Transitioning local government to amalgamation

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QUALITY ENDORSEMENT - ISO9001 Quality Management Systems - Requirements | ISO27001 - Information Security Management Standard

About TechnologyOne

TechnologyOne (ASX:TNE) is one of Australia's largest publicly listed software companies, with offices across six countries including each state and territory of Australia as well as New Zealand, the South Pacific, Asia and the United Kingdom. For 25 years, we have been providing powerful and deeply integrated enterprise software solutions that are used every day by more than 800 leading corporations, government departments and statutory authorities.

TechnologyOne's mission is to provide our customers with solutions that transform their business and make their working life simple.
We do this by embracing new technologies, building innovative products and delivering outstanding services. Our philosophy is to ensure simplicity for our customers by providing deeply integrated enterprise software that is incredibly easy to use, yet powerful. We are focused on participating in only seven key markets: government, local government, financial services, education, health and community services, utilities and managed services. With our commitment to these key markets, we develop, market, sell, implement and support preconfigured enterprise software solutions with the TechnologyOne difference: the Power of One - One Vision. One Vendor. One Experience.

Contents

Introduction

Councils across Australia are amalgamating in line with Local Government Reform, resulting in some of the largest local government bodies in the Southern Hemisphere, with increased budgets and communities. Despite the huge upheaval this entails, there is no clear and detailed guidance available about the processes required to ensure a smooth transition.

This white paper has been prepared as a guide for councils approaching and going through amalgamations. These councils have to make critical strategic decisions regarding telecommunications, IT infrastructure and business systems. It is based on TechnologyOne's experience in supporting 19 smaller councils in Queensland as they form five new larger councils.

As well as generic advice, this paper gives detailed guidance on how to consolidate business systems, including a critical transitional stage when due process must happen before decisions can be adopted.

Every amalgamation is different, so the points raised in this paper are not exhaustive. However, there are common issues and steps that can be taken to minimise the impact on business continuity.

Amalgamation steps

Amalgamation will have a significant impact on council operations, the services it delivers to the community and, importantly, the staff that deliver these services. However, approaching amalgamation in four stages can help a council prepare itself thoroughly and limit this impact. More detailed information on each of these stages is given in section 2.

1. **Pre-amalgamation stage one** is when a council knows it will likely amalgamate but no decision has been made regarding how or when. The council can use this time to collate all the information required, such as documenting policies, assets, business processes, infrastructure and people, to help with decision making once amalgamation is set in motion.

2. **Pre-amalgamation stage two** takes place when councils embark on the path to amalgamation and are planning the details but still operate independently, although they know who they are amalgamating with. This is a critical stage in which the participating councils can make many decisions or recommendations that can be adopted after amalgamation takes effect legally. This planning will minimise disruption to services in the chaotic period after consolidation and reduce uncertainty for staff.

3. **Post-amalgamation stage one** is the interim phase and a major focus of this paper. It will see the organisation start to integrate its systems, teams, assets and processes according to the decisions and recommendations made prior to this date. It involves an interim solution while the organisational structure and business processes are defined.

4. **Post-amalgamation stage two** will see the council really take shape with fully integrated and substantial corporate systems, which best meet the needs of a much larger organisation.

Amalgamation roadmap

Pre-amalgamation stages

Stage one (preparation before embarking on the road to amalgamation)

✓ Document employee awards, including any exceptions, to simplify the creation of new awards post-amalgamation.

✓ Document your business processes. Any amalgamation will involve comparing business processes and creating new processes for the new council.

✓ Document your organisational structure.

✓ Ensure you have a record of all assets including costs, replacement costs and any condition reports.

✓ Document your network and telephony infrastructure.

Stage two (councils operate independently but are actively planning for amalgamation)

✓ Create an interim leadership structure so day-to-day decisions can be made and business can continue.

✓ Review consolidated networking and telephony options and make recommendations. It is critical this solution is operational when amalgamation takes effect.

✓ Document potential organisational structures and include recommendations to speed up decision making for the CEO post amalgamation. The quicker the structure is adopted, the sooner the council can provide uninterrupted services to the community.

✓ Create policies on employee selection including who can apply for given positions and what happens to those who are unsuccessful – for example can they apply for lower level positions. The order of selections is important, as senior positions need to be filled in order for their teams to be appointed. Amalgamations can be an unsettling time, with employees feeling insecure about duplicated positions and their working conditions. Selection processes need to be clearly defined so staff understand when decisions will be made and on what criteria.

✓ Compare business processes and present recommendations on consolidated ones for the new council. This ideally needs to be done before selecting systems, but is likely to be a laborious and costly process, especially when there are multiple councils. Local government has a lot of long-serving and mature age staff, who might not be used to this sort of work and could be defensive of their council's processes. Other barriers will include different local laws and processes at each amalgamating council, as well as business processes being mostly undocumented.

✓ Prepare recommendations on staff accommodation and service delivery locations taking into account existing arrangements, the geographical spread of council offices, the fact that customer-facing staff probably cannot move and the recommended organisational structure. Policies also need to determine how staff will travel between locations in the interim to attend the many meetings involved in an amalgamation, whether video conferencing facilities should be considered and related costs.

✓ Compare employee policies and awards between councils and document post-amalgamation recommendations.

✓ Select systems for the new council and create a roadmap including an interim strategy, a phased implementation approach for the consolidated systems and a resourcing plan. The requirements of a corporate system by a large amalgamated council are much greater than that of the councils that preceded it. However, a full systems overhaul and major implementation is inadvisable at this embryonic stage. The organisational structure and business processes are yet to be defined and could take time to finalise.

✓ Select reporting and document management solutions as part of the interim systems strategy so they can be operational when amalgamation takes effect. Map account components for all systems to a common chart so they can disburse from the originating system to the reporting solution.

✓ Replace all redundant stationery with new name, logo and ABN.

Post-amalgamation stages

Stage one (interim stage before all systems and processes are consolidated)

✓ Adopt a new organisational structure and relevant organisational policies.

✓ Adopt employee selection policies and start appointing staff to the relevant positions.

✓ Adopt accommodation recommendations.

✓ Adopt business processes for the new council.

✓ Adopt a common reporting system.

✓ Adopt a common document management solution. When an amalgamating council receives information either through mail, email or fax, this information will need to be available to all council offices. This may not have been an issue prior to amalgamation, but after amalgamation there is likely to be more than one administrative centre. Information needs to be shared irrespective of where it is received, as it may be pertinent to any office, so paper copies will no longer suffice. As a side consideration council should publicise a central address as soon as is possible to contain correspondence in one location.

✓ Start implementing the rest of the systems roadmap that was put in place pre-amalgamation. To start with, the councils can operate by using their separate databases and tying them together through a data warehouse for reporting. At this stage, one or two systems, such as finance and payroll, could be partially integrated. A possible interim solution is discussed in greater detail in section 3.

✓ Continue to work towards the selection of consolidated corporate systems for the amalgamated council or the implementation of a new fully integrated solution.

Stage two (amalgamated council takes shape, implements consolidated corporate systems)

✓ As soon as is practical after amalgamation, a fully integrated corporate system covering finance, supply chain, human resources, payroll, property and rating, document management, business intelligence, budgeting, reporting and asset management should be implemented. This paper is not designed to address these requirements but does reference TechnologyOne solutions to common issues

TechnologyOne solutions

This section deals with two of the problem areas for amalgamating councils; how to continue working in the interim period before fully integrated software systems can be implemented; and how to document and consolidate business processes.

Interim solution

There is often a significant time period between amalgamation taking effect and the implementation of information systems. Councils have a number of considerations in the procurement process and implementation of a new system can be substantial, especially when you consider the changes to organisational structure and business processes, data conversion from multiple systems and staff training.

Despite this time lag, a new council has become a consolidated entity that needs information and reliable reporting so management can make critical decisions at a time of uncertainty and be accountable to all stakeholders. An interim solution is required.

Solution requirements

1. Each council's systems need to continue operating in their existing databases until due diligence can be completed on the new council's requirements and a redeveloped solution can be implemented

2. A single reporting entity needs to consolidate the data from the disparate systems

3. The new council needs to produce one budget and report actuals versus budget from the date of amalgamation

4. Implementation of the full solution may need to be phased in accordance with the feeder systems such as payroll, property and accounts payable.

TechnologyOne can provide a data warehouse to sit over any existing databases and offer full, consolidated budgeting, business intelligence and reporting capabilities. This provides a cost-effective staged approach and will minimise unnecessary expenditure for the new council.

Because TechnologyOne software has a unique masked disbursement functionality that can automate the mapping process, the former councils can continue using their existing systems for processing, meaning staff can keep working as normal for the interim period.

The existing systems do not have to be TechnologyOne products as the ledgers' balances can be updated into the consolidated database sub-ledger automatically by defining the chart structure and creating rules of disbursement.

Linking information

The data processed in all databases can be imported into a TechnologyOne Financials consolidated database, which would use the sub-ledgers' functionality, with the same charts as the individual council databases. These charts would have selection codes (reporting flags) on them, which would allow them to feed to a consolidated chart for the amalgamated entity. This information can be imported daily, weekly or monthly using TechnologyOne's ETL (Extract, Transform and Load) tool, and would be at account balance level. There will also be a process to extract and import the commitments from the council databases, in addition to actuals, at batch, delivery (goods receipt), and purchase order or requisition level.

Temporary chart

There will need to be at least three temporary "consolidated" charts created: general ledger; capital works; and operating projects, each with a structure that reflects these areas' distinct reporting and budgeting needs. The structure of these will need to be workshopped prior to implementation to ensure all impacts are addressed, and might only be a temporary solution to help the new council through its interim period.

Business Intelligence (BI)

TechnologyOne BI can link to the existing databases, as well as the consolidated database, and allow slice and dice analysis on an ad hoc basis across areas such as financials, purchasing, inventory, assets, accounts payable, bank reconciliation and property. Reporting can be done against financial and non-financial KPIs and benchmarking can be pushed out to the desktops of the managers to allow analysis of data.

Budgeting

The solution enables users to budget at many levels, including financials, capital projects, operating projects and staff expenditure and does not require the user to know chart structures or account numbers, meaning business managers do not need to understand a revised interim chart structure. It will upload automatically to the consolidated entity once approved and will allow comparisons from actual to budget across the whole of the new council.

Performance planning

TechnologyOne Performance Planning is a tool that enables councils to build and manage operational plans to achieve their strategic objectives. It includes quadruple bottom line reporting across environmental, social, economic and governance considerations, and could be used to manage the amalgamation as a stand-alone implementation and then integrated to the consolidated system for the planning requirements of the full council.
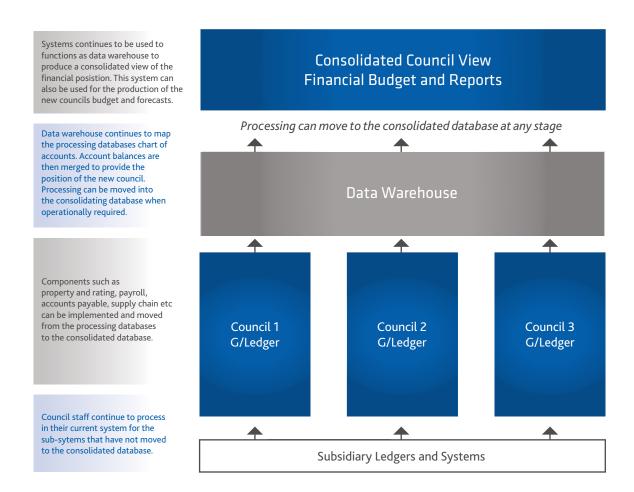
Systems continues to be used to functions as data warehouse to produce a consolidated view of the financial posistion. This system can also be used for the production of the new councils budget and forecasts.

Data warehouse continues to map the processing databases chart of accounts. Account balances are then merged to provide the position of the new council. Processing can be moved into the consolidating database when operationally required.

Components such as property and rating, payroll, accounts payable, supply chain etc can be implemented and moved from the processing databases to the consolidated database.

Council staff continue to process in their current system for the sub-sytems that have not moved to the consolidated database.

Consolidated Council View
Financial Budget and Reports

Processing can move to the consolidated database at any stage

Data Warehouse

Council 1
G/Ledger

Council 2
G/Ledger

Council 3
G/Ledger

Subsidiary Ledgers and Systems

Figure 1

Processing considerations

The proposed interim solution allows the former councils to continue operating as normal in the short term, but provides an opportunity for business functions to move to the new solution in a staged manner. This will lead to many options for the processing of information and could include some manual work while the systems are being brought in line with operations.

Correspondence and stationery: All redundant stationery will need to be replaced prior to amalgamation. However, if the new council has a single address, the documentation received will need to be sent to the different processing centres in line with the pre-existing councils, which could cause confusion and delays.

Purchasing

Although purchase orders (POs) will be on amalgamated council letterhead, it is vital that each PO has the originating council's office as the invoicing address. The delivery address will also need to be very specific to ensure goods go to the right place. It will be important to re-sequence PO numbers so individual councils and locations are easily identifiable.

Purchasing at this point will be difficult to do centrally unless a database is set up to report on the amalgamating councils, and/or a pricing catalogue created for all contracts with individual suppliers that go across the councils. These catalogues would need to be imported into each of the processing databases separately. An option could be for purchasing officers to have access to the various processing databases, if communications are operational between councils.

Accounts payable

Purchasing will directly impact accounts payable depending on whether invoices are received at the correct originating council or in a central location and then sent out manually. Regardless, there will need to be identifications on all POs giving an indication of the originating location, ideally as part of the order number.

Councils should advise suppliers that although there will be a new ABN, they should still send invoices to the same addresses and could receive three payments from separate accounts until these are consolidated.

If a single bank account is required, council will need three stocks of cheques with different numbering sequences and identification for the supplier advising them of the originating council. To alleviate this the majority of suppliers should be paid by EFT, with remittances that identify the originating council.

Inventory

Ideally, all issues will continue to come out of the correct location and cost centre as a problem could occur if a council or project receives inventory from another inventory location (i.e. another council). In this case, suspense type or debtor accounts would be set up and cross-charged and a manual journal would allocate the inventory to the correct cost centre.

Bank reconciliation

If the new council requires a single bank account, this would have three separate accounts in the ledger and would need to amalgamate the reconciliation. The bank reconciliation account will need to have an entity (existing council) which will take up all charges on behalf of the consolidated council, whilst all direct credits and debits will need to be taken up by the originating council, unless there is a cross-charging agreement. This is an area that will need to be workshopped to define council's requirements. If possible it would be far easier in the interim to keep three separate bank accounts.

Cross charging

There may be some cross charging to ensure each council has the correct costing going to projects and accounts. Accounts will need to be set up and then eliminated once everything is consolidated. This may be achieved by putting them in consolidation accounts.

Payroll processing

In this scenario payroll transactions, costings and timesheets will feed to the processing database as normal. If an employee is doing work for another council, there will need to be a manual journal for costings or a recharge mechanism in the consolidated database. If the new council decides staff need to be aligned for operational and costing purposes, it could immediately implement payroll on the consolidated database.

Work orders and asset maintenance: Works and assets systems continue to operate as normal within the data processing databases unless a council does work outside of normal costing, which would require a manual adjustment or a recharge mechanism in the consolidated database. It would be possible to implement works and assets in the amalgamated database at any point in time in the transitional period, if it was decided that costing needed to be consolidated across whole of the new council.

Property system

Property will function as it currently does and will feed to the processing databases with accounting transactions. The integration could be implemented on the consolidated database at any time if this is deemed necessary. There are many other issues to be considered in the property implementation in conjunction with the revised business processes of the council.

Business processes solution

A common hurdle for councils approaching amalgamation is that they do not have their business processes documented, and documenting them can be costly and laborious. On top of this, deciding as a new council which processes to adopt can be controversial as staff cling to their old ways in a time of great upheaval.

TechnologyOne has documented the majority of local government processes in collaboration with more than 250 councils. These processes could be used as the basis for designing the new practices of the amalgamated council, thereby reducing the burden on financial and human resources. As these are all documented in graphical form as shown in section Figure 2, they are easy to understand and will speed up consolidation of business processes. TechnologyOne can provide business process services to help councils on the path to amalgamation.
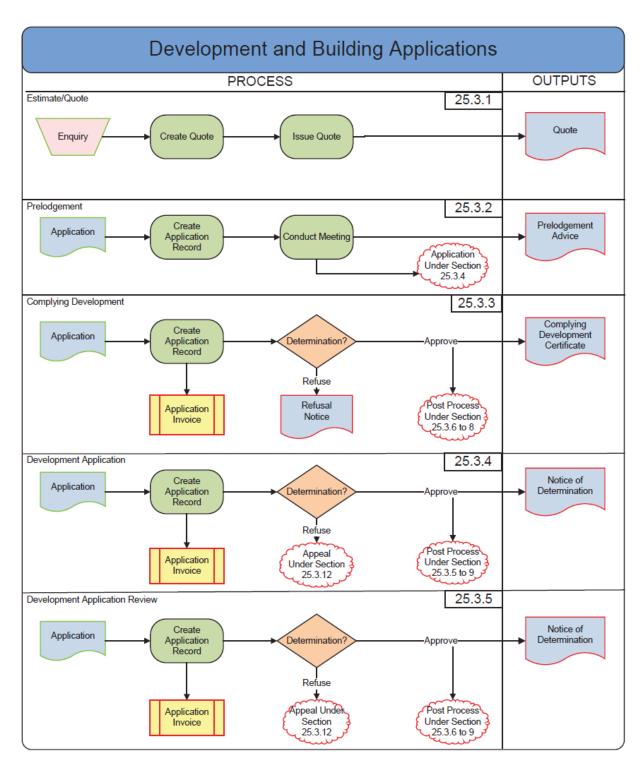
Staged implementation

Figure 2

OneCouncil

TechnologyOne has developed **One**Council – a fully functioning local government solution developed in collaboration with more than 250 councils with components that can help at each stage of amalgamation:

✓ **Pre-amalgamation stage one** – **One**Council has fully documented business processes that could remove the complexity of documenting the council's own processes.

✓ **Pre-amalgamation stage two** – the participating councils could use **One**Council as a template for consolidated business processes, and adopt its document management and reporting tools to go live as soon as amalgamation takes effect.

✓ **Post-amalgamation stage one** – the new council can use components of **One**Council as an interim solution and start to move processing from the old databases to the new one in a phased approach.

✓ **Post-amalgamation stage two** – **One**Council, as a fully integrated local government enterprise software solution that can be integrated with third party software, can act as a basis for the new corporate systems or become the entire new system.

Further information on OneCouncil modules

OneCouncil is a cost-effective total solution for all corporate, operational, stakeholder and strategic management processes within local government. Its fully integrated systems include:

Finance

OneCouncil provides the tools to manage all financial data, produce tailored reports to help decision-making and tailor each user's menus and workflows to their role.

Procurement

OneCouncil automates all or part of the procurement lifecycle from requisition and creation through to order and payment, dramatically reducing manual entry.

Rates, revenue and property management

OneCouncil produces rates notices and has sophisticated search capabilities so information can be retrieved instantly and provided to third parties. Rates and regulatory revenue is integrated with the financial system and requests and inspections can be automatically generated and added to the workflow.

Asset management

OneCouncil has tools to manage public infrastructure, maintenance, facilities management, fleet management, sub-contracting and contract management.

Local laws and regulatory inspections

OneCouncil automates processes and provides workflow alerts to regulatory managers and inspectors. Mobile solutions mean all jobs can be completed onsite and information can be directly entered into the system in real-time.

Human Resources

OneCouncil provides functionality to enter and track employee recruitment, retention and attrition, development, training and OH&S.

Payroll

OneCouncil automates payroll and allows employees to enter timesheet and leave information online, to be approved by managers.

Customer service

OneCouncil provides intuitive user interfaces for customer service staff, as well as eServices so stakeholders can pay rates, submit and monitor development applications and apply for regulatory licences online 24/7.

Marketing and communications

OneCouncil can track, manage and measure relationships and campaigns across all stakeholders.

Community engagement

OneCouncil simplifies the process of fostering, implementing, managing and measuring all relationships and plans associated with community engagement.

Case studies

Moreton Bay Regional Council, Queensland

Moreton Bay Regional Council (MBRC) was formed through the merger of three councils and is now the third largest local government in Australia by population with nearly 400,000 residents, plus $4.4 billion worth of assets and 1,700 staff. Following amalgamation, MBRC needed an integrated suite of software to extract data from various sources and collate it for efficient reporting and analytics.

It decided to use TechnologyOne's Corporate Performance Management (CPM) suite, which comprises Enterprise Budgeting, Performance Planning, BI and ETL (Extract, Transform and Load) tools. This provided one consistent budgeting method, the ability to build its strategic and corporate plans and measure performance against them, and a way of extracting, analysing and reporting on data.

John Rauber, MBRC's Chief Executive Officer said the amalgamation was a huge challenge as it involved merging three forms of thinking.

"TechnologyOne acted as a consultant and provided a dedicated project manager to ensure everything from data migration to implementation ran smoothly," Mr Rauber said.

"The CPM software has been a valuable resource in helping us manage data analytics. In the past, we were able to collect a lot of data but were unable to analyse it thoroughly. We can now perform a value-added strategic analysis of the business."

Devonport City Council, Tasmania

Devonport City Council, a medium-sized council with approximately 200 employees and 26,000 residents, did not have the financial and human resources to undertake a major overhaul of its disparate legacy systems. It needed to prepare for future challenges, such as mobility and web-based services, but was struggling to find a solution.

After searching the market, the council chose to implement TechnologyOne **One**Council to integrate human resources and payroll, customer requests and management, finance, projects and assets, regulatory functions and construction and planning.

Devonport Executive Manager Corporate Support Shane Crawford said the council decided to restructure its business processes after comparing them to **One**Council's recommended ones.

"TechnologyOne's proven business practices made implementation a lot easier," Mr Crawford said. "We have a far greater corporate knowledge of the system, people have a lot more ownership, day to day operations are more efficient and organisational and long-term planning have improved."

Hepburn Shire Council, Victoria

Hepburn Shire Council, a small rural council with around 14,500 residents and 100 employees, chose TechnologyOne **One**Council to achieve efficiencies across reporting, accountability and decision-making.

Hepburn General Manager Evan King said the council did not have the skills or resources to undertake its own enterprise mapping and adopted all TechnologyOne's proven practice business processes.

"We have seen huge efficiencies across the council. For example we replaced a manual procurement system involving purchase orders and various authorisation stages with TechnologyOne's far easier electronic process. Reporting that used to take days is now instant and all managers can access reports and real time information," Mr King said.

"**One**Council cuts out mundane tasks like re-entering data, so we can spend more time analysing information and educating the rest of the organisation."

One vision. **One** vendor. **One** experience.

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