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Northern Regional Council

Administrative and Support Services Improvement Focus 2013

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Change Record

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1 Introduction

The purpose of the Benchmarking Administrative and Support Services (BASS) initiative is to "provide information on the cost, efficiency, and effectiveness of administrative & support services in the State sector".

A review of BASS 2012/13 administrative and support service (A&SS) benchmark results across eight regional councils has been completed and a report produced.

This report draws on the review to recommend areas where Northern Regional Council (NRC) can focus its performance improvement efforts. It should be read in conjunction with the benchmarking review report.

2 Approach

This report draws on the key differences between NRC and the other councils to fulfil the brief, namely to provide "*A review of each council's results to identify areas for each council to focus its performance improvement effort on. The output is to be a report to each council independently.*"

3 Overall performance

The overall performance of NRC's A&SS functions is shown compared with other councils through Figure 1. This shows total A&SS overhead costs as a percentage of overall running costs (ORC) for each council.

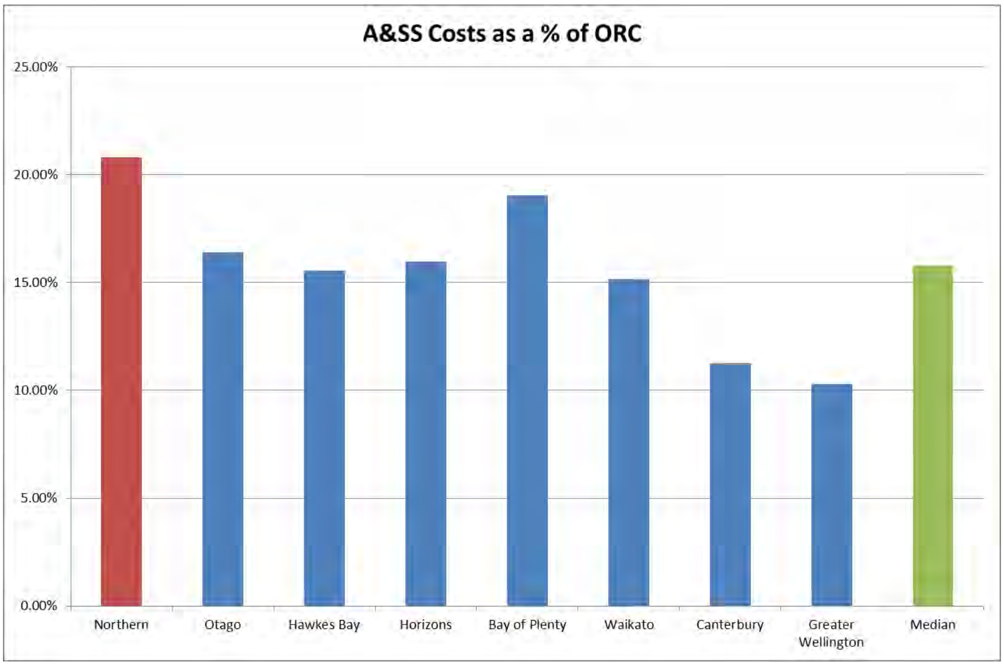

Figure 1. Overall A&SS NRC Benchmark

NRC's A&SS costs as a percentage of ORC are the highest of eight regional councils at nearly 32% more than the council median. This performance needs to be seen in the context of NRC being the smallest regional council in the comparison, which means it lacks any benefits of scale. It also has the lowest ORC per FTE, which makes benchmarks against ORC particularly demanding.

Nevertheless, further investigation of A&SS costs with a view to efficiency improvement appears to be warranted. Specific areas to investigate include differences between NRC and the next smallest regional council in overall A&SS staff headcount, ICT software costs and CES process costs.

While the BASS results indicate there may be scope for further efficiency gains, this may be difficult to achieve by NRC acting alone. NRC already has a low A&SS headcount. Further optimisation must not have diminishing pay back at the expense of the levels of service being delivered.

The principal avenue for NRC to improve efficiency and effectiveness is likely to be tactical shared service opportunities with other local government agencies or through outsourced services in order to increase scale. Since the start of BASS benchmarking, the Local Government Commission has made proposals for reorganisation in Northland that may create opportunities for larger scale through a single unitary Northland Council.

In common with the other councils, NRC is not measuring many BASS data points directly. To take BASS forward using the tailored approach recommended in the review, NRC should align its internal systems measures to the smaller and more focussed set of BASS data points used in the review.

Each of the BASS A&SS functions is now reviewed in more detail. Please refer to the Regional Council Benchmarking Review 2013 report for graphical comparisons; these are not repeated here for brevity and focus.

4 Human Resources (HR)

Key results from BASS for the HR function are:

- NRC's HR costs are 3% above the council median HR costs per employee.
- Recruitment costs are 9% below the council median per recruit.
- NRC's HR staffing ratio is 6% below the council median for HR staff per 100 employees.
- NRC evaluates its current HR capability maturity at the second lowest, between Lagging and Achieving, which is consistent with a low HR staff headcount.
- NRC's process costs show a reasonable balance across the processes, with recruitment and developing and counselling employees the highest cost as might be expected.

There is therefore no driver from the benchmark to make this function more efficient.

A key finding of the review is to highlight differences in the levels of service between the councils. HR efficiency is easy to fabricate by reducing service levels and passing

HR process tasks to managers and staff to execute because their costs are not measured. NRC should ensure it is achieving the right balance for its business needs.

NRC may want to check on HR outcomes by using the JRA Kenexa survey in comparison with other regional councils.

5 Finance

Key results from BASS for the Finance function are:

- NRC's overall Finance costs are the highest as a proportion of ORC at 63% above the council median, and as an overhead per FTE are third highest at 15% above median; they are significantly higher than other smaller councils
- The NRC Finance team is a similar size to the other smaller councils
- NRC has the third lowest spend on its Finance systems
- NRC evaluates its capability maturity as Achieving, which is the third lowest of all councils, with a modest aspiration to improve by 0.3 of a step
- NRC has a relatively even spend across the Finance processes except rates collection, which in common with other councils is the highest.

NRC Finance results give the impression that unlike other smaller councils it appears to struggle to achieve efficiency whereas they have mitigated their small size. In fact finance costs less rates per FTE are only 8% above median. This illustrates that achieving both efficiency and effectiveness in A&SS functions does require scale. The larger councils are able to release resources to the higher value processes of management accounting and reporting.

The overall review report makes recommendations for service improvement opportunities in rates collection.

6 Rates

The key results from BASS for the Rates function are:

- The cost of collecting rates per property is below the council median
- Due to the relatively low rate take, it is the highest as a percentage of the rates collected
- Outstanding payments are 16% above the median of all councils
- NRC was unable to obtain a process breakdown of costs from its TLAs to help it determine future rates strategy.

Compared to the total mix of regional councils, NRC has negotiated a competitive rates collection unit cost. However, due to the relative size of the council and the region it is the third highest cost as a percentage of total Finance cost.

7 ICT

The key results from BASS for the ICT function show that NRC has the third highest ICT costs per user at 7% above the median of all the councils.

There are still data interpretation and collection issues in the ICT results which may make them unreliable. Wherever possible these are noted in this section. Overall the disparities in the results mean that ICT is a key focus area and one in which councils might make significant improvements, as highlighted in the review report.

Individual tower results and recommendations are as follows:

End User Computing

The ICT end user computing tower is lowest cost per user of all councils, at 40% below median. Factors affecting this result include that NRC along with two other councils has disproportionately low software costs and another three have fully depreciated equipment.

HRC provides mobile devices at a rate of 26 per 100 staff, which is 19 below the median.

Communications

The ICT communications tower is at the median cost per user of all councils.

Data Centre

The ICT data centre tower is 21% above the median cost of all councils per end user at double the median.

Applications

The ICT applications tower is the second highest cost of all councils per end user, at 32% above the median cost. Application coverage is evaluated by NRC at the second highest of all council capability, having evaluated the IRIS system that went live at the end of the year.

Management

The ICT management tower is at the median cost per user of all councils. It should be noted that this figure is subject to data interpretation and may be unreliable across the councils.

HRC's management practice indicator is just below the median of all councils, at 50%.

8 Procurement

The BASS procurement results for regional councils are not meaningful, as discussed in the review report.

The review recommends that regional councils get to together and collaborate on aligning their procurement with the BASS measures if they want to move beyond competitive tendering as the principal way of achieving value for money in procurement.

NRC in common with several other councils is unable to measure all the procurement metrics. It reported total purchases of 89% of ORC in the year, which makes procurement an important function. The first step for NRC to improve procurement is to upgrade its contract and purchasing systems to capture the required data. It could consider establishing an administration function to promulgate best procurement practice since so much of council costs depend on it.

9 Property

The review finds that Property is a stable area of BASS data collection this year. The review report covers almost all the issues and without local property benchmark information there is little that this report can add. This is because it is clear from the central government data that government office property costs vary widely between regional centres.

NRC's property costs per sq. m. are exceptionally low at 67% below the median of all councils. This may be a regional effect combined with the fact that NRC owns its own property and re-values it each year rather than using depreciation.

NRC has property benchmark results that show the highest space per FTE of all councils, which mitigates the lower cost per sq. m. Its property grade score is lower than other councils and central government.

10 Corporate and Executive Services (CES)

NRC has the highest CES costs per FTE of all councils less legal, vehicle fleet management and other costs at 71% more than the median. This year only Communications and External Relations and Vehicle Fleet Management have measures of performance in this area that illuminate opportunities for service improvement.

NRC communications and external relations costs as a percentage of ORC is the highest of all councils at 29% more than the median. NRC evaluates its capability maturity as the lowest of all councils at below Achieving. It aspires to a modest growth in capability maturity to Achieving, which is a lower level than any other council.

NRC vehicle fleet management costs are 11% higher than the median of all councils as a percentage of ORC. It provides the equal second lowest of all councils vehicles per employee, 5 less than the median. It is close to the median average cost per vehicle of all councils. The cost per km is also close to the median of all councils.

11 Conclusions

NRC is the smallest council and the most challenged by lack of scale. Its BASS results show that this makes it hard to deliver efficient A&SS functions in many areas. Given that this is the first year NRC has participated in BASS, the first action should be to review the data collection results against the next smallest regional council, Otago, as this council has achieved good efficiency at small scale. This review would both check the basis for achieving efficiency and qualify that the costs collected are relevant to the BASS scope.

Two particular functions that stand out for this review are Finance and CES costs, including communications and external relations.

The second focus for service improvement is to ensure that the right levels of service are being achieved by its A&SS functions in accordance with NRC's business strategy. BASS offers some assistance with this in its measures of process investment and capability maturity, but other measures of output quality are generally weak at present. These questions are particular relevant to HR, Finance, ICT and the Communications and External Relations A&SS functions.

The following recommendations are made for specific A&SS functions:

- HR should focus on added-value HR processes such as developing and counselling employees, and considering using a measure of outcomes such as the JRA Kenexa survey
- Finance costs less rates as an overhead per FTE are 8% above the median of all councils, which indicates that while efficiency improvement is important in this function, the metric results are distorted by the large number of properties to be rated and the council's lack of scale
- ICT focus should be reviewed to ensure that the costs are in the right place and appropriate, as end user computing and data centre costs are polarised at the low and high ends of the council spectrum, while in applications, ensuring IRIS delivers business value will remain a priority
- Procurement focus should be on building a coordinated and measured procurement capability and to work with other regional councils to define measures for its performance
- Communications and external relations has high overall costs yet low capability maturity and these should be rebalanced; other CES costs should be checked against Otago.