



Shared Services in Local Government

Tabled 28 May 2014

Background – shared services

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- Victorian councils deliver a wide range of services and must endeavour to achieve the best outcomes for their local communities.
- Shared services involve councils working together and/or with other organisations to deliver these services.



*Road repairs. Photograph courtesy of
Hepburn Shire Council.*

Background – shared services – *continued*

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- Shared services can assist councils to operate more efficiently, improve quality of service delivery and ensure long-term sustainability.
- A number of Australian and international examples exist in government and private sectors.
- Local Government Victoria (LGV) provides a range of support and guidance to the sector.



Community Chef initiative. Photo courtesy of Stonnington City Council.

Audit objective and scope

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To assess the effectiveness, efficiency and economy of shared service initiatives undertaken by local councils by examining whether initiatives:

- are soundly based
- have appropriate governance arrangements
- have effective project management practices
- have effective monitoring, evaluation and reporting to demonstrate intended outcomes.

It also examined whether councils have been provided with appropriate support and guidance.

Audit objective and scope

The audit included:

- LGV and the following six councils:
 - Colac Otway Shire Council
 - Hepburn Shire Council
 - Hobsons Bay City Council
 - Hume City Council
 - Latrobe City Council
 - Stonnington City Council
- a sector survey
- examination of a small number of initiatives.



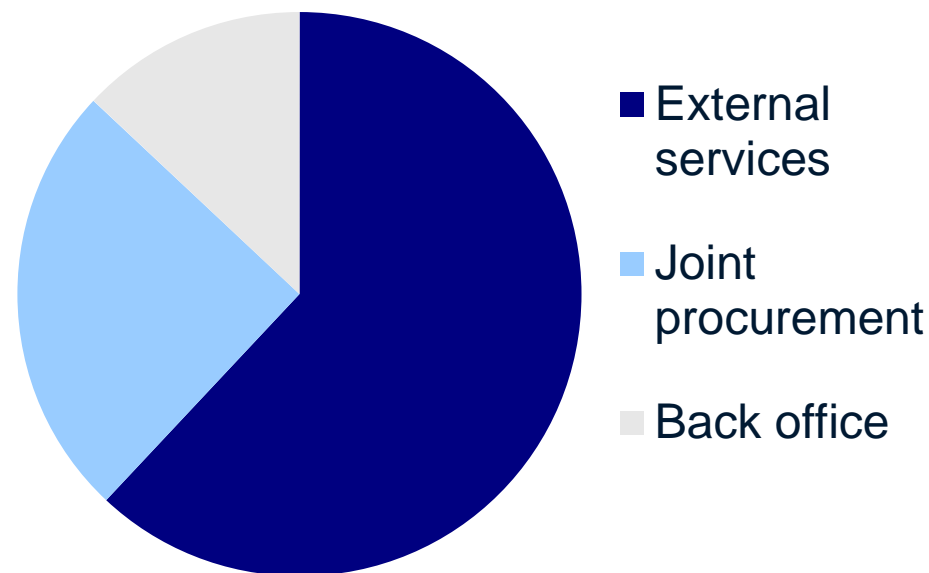
Conclusions

- Most councils are involved in a number of initiatives to reduce costs, increase service quality and improve community outcomes.
- Current activity mainly relates to external services and procurement.
- Expected to increase in relation to procurement and back office functions.
- Initiatives are generally soundly based and well managed, but measurement of outcomes is a significant weakness.
- There are a number of common challenges and success factors in implementing initiatives.
- LGV has provided a range of support to the sector.

Findings – involvement in shared services

- 91 per cent of the 58 surveyed councils are currently involved in an average of seven initiatives.
- 62 per cent of current initiatives are external services and 25 per cent relate to procurement.
- 64 per cent of councils were either considering, or engaging in negotiation towards, a total of 86 future initiatives.
- Procurement and back office functions are projected to increase.

Areas of activity



Findings – management of shared service initiatives

Generally, shared service initiatives at councils:

- are soundly based
- have appropriate governance arrangements
- have effective project management practices.



*Garbage Collection. Photo courtesy of Stonnington City Council.
Road sealing. Photo courtesy of Hepburn Shire Council.*

Findings – challenges and success factors

- Common challenges that need to be overcome include:
 - a perceived loss of autonomy and local control
 - lack of clarity about benefits
 - concern about costs of establishing and maintaining an initiative.
- Councils identified strategies to address these challenges.
- Factors involved in the successful delivery of shared services include:
 - support of CEO, senior staff and staff implementing the initiative
 - a shared commitment and alignment of decision-making by all partners.

Findings – outcomes of shared services

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Most commonly identified approaches to quantifying or measuring benefits were:

- evaluation or review
- cost analysis
- satisfaction surveys.

Measurement of outcomes is generally poor and there is significant scope for improving monitoring, evaluation and reporting.



Findings – support and guidance from LGV

- LGV provides a range of support and guidance to the sector to encourage greater use of shared services, including grant programs, guidance and resources.
- Evaluation of LGV's more recent programs has improved.
- Data on shared services activity is not currently collected.



Recommendations

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	Accept
That councils:	
<ul style="list-style-type: none">ensure future initiatives are soundly based	✓
<ul style="list-style-type: none">develop and implement comprehensive monitoring, evaluation and reporting on shared services	✓
That Local Government Victoria:	
<ul style="list-style-type: none">identifies back office functions most suitable for shared services and the potential cost savings and other benefits that could result from these initiatives	✓
<ul style="list-style-type: none">investigates key challenges of implementing shared services and identifies strategies to address these	✓
<ul style="list-style-type: none">assists councils to improve their monitoring, evaluation and reporting of shared services.	✓

Recommendations – *continued*

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	Accept
That Local Government Victoria:	
<ul style="list-style-type: none">continues to improve the evaluation of its shared services programs	✓
<ul style="list-style-type: none">develops better practice guidance and templates to assist councils to plan, implement and manage their own shared service initiatives	✓
<ul style="list-style-type: none">gathers data on existing shared services in the sector	✓
<ul style="list-style-type: none">reviews the scope for greater sharing of back office functions.	✓



Relevant reports

- *Organisational Sustainability of Small Councils (2012–13.33)*



Contact details

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