at the services provided by the local authorities is an essential requirement. Shared services promotes clever ways of working, and encourages innovation within the workplace. Shared Services provide opportunities for staff to expand their skills and contribute to a highly mobile workforce.

Objectives

The objectives of this shared services programme are:

- To initially identify and examine opportunities for delivering services co-operatively as a means of providing enhanced services with greater economic efficiency.
- To identify to all stakeholders the issues which need to be addressed to ensure that shared and cooperatively delivered services are delivered effectively and efficiently.
- To reduce the costs of administration of the programme by providing shared project management, coordination and advisor roles
- To deliver consistent and resilient services
- To promote the development of shared services, processes and systems that are resilient to changes in service delivery structures and boundaries and better able to meet the needs of joined up public services.
- To offer staff development and opportunities
- Improve skills levels in each service

Outcomes

The outcomes of introducing shared services in the Wellington region have been identified as:

- Providing excellence in service delivery – ensuring business solutions are developed and implemented according to timeframes and budgets
- Providing consistent and potentially enhanced customer satisfaction with the services provided
- Establishing significant cost advantages to partnering councils
- Identifying and capturing economies of scale through amalgamation of service delivery or procurement.

2. APPROACH TO SHARED SERVICES

Approach to the assessment of shared services

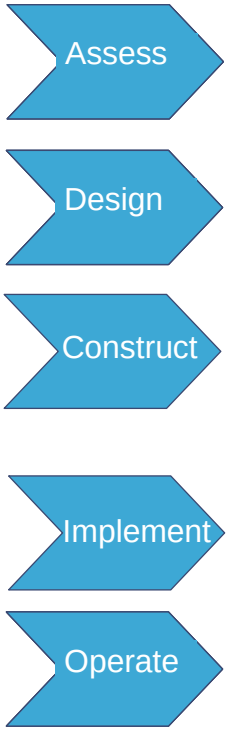
The overall approach that has been identified as appropriate for the Wellington regional authorities needs to take into account the separate operational accountabilities of the authorities, their varying sizes and services they deliver.

A shared services methodology has been agreed and approved by the Chief Executives Forum. The shared service centre lifecycle methodology follows the following hierarchy of activities:

- **Stages** – a series of related work activities that define the main activities to be completed
- **Phases** – with each stage, there are a number of related activities that need to be accomplished
- **Tasks** – within each phase, there are a number of tasks that need to be accomplished to make up the phase deliverable
- **Steps** – within each task, a number of steps are defined which provide an outline of how to complete the task.

Stages of the methodology

The five stages of the methodology are as follows:



Stage 1: Assess. A business case supporting the establishment of the shared service activities and centre (SSC) is prepared that will establish with management the basis for the investment and feasibility.

Stage 2: Design. The scope of the services to be provided by the SSC is confirmed, SSC management and support infrastructure requirements are defined, and a conceptual model of the optimised processes to be established within the SSC is prepared.

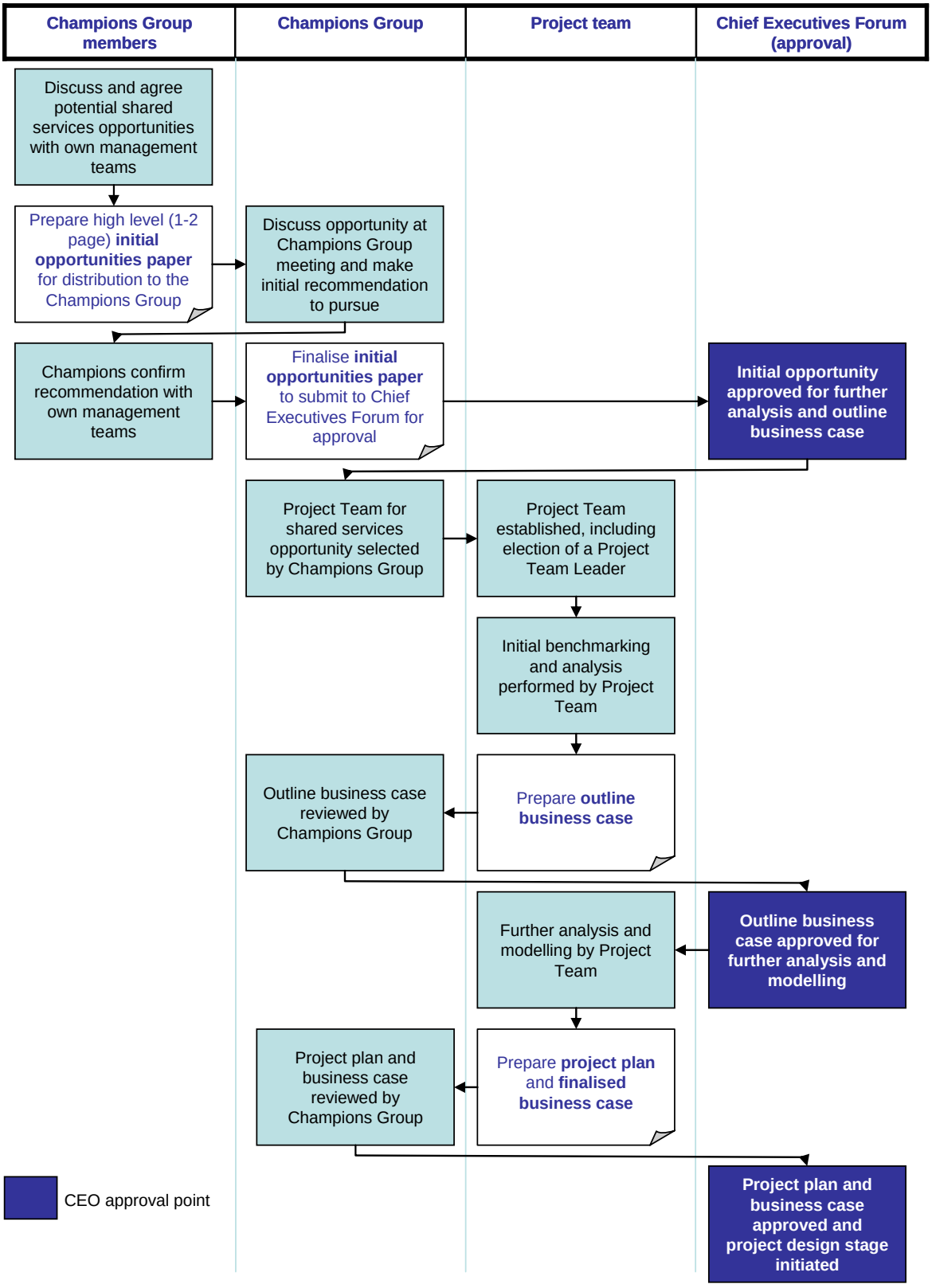
Stage 3: Construct. The SSC operating / management team is established and the infrastructure needed to support the processes to be transferred to the SSC is built. Systems and telecommunication services are selected and implemented, interfaces are built and data prepared for migration. SSC staff are recruited and trained. Premises are located and prepared.

Stage 4: Implement. The processes and SSC staff are moved from their original locations to the SSC when all acceptance testing has been successfully completed and all “go live” criteria have been met.

Stage 5: Operate. As the SSC nears ‘steady state,’ SSC management responsibilities include implementing a continuous improvement program tasked with ensuring that the level of the service provided by the SSC meets or exceeds client management’s expectations.

Wellington Region Local Authorities Shared Services Initiative

During the assess stage, the approved methodology allows the Chief Executives Forum to receive initial options that are assessed to a level of detail in order to determine if they should be taken further to a full business case, or if an alternative approach to achieving the benefit can be achieved:

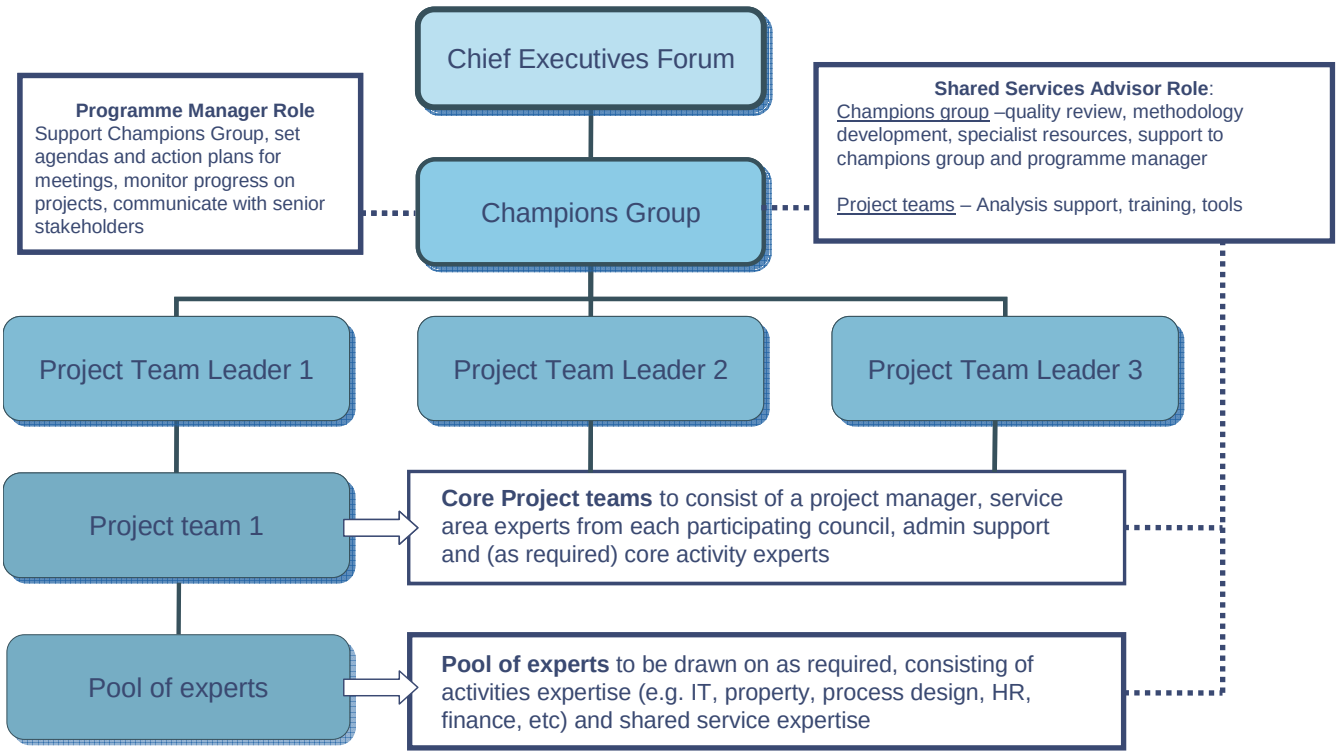


3. GOVERNANCE

Sound governance is key to a successful shared services implementation, as it not only helps to manage the strategy for implementation and ongoing issues, but also establishes accountability. The governance framework defined below describes the range of governance groups, their roles and responsibilities and their reporting relationships to ensure that appropriate mechanisms and controls are in place to effectively oversee the design and subsequent implementation of the shared services programme.

The following governance structure has been established to enable the assessment and development of options to a business case (assess phase). The operational governance of the actual service being delivered via a Shared Services initiative will be defined relative to the governance needs of the service.

Structure



4. ROLES AND RESPONSIBILITIES

This section details the roles and responsibilities of:

- The Chief Executives Forum
- The Champions Group
- The Programme Manager
- The Project Team Leaders
- The Project Manager
- The Project Team.

Chief Executives Forum

The Chief Executives Forum has ultimate accountability for delivering the shared service implementation programme.

The role of the Chief Executives Forum within the suggested governance structure is to:

- Encourage and facilitate regional co-operation
- Sponsor the shared services implementation programme
- Sign off and approve all business cases
- Approve funding for implementation projects
- Approve resourcing and budget allocations
- Monitor the progress of the shared services programme
- Ultimate accountability for delivering shared service outcomes.

Champions Group

Membership of the Champions Group

- The Champions Group will consist of representatives from each of the participating local authorities.
- The Chief Executive of each participating authority will nominate one member to the Champions Group.

The Champions Group will be supported by a Programme Manager.

The Champions Group will also draw on (internal and external) resources to support the delivery of the shared service implementation programme, as required. The Chief Executives Forum will approve funding for these resources.

Role of the Champions Group

The Champions Group will provide a forum for discussion between the participating authorities, and will ensure that specific interests of individual authorities are considered. Members of the Champions Group will provide advocacy on the shared service implementation programme, and will provide support and guidance in overcoming barriers encountered on shared service projects.

Objectives of the Champions Group

- Through discussions with their Management teams, identify potential shared services candidates for further assessment by project teams.
- To ensure the programme of shared services projects is delivered on time, to budget and in accordance with the agreed methodology.
- To promote and support the shared services initiative within the participating local authorities
- To keep the Chief Executives Forum updated on the progress of the programme of shared services projects.

Responsibilities of the Champions Group

The Champions Group is responsible managing the programme of shared service opportunities, including the development of appropriate shared service methodologies, tools and specialist resources. This responsibility includes ensuring that the business objectives on which each shared service project is authorised are met and delivered within the agreed tolerances for time scale and budget.

Activities of the Champions Group

The Champions Group will meet on a monthly basis. The key activities of the Champions Group will be to:

- Identify potential shared services candidates, and prepare a high level opportunity assessment document for approval by the Chief Executives forum
- Regularly report, through the Champions Group chairperson, on progress of the shared services programme to the Chief Executives forum
- Agree and sign-off the key shared services deliverables (outline and detail finalized business cases) prepared by the project teams prior to being presented to the Chief Executives Forum
- Oversee the co-ordination of implementation activities to ensure delivery of high quality services within specified timeframes
- Provide shared service support (including methodologies, tools, templates, etc) to project teams
- Communicate and support the shared service implementation programme within their own councils.
- Appoint the project team to investigate further approved shared service opportunities.

Programme Manager

The Programme Manager will:

- work with the Champions Group to ensure CEO approved opportunities are delivered to the Project Teams for further development
- be responsible for setting agendas and action plans for the Champions Group
- facilitate Champions Group Meetings and provided the Champions Group with updates on the various projects underway
- accept responsibility for issues escalated from the Project Manager
- Communicate with Senior Stakeholders.

Project Team Leader

Each shared services opportunity will be have a Project Team Leader appointed by the Project Team. The Project Team Leader will be recommended by the Champions Group at the initial assessment stage.

Typically, the Project Team Leader will manage the relevant service area in one of the participating councils. They may, or may not, also be a member of the Champions Group.

The Project Team Leader sponsors the shared service opportunity, and is responsible for managing the day-to-day delivery of the project. Their prime responsibility is to ensure that project produces the required deliverables, to the required standard of quality and within the specified constraints of time and cost. They are also responsible for the project producing a result that is capable of achieving the benefits defined in the business case.

During the assess phase, the Project Team Leader is responsible for:

- Preparing an outline business case for the opportunity and presenting it for approval by the Champions Group and thereafter the Chief Executives
- Mobilising and managing the Project Team, covering all aspects of delivery, including performance, issue resolution and improvement processes
- Reporting periodically to the Champions Group on progress against agreed milestones
- Presenting the final business case for agreement to the Champions Group and thereafter approval by the Chief Executives Forum.

Project Manager

Each approved shared services opportunity will have an appointed Project Manager.

The Project Manager will be nominated by the Champions Group at the initial assessment stage, and will be approved by the Chief Executives Forum. For initial shared service opportunities, a single Project Management resource will be provided to all Project Teams by the Champions Group.

Key responsibilities of the Project Manager during the assess phase are to ensure that an outline business case is approved by the Champions Group and Chief Executives Forum. Following approval, a detailed business case will be completed by the Teams for final sign off by the Champions Group and Chief Executives Forum. Each business case will be delivered:

- Consistently, in accordance with the approved shared services methodology
- On a timely basis, in accordance with a timetable agreed at the commencement of each project
- Using best practice project management principles.

The Project Manager is also responsible for:

- Ensuring each business case is completed in accordance with the approved guidance, but is adapted appropriately to reflect the risks and opportunities of each project
- Maintaining a detailed and up-to-date project plan for each project that will detail how and when the business case will be delivered
- Ensuring that the Champions Group is kept updated on the progress of each project, including progress against agreed timetables and budgets by working collaboratively with each Project Team Leader
- Identifying and monitoring risks and issues that could affect each project, and putting in place effective mitigation systems
- Sharing shared services best practice amongst the various Project Teams
- Training members of each Project Team on the shared services and business case approaches, and providing on-going support to the teams throughout the project.

Project Teams

Each shared service opportunity will be delivered by shared service Project Team, consisting of a mix of resources with the necessary skills required by the project. This mix of resources will be drawn from each of the participating councils.

The resources required for each Project Team will include a number of core team members, and will be supported by a pool of nominated experts:

Core team members	Pool of experts
• **Project Team Leader** • **Project Manager** • **Service area expertise**: each project team will include a service area specialist representing each of the participant councils • **Activities expertise**: some project teams will also require one or more activities experts in the core team (for example, IT expertise on a highly technology reliant service area) • **Support**: the project team will require administrative and functional support	• **Activities expertise**: each project team will need to draw on (internal or external) expertise in areas such as property, finance, procurement, technology, HR, finance, communications, legal and change management • **Shared service expertise**: to be sourced by the Champions Group.

Some members of the core Project Team will work on a full-time basis. Other members may only work on a part-time basis and have responsibilities for local services for the remainder of their working week.

Members of the pool of experts will work on the project as and when required by the Project Team Leader.

All members of the Project Team, irrespective of the council which employs them, will be accountable to the relevant Project Team Leader for the delivery of a shared service opportunity.

Lines of reporting and accountability

The Champions Group is accountable to the Chief Executives Forum, and the Chairperson will report on progress at each Chief Executives Forum meeting.

Project Teams are accountable to the Champions Group, and the Project Team Leaders will report on progress to the Champions Group via the Programme Manager.

The Project Manager is accountable to the Project Team Leaders.

5. COST SHARING

Participating local authorities need to determine at the outset how costs will be apportioned. A robust business case must be prepared for proposed shared service initiatives which sets out accurate costs and benefits and identifies the levels of efficiency savings and other benefits that the shared services initiative will deliver.

General cost sharing principles

The general principles of cost sharing are as follows:

- All participating councils will be expected to make a financial and resource contribution to each project
- Participating councils' contributions will be agreed in advance on the basis of fairness and equitability
- Once a project is underway, each participating council will be committed to delivering its agreed contribution until the next stage of the project
- Each of the eight councils is expected to participate in each project unless there is a compelling reason not to do so
- Councils wishing to join a project late will be required to make a contribution to the costs already incurred.

Mechanisms for sharing specific costs

The following table details the agreed mechanisms for sharing the cost of specific activities of the shared service programme:

Activity	Ownership	Nature of cost	Mechanism
ASSESS PHASE			
Programme management	Champions Group	Employee costs (members' time)	Born by each council
		Employee costs (admin and support)	Born by Wellington CC
		External advice (shared services methodology, tools, training, etc)	Council contribution by agreement
Business case development	Project Team	Employee costs (members time)	Born by each council
		Employee costs (project manager's time)	Council contribution by agreement
		Employee costs (admin and support)	Born by the Project Team Leader's council
		Employee costs (activity experts)	Born by the council(s) providing the resource
		External advice (activity experts)	Council contribution by agreement
DESIGN, CONSTRUCT, IMPLEMENT AND OPERATE PHASES			
All activities	Project Team	Various, dependent on each project	Mechanism and estimated costs per council approved in business case

6. CRITICAL SUCCESS FACTORS

The following summarises the critical success factors identified for the shared services programme, along with how these factors are addressed by the approved shared services approach:

Critical success factors	How the approach addresses these factors
Early engagement and communication is required across councils about the vision and the need for change. Council staff may be resistance to shared services, seeing it as a first step to amalgamation. There will be **political sensitivities** around this project, at both a local and national level, which will need to be carefully managed.	• A key role of the Champions Group members and the Chief Executive Forum is to act as advocates for the shared services initiative • The business case includes a key stakeholder assessment and action plan to address key stakeholder management risks identified • The adoption, and consistent application, of a robust and credible shared service methodology provides transparency and accountability for decisions made
Ensuring the **availability and cooperation of staff from eight councils** during the information gathering and option development processes will be problematic. The project will fail without proper **leadership and governance**.	• The governance structure agreed provides clear roles and accountabilities for mobilising the multi-authority project teams • The governance structure also provides transparent leadership through the Chief Executives Forum
The project team responsible for the preparation of the business case will need a **wide range of skill sets**, including a detailed understanding of the methodology, an appreciation of the service area, and strong IT, project management and business case preparation capabilities.	• The project initiation document and business case templates require the Project Team to identify, in a systematic and consistent manner, the expert resources required (for approval by the Chief Executives Forum)
The **outcomes and benefits** (both financial and non-financial) of any shared service opportunity need to be understood and measured/monitored as the project progresses.	• The business case template requires the Project Team to identify the financial and non-financial outcomes and benefits for each project, with clearly defined benefit measures, targets, deadlines and ownership
A **commitment to funding** the potentially high cost of implementing change will need to be agreed in advance by every authority, even though benefits may not be realised until the medium term.	• The business case template requires a detailed cash flow forecast of cost and net benefits of the project, in total and for each council
The specific **risks** of each opportunity need to be understood and addressed to maximise the chance of success.	• The business case template includes a risk assessment, with agreed management action and ownership

7. CHALLENGES

Outlined below are some of the challenges Local Authorities are likely to face in developing shared service projects:

Political	Process of reshaping local public services in single and multiple authorities is complex due to the wide range of stakeholders, and political sensitivities at local level to change sin employment structures or how services are delivered or to private sector involvement.	Agreeing governance and decision making processes when differing political make-up, democratic processes and delegation to officers	Where do jobs go or come from Differing outcomes for each authority	How risks, benefits and costs are to be shared Who manages the delivery
Practical/ Organisational	Cultural and organisational alignment and matching different expectations.	Individual and shared business cases Are there real efficiencies to be had for all?	Specifying requirements outputs and services when working from different baselines Harmonising differing policies and processes to achieve efficiencies whilst retaining local variation	Understanding the impact of different collaboration options and service delivery models
Resources	Internal capacity to programme management, procure, undertake change management and organisational design, and manage service delivery. Negotiation skills and Market capacity (advisors and suppliers)	Understanding existing information technology, assets, contracts etc and how transferred/novated Secondments	Understanding support costs and how and where support should be aggregated. Links to single authority authority customer services centres	Backfilling key posts during the project Staff retention and motivation during transition Service and contract management skills
Financial and Legal	Funds needed to resource the building of business case, procurement and change management	Sacrificing control for investment or sharing Understanding legal and tax issues re: options/ liabilities	Full cost benefit analysis Understanding the market and procurement (competitive dialogue)	Funds needed to incentivise service improvements