TechnologyOne

A Review of Strategic Management in Local Government

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Summary

The increasing complexity of managing the local government sector is proving a challenge for managers and councillors all over Australia. Despite each council’s different objectives, managers and councillors are mandated to provide the products and services to create and support sustainable communities for their constituents. They do this with increasing scrutiny of their management and performance, and rising levels of accountability. In recent years there has been a plethora of international, national and state reviews into the sustainability of local government organisations, in particular their financial sustainability. This concern over sustainability, together with the recent global financial crisis, has brought into sharp focus the financial predicament that Australian local government faces.

More and more councils are coming to terms with the reality that they are financially unsustainable, and the problem is growing at an alarming rate.

So what exactly is meant by sustainability? For many councils this may simply mean financial sustainability and keeping the community’s financial records current. For others, it is more holistic. It is suggested here that local government organisations need to embrace the concept of sustainability in a broader sense – a sound strategic management plan that embraces both the community and corporate objectives of the council into the future. A strategic management plan that encapsulates the kind of community a person could envisage their grandchildren living in.

How does a local government organisation deliver a strategic management plan that is relevant, agile, is able to be implemented, and ultimately successful for its managers, councillors and constituents? The keys to a successful strategic management plan are its ability to align with organisational objectives, and to ensure continuous feedback on the plan through measurement, monitoring, evaluation and predictive capabilities.

These measurement and predictive capabilities are readily available through various corporate performance management tools. Corporate performance management describes the combination of “processes, methodologies, metrics and technologies to measure, monitor and manage the performance of the business. It creates an inextricable link between corporate strategy planning, implementation and controlling.”

This means planning for better long-term allocation of resources, and measurement of performance so that councils are able to evaluate the success (or otherwise) of the initiatives they adopt, but also to report openly on them, both to themselves and their stakeholders.

This white paper begins with an overview of local government in Australia and the significant challenges it faces, and then investigates the national, state and territory reviews and legislation relating to council strategy. It discusses the importance of providing councils with a robust strategic management process, together with a continuous feedback framework through the use of corporate performance management solutions. It concludes with the notion that corporate performance management solutions will define the future of strategic management in local government.

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Background

Local government in Australia is a unique and dynamic entity, consisting of 549 individual and diverse local government authorities,3 (and interestingly, almost half the number that existed at the end of the first decade after Federation in 1901). Together, these councils have annual revenues of $27 billion, expenditures of $24 billion, and manage services for approximately 8.4 million households. Collectively, they employ more than 170,000 people, who are responsible for planning, developing and maintaining community assets worth an estimated $261 billion.3

Councils in Australia vary significantly in terms of size, population and area, and each has its own set of community objectives to meet. For instance, Brisbane City Council is a capital city council with a population of more than a million people in an area of 1,327km². It has revenue of $1.88 billion and assets totalling more than $18 billion.4 This can be contrasted with the mining and pastoral shire of Wiluna, one thousand kilometres northeast of Perth, which has a resident population of 300 in an area of 184,000km², revenue of $6.5 million, and assets of around $24 million.5

Revenue
The primary revenue source for local government is rates, which make up an average of 38 percent of total revenue. Grants and subsidies on average account for around ten percent of revenue, and come in forms such as Financial Assistance Grants from the federal government.

Revenue sources
Source: ABS, Government Finance Statistics, cat no.5512.0, 2007-08

![Revenue Sources Diagram]

In 2008-09, this totalled $1.86 billion, equating to 0.62 percent of Commonwealth taxation revenue. In 1996-97, Financial Assistance Grants were 1.01 percent of Commonwealth taxation revenue, showing a decrease in the real value of grants. The sale of goods and services (normally termed ‘fees and charges’, such as pool entry fees and development approval charges) made up a further 31 percent of revenue on average, with interest and other income sources making up the remainder.

**Expenditure**

Australian local government authorities spend a majority of their income on operating expenses (40 percent) and employee expenses (37 percent), making it a very labour intensive sector. Depreciation represents around 20 percent of expenditure. A dilemma for local government sustainability is that very often the rates revenue collected almost matches employee expenses, leaving little to fund capital expenses and other operating expenses.

**Challenges**

The challenges that local government organisations face in Australia are both varied and complex.

**Infrastructure backlog**

The most significant and recurring theme for all local government organisations is the lack of sustainability in financing assets, with ageing community infrastructure and the associated infrastructure renewals backlog playing a major role. This problem results in a heavy reliance on state and federal funding simply to maintain the status quo. The PricewaterhouseCoopers report, National Financial Sustainability Study of Local Government 2006, indicated the potential total backlog of local government infrastructure renewal work to be $14.5 billion, highlighting the enormous task faced by councils to upgrade their infrastructure. Just as concerning is the renewal underspend that is estimated to be $1.1 billion per year. Therefore there is a significant backlog of infrastructure renewal work within local government and their current underspend is also significant.

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6 Australian Local Government Association, Factsheet 11, 2009, p1
7 R Kingsley, comment on revenue and expenses, 16 February 2010
8 Australian Local Government Association, Factsheet 11, 2009, p1
Cost shifting
In addition, costs are being shifted from state and federal governments to the local level, but councils are not being given sufficient resources to manage them. The problem has become so significant that some states, such as New South Wales, have started conducting an annual survey on the level of cost shifting that has occurred.9

Revenue and cost pressures
Revenue sources are limited, with some councils reluctant, or unable, to set their rates and other charges at realistic and sustainable levels.10 Indeed, for councils in New South Wales, rate increases are capped. PriceWaterhouse Coopers estimated that 35 percent of Australian councils are not financially sustainable.11

Increasing community expectations
Population increases and growing economies are demanding greater scope of services offered, placing more stress on the ability of councils to meet these ongoing needs. Increased community expectations, public scrutiny, and issues arising from an ageing population all place significant strains on the system. Indeed, fewer than ten percent of New South Wales’ councils say they have a strategy to deal with the estimated two-fold increase in the population of people aged over 65 living in their communities over the next 25 years.12

Rural issues
Rural councils are under even greater pressure as they often serve large geographical areas with relatively small populations (and corresponding small rates bases), where services must be provided to remote areas. Many of these councils are home to sea or tree-changers, who have higher expectations of service levels that are difficult to meet with smaller budgets.

Internal constraints
Internal constraints also play a part. Forced or voluntary amalgamations result in disrupted service provision and benefits are often intangible or slow to emerge. The divisional (or silo) structure of some larger councils means that each department will have different information needs and systems, despite a clear requirement for divisions to share information. Legal obligations around the management and storage of increasingly large volumes of information have implications for how data is collected, used and stored. Councils also face an enormous challenge in sourcing and retaining quality staff in key professions, and in providing them with the tools and resources to do their jobs effectively, which means that high staff turnover is often the norm.13

Renewed research
In response to the increasing challenges that councils face, there has been a renewed focus on research in the local government sector, both in Australia and overseas, to determine how councils can move forward in asset management and service delivery, and still maintain a position of financial sustainability.

13 G McConnell, Senior Strategic Planner, North Sydney Council, interview 30 October 2009
International Reviews and Reforms

There has been an increased focus on improving local government performance in many developed countries in recent years. Literature published over the past decade reveals a trend toward consolidation through amalgamation, greater autonomy over investments, improvement in asset management practices, improved key performance areas (specifically financial performance monitoring), and a greater focus on achieving community outcomes. While this is a vital part of local government operations, it is essential to take a broader view. Some countries are beginning to use corporate performance management tools as the starting point toward sustainability.

New Zealand

Major local government reforms were introduced in New Zealand in 1989. These included reducing the number of councils from 675 to 86, introduction of annual planning and reporting requirements, and the development of long-term (10 year) council community plans. The New Zealand Local Government Act 2002 also requires local authorities to identify community outcomes for the future of their region every six years, and to do this in collaboration with its citizens. This has earned New Zealand a reputation as a leader in collaborative strategic planning, which requires local authorities to become active players in multi-layered networks.

United States

In the United States, strategic or corporate performance management legislation requires government agencies, including local government, to submit a strategic plan detailing their aims and performance indicators.

Canada

The Canadian government introduced a management framework for all departments and agencies, including local government, which includes a commitment to measurable improvements in client satisfaction.

United Kingdom

In the United Kingdom, the government has created a set of Best Value Performance Indicators to measure local authority performance. The Audit Commission assesses these indicators each year and the results and local authority rankings are released to the public. With the ongoing improvement in scores, a Comprehensive Area Assessment program is now replacing this system. China, Sweden and the Netherlands have also introduced similar initiatives.

17 Marr, Strategic Performance Management in Government and Public Sector Organisations, 2008b, p7
National Reviews, Reforms and Assistance

Reviews
The local government sector in Australia has also undergone its share of reviews in the past decade. Significant challenges for local government sustainability were highlighted in the Commonwealth Grants Commission report in 2001. This report identified five key factors behind the financial difficulties many councils faced, including the devolution of responsibility for service delivery from higher tiers of government; ‘cost-shifting’ of services or assets from the state to the local level; increased complexity and standards of local government services by state government; raised community expectations regarding municipal services; and choice of policy by councils regarding the voluntary improvement and expansion of services. The author also mentioned impacts such as rates and charges being held at unsustainably low levels; maintenance of municipal infrastructure; capacity building; source of funding; and inter-governmental financial relations as also contributing to financial difficulties.

PriceWaterhouseCoopers has indicated that 10-30 percent of councils nationally may face financial sustainability challenges, but that the most vulnerable were rural-remote, rural-agricultural, and urban-fringe councils. The impact of under-funding on the delivery of vital functions and services by these councils is considerable. The report also identified opportunities to improve the financial sustainability of councils through internal reforms to improve efficiency and effectiveness (through setting clear and appropriate priorities and increasing asset management and financial capacity, amongst other things), and reforms to inter-governmental funding to improve financial sustainability.

Reforms
The Local Government and Planning Ministers’ Council recently endorsed a national framework for assessing a council’s financial sustainability, asset planning and management, and financial planning and reporting. The framework aims to promote a consistent approach to local government planning and reporting (with full implementation due by 31 December 2010).

The requirements include:

- Financial sustainability: use of indicators to convey evidence of certain directions being taken and whether they are being achieved, including income generating indicators such as rates, other own-source income, operating costs and operating results; efficiently delivered services that are appropriate to needs; short and long term financial sustainability measured by liquidity and debt ratios; and the ability to maintain, renew and upgrade assets determined by spending to depreciation rates, or deficiencies in the asset renewal gap

- Asset planning and management: including the development of an asset management policy; strategy and planning; governance and management arrangements; defining levels of service; data and systems; skills and processes; and evaluation

- Financial planning: delivered through a strategic, longer-term plan, an annual budget and an annual report. These are all documents that provide a framework over the councils’ direction setting, monitoring and resource allocation

19 Professor B Dollery, Faculty of the Professions, School of Business Economics and Public Policy, University of New England, interview 15 October 2009.
The program incorporates the national frameworks within a monitoring process that covers asset management, community engagement, good governance, and sustainability practices.

Assistance

The federal government is providing assistance to councils on a number of fronts.

**Financial Assistance Grants**
A pledge of $479 million in Financial Assistance Grants came from the Regional and Local Community Infrastructure program in June 2009, as well as a continuation of the Roads to Recovery program.

**Regional and Local Community Infrastructure Program**
In 2008, the federal government announced the National Building Economic Stimulus Plan, which made more than $1 billion available to local government organisations to build and modernise community infrastructure.

Funds worth $250 million have been provided to 566 councils for projects. These projects range from new playgrounds and sports facilities to renovations for halls and community centres. Priority was given to local community infrastructure projects that could proceed quickly. Construction of local community infrastructure has commenced, and more than 2,750 projects have already been completed.

A Strategic Project fund of $550 million catered for larger projects, requiring a minimum $2 million Australian Government contribution. More than 70 of the 137 strategic community infrastructure projects have commenced.

**Centre for Excellence for Local Government**
The recently established $8 million Australian Centre for Excellence for Local Government is aimed at enhancing professionalism and skills, showcasing innovation and best practice, and facilitating better policy debate within the sector.

**Local Government Reform Fund**
Finally, a $25 million Local Government Reform Fund will help councils better manage their infrastructure and plan for future community needs. This will be done through fast tracking local government infrastructure, and financial and asset management and planning under national guidelines. It will also encourage cooperation between councils to improve their capacity to serve local communities.
State reviews and reforms

While there has been an escalating federal level of concern around the financial sustainability of councils, there have been similar reviews and reforms made within state and territory governments. It should be noted that the state and territory governments have constitutional responsibility for, and provide the legal framework over, local government operations, which are statutory subdivisions of the states and the Northern Territory.

Strategic planning reviews and reforms are described below, together with an overview of the legislation applicable in each state and territory.

New South Wales

The 152 councils and shires in New South Wales (NSW) represent 6.8 million residents in an area of 800,642 km$^2$. Each council or shire has an average of 44,736 residents living in 5,267 km$^2$.

Reviews and recommendations

A 2006 inquiry commissioned by the Local Government and Shires Associations and conducted by Professor Percy Allen into the financial sustainability of local government in New South Wales called, Are Councils Sustainable?, recommended that councils develop long-term strategic and financial plans in consultation with their communities. It also suggested that councils be subject to annual external compliance audits, updated in the first year of each term a council serves.

To achieve financial sustainability, the report also recommended standardising key accounting and reporting policies, particularly for asset management, and an expanded list of key performance areas.

Other reviews have also highlighted the sustainability challenge. PriceWaterhouseCoopers quoted research from an Access Economics study that suggested 25 percent of councils in NSW are unsustainable. Moreover, the 2009 review of NSW local government financial sustainability conducted by Professor Allen’s consulting firm, Review Today, found that 16 of the 100 councils examined were on the verge of becoming unsustainable.

The Division of Local Government’s annual Comparative Information on New South Wales Local Government Councils collects some data on efficiency improvement initiatives across 36 indicators in 11 areas, including finance, planning, environmental management and community services.

Legislative requirements

Partly in response to these reviews and recommendations, the NSW government passed the Integrated Planning and Reporting Act 2009 (IPR), which for the first time mandates strategic community planning and requires councils to adopt more robust financial planning and reporting practices. The goal is for councils to strengthen their strategic focus, streamline the planning and reporting processes, and encourage integration between various plans. It is designed as a continuous improvement framework, rather than a static planning model, and intends to allow councils more autonomy in responding to their communities’ various needs.

The IPR also encourages elected representatives to play a leading role in developing long-term plans.

All councils will need to have the following reforms in place by 2012:

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Victoria

The 79 councils in Victoria represent 5.1 million residents across an area of 227,416 km². Therefore each council has an average of 64,557 residents, making Victorian councils the largest in Australia in terms of residents. The average council covers an area of 2,879 km².

Reviews and recommendations
While Victoria has not been subject to a formal local government review, in the 1990s the Kennett government undertook major reforms. Since then, the Municipal Association of Victoria has conducted an annual review on the long-term financial sustainability of local government in Victoria. The Municipal Association of Victoria developed long-term viability measures for councils that incorporate borrowings, superannuation liabilities, and the deficit/surplus in capital expenditure versus depreciation. The most current review (dated 2006/07) deemed that 22 of 79 councils were financially at risk, with 12 rated high or very high risk.

Legislative requirements
In Victoria, the Local Government Act 1989 requires councils to prepare a council plan, which includes four-year strategic objectives, a strategic resources plan, an annual budget, an annual report, and an annual performance statement outlining achievements.

Queensland

Queensland has 73 councils representing 4.1 million residents in a 1.7 million km² area, meaning each council on average has 56,164 residents in an area of 23,708 km².

Reviews and recommendations
The Local Government Association of Queensland and the Queensland Government jointly developed a reform framework; Size, Shape and Sustainability, to investigate challenges such as shared services, regional cooperation and voluntary boundary changes, with a view to improving financial sustainability. This was then abandoned in April 2007 when the Queensland Government established a commission to review boundaries, amalgamate councils (from 157 to 73), and hold new elections in March 2008. The Queensland Government currently offers assistance to councils through a six-point, strategic planning template, Plan and Deliver that includes reviewing strategic direction; developing a corporate plan; consultation and feedback; developing an operational plan and budgets; implementing a plan; and annual reporting and review. It also provides councils with assistance to meet best practice and continuous improvement requirements.
Legislative requirements
The state has introduced significant changes through the Local Government Act 2009, which aims to make local government more accountable, effective, efficient and sustainable. The majority of the act will come into effect on 1 July 2010. The act and the draft legislation, Local Government (Finance, Plans and Reporting) Regulation, require that all councils introduce a ten year visionary set of plans encompassing financial management, asset management, and community management (including a community engagement plan). Under these are the five-year plans around corporate and operational plans, and an annual budget. Performance will then be monitored through the councils’ annual reports.

South Australia
The 68 councils in South Australia represent 1.6 million residents in an area of 983,482 km², meaning each council has an average of 23,529 residents in an area of 14,463 km².

Reviews and recommendations
In 2005, the Local Government Association of South Australia released an independent report, Rising to the Challenge: Towards Financially Sustainable Local Government in South Australia. The report showed that, in general terms, councils have put community needs and demands for services ahead of their own financial sustainability. It demonstrated that councils had low net debt levels but required extensive upgrading of community infrastructure, much of which was constructed between 1960 and 1980. An interesting finding was that South Australian councils receive the lowest per capita Commonwealth funding. PriceWaterhouse Coopers, quoting Access Economics, cites the proportion of unsustainable councils in South Australia to be exceptionally high (38 percent).

Legislative requirements
The recommendations contained in the Local Government Association of South Australia’s report led to the introduction of the Local Government (Financial Management and Rating) Amendment Act 2005, which requires councils to:

- Prepare a four-year strategic management plan identifying objectives for the sustainability of the council’s financial performance and positions; the maintenance, replacement or development needs for infrastructure; proposals regarding debt levels; and identification of any changes to the council’s costs
- Prepare a 10-year financial plan, and an infrastructure and asset management plan
- Review plans within two years of each council general election, as well as reviewing the financial plan after adopting its annual business plan
- Prepare an annual business plan

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41 Local Government Association of South Australia, Rising to the Challenge: Toward Financially Sustainable Local Government in South Australia, August 2005.
Western Australia

Western Australia still has 139 councils representing 2.1 million residents\(^{45}\) in an area of 2.5 million km\(^2\).
Each council has an average of 15,108 residents living in an average area of 18,201 km\(^2\).

Reviews and recommendations

In December 2006, the Western Australian Local Government Association (WALGA) released a report, WALGA Systemic Sustainability Study\(^{46}\), which made 41 recommendations to improve local government, and a task force was set up to implement these recommendations. Around the same time, the PriceWaterhouseCoopers report quoted an Access Economics finding that 50 percent of councils in Western Australia were unsustainable.\(^{47}\) In February 2009, the Western Australian government announced wide-ranging local government reform strategies aimed at achieving better planning, management, and delivery of services to communities, specifically in relation to economic sustainability. Each of the 139 councils in Western Australia has been asked to undergo a voluntary amalgamation process, reduce councillor numbers, and form regional groupings to achieve efficiencies.\(^{48}\) Other requests involve adopting a longer-term strategic planning framework, including asset and financial management and workforce planning, and the review and amendment of current local government legislation to facilitate sustainability.

Legislative requirements

The Western Australian Local Government Act 1995\(^{49}\) requires councils to prepare an annual budget and an annual financial report. There are also some other requirements in relation to planning for the future of local government areas.

Tasmania

Tasmania has 29 councils representing 490,0000 residents\(^{50}\) in an area of 68,401 km\(^2\), and an average 16,897 residents in an average 2,359 km\(^2\) area. These are the smallest councils in Australia in terms of geographical size.

Reviews and recommendations

In 2007, the Local Government Association of Tasmania commissioned Access Economics to report on council financial sustainability. The subsequent report, Review of the Financial Sustainability of Local Government in Tasmania, found that one in five councils might be financially unsustainable due to operating deficits or annual renewals gaps.\(^{51}\) It recommended that each council develop a rolling ten-year financial plan to rehabilitate and expand infrastructure, develop services in line with population growth, generate additional resources from revenue increases and cost savings, and comply with financial key performance areas to address the renewals gap.

Legislative requirements

The Tasmanian Local Government Act 1993\(^{52}\) requires councils to prepare a five-year strategic plan, an annual operational plan, and an annual report. Councils are also asked to participate in an annual key performance area framework, which is run between local government departments, associations and manager groups. However, much of the key performance area framework is based on financial indicators, rather than strategic goals.

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The Northern Territory (NT) now has only eight shires representing 210,000 residents in an area of 1.35 million km². Each shire has an average of 26,250 residents living in average areas of 168,641 km², making these the largest council/shire areas in Australia.

**Reviews and recommendations**

The NT government initiated a local government reform process in 2008. The reform process aimed to improve and expand the services delivered by establishing eight new shire boundaries and shire offices in major centres, appointing shire chief executive officers, and installing unified business systems for consistent business reporting. The NT Government had previously collected annual financial and performance data from councils.

**Legislative requirements**

The NT’s Local Government Act 2008 requires the preparation of a four-year regional plan (between interested councils for the region) and municipal/shire council plans are reviewed annually. Each municipal/shire council is also required to have an annual plan containing:

- A service delivery plan and council budget
- A long-term community or strategic plan the council has adopted and the council’s long-term financial plan, together with annual budgets and annual financial statements
- A recent assessment of the adequacy of constitutional arrangements in force; opportunities and challenges in service delivery; possible changes to administrative and regulatory framework; and any possibilities that exist to improve services by cooperating with other councils (updated at least once in the term)
- Key performance indicators

The Australian Capital Territory Government Department of Territory and Municipal Services adopts the role of local government authority for Canberra (as it essentially has no local government authority). The department represents 334,000 residents in an area of 2,358 km².

**Reviews and recommendations**

As a single entity, reviews are usually conducted on the basis of the annual report, which includes benchmarking and reporting requirements. A strategic budget review of the Department’s operations by Ernst & Young in 2008 recommended, amongst other things, improvements in financial governance, internal reporting, business planning, and asset and workforce management planning and benchmarking. A recurrent theme was the need for greater transparency, a better understanding and accountability around financial performance, and accurate costing of service delivery activities.

**Legislative requirements**

In terms of corporate performance management, the Department of Territory and Municipal Services publishes high level information, including its five year strategic plan to realign the direction of the department in line with new government priorities and to integrate shared services.

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Strategic Management

The significant attention drawn to the sustainability of the local government sector is testimony to the importance of providing a robust strategic management framework for councillors and management to apply in delivering the vital infrastructure and services their constituents require. Every council and community is unique and therefore has its own set of community and corporate objectives to meet.

Bryson, Author of Strategic Planning for Public and Non-Profit Organisations - A guide to strengthening and sustaining organisational achievements, believes that a vast majority of public and not-for-profit organisations already claim to engage in strategic management, but exactly what they mean is unclear. While financial sustainability is part of the equation, strategic management embraces more than money; it embraces the future and the kind of community you would like your grandchildren to live in. A fundamental component of a successful strategic management plan is its currency and agility. This means obtaining the most recent information to make sound decisions with continuous feedback loops and identifying where the council can act quickly to optimise its strategic position.

Thus, strategic management is defined as encompassing the continuous series of decisions and actions that are taken to achieve a community’s long-term vision and goals of its council corporation to create a sustainable community.

Those local government authorities that seek a strategic management framework will find that formal frameworks are not readily available. The Australian Handbook of Public Sector Management suggests that an effective model for strategic management will include a well-defined mission, an agreed set of agency goals and values, and an information system that supports a cycle for analysing current strategy, determining directions, evaluating choices, and implementing preferred strategies. The Australian Financial Review recently reported that the key to success for local government authorities is in having integrated financial, asset management and strategic planning systems so they can easily access key data to help build strategies. These efficiencies are most often delivered through automated corporate performance management systems.

Reviewing frameworks for strategic planning in the broader category of public sector, uncovers some clear and concise strategic management frameworks. These will be reviewed in the upcoming TechnologyOne white paper, Strategic Management in the Public Sector.

Corporate performance management

The key to a successful strategic management plan is the ability to provide continuous feedback on the alignment of the plan to the organisational objectives, at its core is measurement. As described earlier, corporate performance management describes the “processes, methodologies, metrics and technologies to measure, monitor and manage the performance of the business. It creates an inextricable link between corporate strategy planning, implementation and controlling.” This means planning for better long term allocation of resources and measurement of performance so that councils are able to not only evaluate the success (or otherwise) of the initiatives they adopt, but also openly report on it to themselves and their stakeholders.

A corporate performance management solution, including planning, performance reporting, budgeting and business intelligence can provide the capabilities required to operate a highly effective and efficient local government, helping to streamline the challenge of governing a community.

Implementing the appropriate system

Before implementing a corporate performance management system, councils need to review the options and tools available to support the process. Options include a manual system (which typically involves spreadsheets), packaged applications, or custom-built applications. The Advanced Performance Institute survey found that more than half of government organisations still rely on spreadsheet applications, while 23 percent use packaged applications, and 22 percent use custom-built applications. The solution chosen would depend on factors including the size and experience of the council, and its reporting requirements. While all councils would benefit from some automation, there will inevitably be questions of cost and benefit as to what is most appropriate for each council.

**Manual solutions**
A manual corporate performance management system complemented by spreadsheets to provide performance reporting, together with an accounting system for annual reports and governmental reports, may suit some smaller councils. This would be appropriate where there are few staff to manage the process and to enter key reporting data.

The disadvantages of this approach include the lack of integration between the corporate plan and the performance measures, and the limitations of spreadsheets in data analysis, communication, and scalability. This solution may work if councillors and managers have a well-established corporate planning process to follow. If not, it may be prudent to invest in establishing such a process, or to consider a software solution, at the very least, to guide the way.

**Application solutions**
The majority of councils will find that application solutions offer the right balance as they allow the planning and reporting framework to become part of the fabric of the organisation. Instead of producing a point-in-time strategic plan that can be forgotten, these systems ensure the corporate plan is flexible and actively managed by performance indicators throughout the organisation.

Advantages of a comprehensive corporate planning framework include better integration of the plan to the solution, inbuilt performance measurement and reporting capabilities, and outcomes that have a tangible impact on the council’s delivery against its corporate plan. An application solution may allow better access to the corporate planning process, engaging key staff in the process of planning, measuring and reporting.

Packaged applications offer the benefits cited above, and the more sophisticated offerings will provide a highly configurable solution to meet a council’s requirements and an affordable means to disseminate the planning function to all required users.

A key consideration when selecting planning and reporting software is its integration with other software tools, particularly those relating to financial information already in use.

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62 B Marr, Strategic Performance Management in Government and Public Sector, 2009, p22.
TechnologyOne Solution Suite

TechnologyOne offers councils a suite of solutions to meet their business intelligence, budgeting and forecasting, and corporate performance management needs.

**Business Intelligence**
TechnologyOne Business Intelligence provides organisations with all the latest tools to deliver the right information to the right people at the right time. With ease of use inherent in the product design, the tools are delivered data-aware over all of TechnologyOne’s modules, enabling quick wins and creating an iterative approach to design and delivery of business-critical information.

The Business Intelligence (BI) dashboard brings together all information needs into one visually appealing and highly functional workplace. Based on a series of portlets – active components of information that the organisation can design – the BI dashboard provides a window to all of the key business and operational metrics, as well as enabling quick action directly or drill-down to functions within the entire suite of TechnologyOne products.

With drag and drop design functionality, information displayed can be customised through a wide range of visualisation tools, such as gauges, dials or grids. Information may also be presented on an exception-only basis, which means that information is only displayed if relevant.

BI analysis enables the interrogation and analysis of data (not just financial data) through a centrally defined hierarchical enquiry, while My BI enables business users to create their own ad-hoc enquiries against the data sources they have permission to view.

**Budgeting and Forecasting**
The budgeting and forecasting process has been revolutionised with a solution that bridges the gap between the finance department and the operational arm of an organisation. This is achieved through a unique mix of ease of use and the linking of budget to the strategic goals of the organisation through the use of driver-based budgeting.

TechnologyOne Budgeting and Forecasting is fully integrated with the TechnologyOne Financials and reporting tools. The financial information is directly stored and retrieved from the underlying ledgers, and the full power of the chart of accounts is utilised to design and devolve the budget models. Budget worksheets are configured to capture driver information specific to each organisation’s needs, and in the language of the people responsible for entering the budgets. Worksheets can be used to store global assumptions that other worksheets lookup, and are used to perform complex calculations, populating ledger accounts with the results based on definable business rules.

All information entered into the budget is reportable using XLOne Enterprise and Business Intelligence. Both XLOne reports and BI portlets can be embedded into the budget models to display information both graphically and in report formats specific to the budget centre that is being entered.
Corporate Performance Management

TechnologyOne Corporate Performance Management builds on the Business Intelligence and Budgeting Forecasting solutions, working to improve service delivery through better planning and decision-making. As a purpose built solution, it documents, manages and reports on all aspects of strategic and operational planning, including risk and sustainability issues. The software helps align different planning processes into a single management framework, and deals with corporate plans that focus on outcomes, and operational plans focused on projects and services. Processes relating to governance, risk, auditing and project management can also be incorporated. All activities are linked to relevant plan components such as outcomes, outputs, business units, services and projects. The tool then links these activities to financial, infrastructure and human resources. With role-based views, employees can see all the activities for which they are responsible and report against them. Once established, the software allows monitoring and reporting against planned activities and objectives using different types of indicators at various levels. Data is entered once, and can then be reported in several ways through ‘traffic light’ indicators (red-amber-green), graphs, and multiple indicator dashboards. Using this data, the software can generate standard and ad-hoc management reports.

The default planning perspective is Quadruple Bottom Line, although the program is flexible and can accommodate other sustainability frameworks. The software is compatible with the Global Reporting Initiative, the international standard for sustainability reporting.

For more information on the TechnologyOne solution suite please visit www.TechnologyOneCorp.com.

Conclusion

The reviews outlined above suggest an uncertain future for local government in Australia. The lack of sustainability in some local government authorities means that amalgamation or collapse may be inevitable, with resultant disruptions to operations, staff uncertainty, and maintenance and service concerns. Best practice strategic management, incorporating comprehensive and integrated corporate performance management and reporting, are of paramount importance for any organisation but are particularly relevant in the local government sector due to the inherent sustainability issues.

PriceWaterhouseCoopers, in its landmark 2006 report, National Financial Sustainability Study of Local Government, made two key recommendations to improve the performance and sustainability of local government. The first was for internal reform targeted at improving the effectiveness, efficiency and financial governance of councils. The latter was for local government funding reform from Australian and state/territory governments.

Given that four years have passed since the review and it is acknowledged that work needs to be done on local government funding reform, all councils, regardless of their size, would be strongly advised to review their own financial and long-term sustainability, and seek solutions to meet their strategic imperatives.

There is a strong argument for councils to develop and implement a sound strategic management framework to deliver the community and corporate objectives, together with corporate performance management processes, including robust, flexible and well-integrated systems.

Information on how local government should tackle the strategic management challenge will be available in TechnologyOne’s upcoming white paper, Strategic Management in the Public Sector.

63 The Global Reporting Initiative is a the gold standard for corporate sustainability reporting guidelines developed by the United Nations where organisations strive to achieve triple bottom line reporting (economic, environmental and social performance), and where it becomes as routine and comparable as financial reporting. The most current version of the guidelines is G3.

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