LOCAL GOVERNMENT BOARD SUBMISSION

The future of Local Government Review

Including comment on review theme:

- Finance and Administration

  Shared Service Arrangements

Submission by Latrobe & Kentish Councils

12 May 2022

1. Introduction

The Latrobe and Kentish Councils are pleased to make this submission to the Local Government Board on the Shared Services Arrangement which has been in existence between the two councils for over a decade. The two Councils value collaboration and partnerships both within and outside their respective municipalities. As a part of their joint business model, the Councils have entered a municipal alliance.

Through resource sharing the two Councils have achieved economic efficiencies while maintaining local democracy and keeping a sense of place and community. Partnerships of this nature enable the communities to gain benefits that may have otherwise been unattainable.

The resource sharing arrangement is governed by a Memorandum of Understanding (MoU) which articulates all the terms and conditions for the parties to abide by. A copy of this MOU is included as **Appendix 1** for the Board's consideration. Both Councils have seen improved levels of service quality, economies of scope and scale and increased organisational development and strategic capacity.

The Latrobe and Kentish Councils believe that this is the only municipal alliance arrangement in Australian Local Government that has led to the formation of one organisation that manages the resources of two LGA's while maintaining separate Local Government elected representatives.

2. Key Milestones

The following key milestones have been achieved which has led to the operations of the Latrobe and Kentish Councils being fully integrated with one workforce serving the two separate Council entities. A copy of the organisational structure is included as **Appendix 2**.

1993 - 2001	The Councils operated under a Joint Authority Framework
2001	The Councils reverted to operating as two separate organisations
2008	Initial meeting between the two Councils to discuss sharing of resources Formation of Kentish and Latrobe Council Municipal Alliances Committee
2010	Agreement to share Latrobe Council's General Manager
2011	Agreement to share the following positions; Manager Engineering and Works, Accountant, Tourism and Economic Development Officer, Workplace Health and Safety and Risk Management Officer and Environmental Health Officer

2013	Agreement to restructure planning and building services departments to form one Department to service both Councils
2015	Shared Works Manager appointed
2016	Australian Centre of Excellence for Local Government at University of Technology Sydney reviewed Council's resource sharing arrangement and their report (UTS:CLG 2016) revealed conservative savings of $768,000 across the two Councils in the 2015/16 year The Councils engaged LKS Quaero to assist with the implementation of 21 recommendations from the Centre of Excellence for Local Government Report
2017	Both Councils worked together to implement the report's recommendations combined under the banner of Embedding Shared Resources: **Outdoor Workforce** – sharing staff, equipment, skills and work plans in parks and reserves, facility management, road construction and maintenance, and engineering; **Information Technology and Business Systems** – sharing software, systems and procedures to support staff to efficiently do their work; **Indoor Workforce** – sharing staff, procedures, skills and work plans
2017	Outdoor workforce centres of excellence established and staff appointed/transitioned to their new role in July
2018	Leadership team transitioned/appointed from April Leadership team worked with the General Manager to map staff to their new roles in the new organisational structure Indoor staff were appointed/transitioned to their new role in July
2018	Electronic records management system, ECM was implemented across both Councils
2019	First modules of Technology One (refer section 3 for more details) were implemented in April: • Payroll • Procure to Pay (Accounts Payable) • Assets • Financial management and reporting
2020	IT services outsourced
2022	Implementation of additional Technology One modules: • Property and Rating • Budgeting • Human Resources

	• eServices
2022	Align minor variations in EBA

Future

A fully integrated organisation with cloud based services available to and accessed by the public.

3. Information Technology System

The Latrobe and Kentish Councils do not believe it is appropriate at this time to review the Devonport City Council submission to the Local Government Board on the Future of Local Government Review 2022. However, it does agree with the following statements in their paper:

> *"True benefits cannot be realised through shared services if the Councils do not share the same business systems supporting the same processes"* and
>
> *"Resident's expectations to interact digitally with Council on a 24/7 basis are increasing. It is becoming expected that Council business can be done from home, just like banking or a holiday planning. The ability to provide this level of service in a seamless manner with effective security requires a level of size and scale that realistically is beyond the reach of smaller LGA's across the state."*

The Latrobe and Kentish Councils have implemented a new Technology system (coincidentally the same as Devonport City Council) and have proven that smaller Councils, by working together, can achieve modern digital capabilities. The cost would have been too much for each Council on their own, however with their resource sharing they were able to share the burden and still achieve a modern information technology system, which allows for streamlining of shared services costings and is in the final stages of implementation. The Councils will soon have the capacity and capability to provide information technology services to smaller Councils across the state. The two Councils already provide Planning and Environmental Health services to the West Coast Council.

The Key Objectives of the Council's information technology system are:

Ready access by management to information and data to manage their operations
Caters for increased flexibility and availability of information
One "Kentish/Latrobe Way" of working with common business processes
Enable the Kentish and Latrobe Councils to continue to meet their legal and reporting obligations as separate entities by easily identifying each Council's data

Seamless transition from performing work for one Council to performing work for the other
Staff use IT to perform their role equally effectively for either Council as required
Staff are highly satisfied with system performance and the IT tools available to them
Common key software and configuration
ICT environment has empowered employees to work more effectively
The majority of work/workflows are digital limiting use of paper
Use of mobile applications is becoming standard
Customers can conduct business with the Councils electronically utilising mostly digital transactions
Governance of IT across the two Councils is effective and coordinated
Optimised use of capabilities of software systems with limited work arounds
Optimised records management/ knowledge management systems

4. Lessons for other Councils

In 2016 the Australian Centre for Local government at the University of Technology Sydney was engaged to review the Councils' resource sharing arrangement. Their report revealed conservative savings of $768,000 across the two Councils in the 2015/16 year. The report contained 21 recommendations for improvement (since implemented) and a section titled **LESSONS for other Councils** which stated resource sharing works best when there is:

- A common, agreed rationale for resource sharing
- A formal agreement which underpins the arrangement
- An evaluation and monitoring framework to formally review and report back on outcomes
- High levels of trust between Councils to drive transparency and accountability and an investment in building strong relationships at senior, executive and Councillor levels
- Actual equity and allocation of shared resources across Councils to ensure both function in the joint arrangement
- Highly committed, shared executive and senior staff
- Complementary IT and communications systems to support physical movement between locations and ensure efficiency of use

- Incremental rather than transformational change over time which has helped build an organisational culture of resource sharing
- Staff specifically recruited into shared roles based on an identified set of personal attributes as well as skills.

The Local Government Association of Tasmania report titled *21st Century Councils Project Summary* reinforced the findings of the University of Technology Sydney study and stated (page 4):

"The long history of structural reform, feasibility studies and post-reform analysis in Australia and, to a lesser extent, Tasmania suggests that the following factors are critical to the success of Council structural reform arrangements:

- *Reform must be **motivated** by a desire to share expertise and resources, not by crisis*
- *All stakeholders understand the **rationale** behind the need for change*
- *Reform **timeframes** need to allow change to be gradually introduced and accepted*
- *Reform must retain the political autonomy and **independent character** of Councils*
- *Reform should consider the **selective** rather than wholesale consolidation of functions*
- *There is adequate **engagement** with the community*
- *Reform should be driven by **local leadership** - a bottom-up approach*
- *Reform must be **carefully planned** and tailored to accommodate differing needs.*

The significant body of work undertaken in this field has also taught us that cost savings are unlikely to materialise and that problems caused by a lack of sufficient funding and/or defects in the funding process are unlikely to be resolved as a result of structural reform arrangements.

The primary goal of any reform should be to create a more robust and capable local government system. However, the challenges local governments face are many and varied. This must be acknowledged because success will ultimately depend upon the degree to which reform arrangements are tailored to local circumstances."

The Latrobe and Kentish Councils shared services study report also commented on **what does the future hold?** and detailed possibilities for:

- Creation of a specialist technical offering such as Planners and Engineers which could be provided to other Councils and/or state government on a fee for service basis

- Creation of Centres of Excellence around capital works, open space management, construction, and unsealed roads maintenance
- Further sharing of procurement and projects
- Shared services with other Councils at a sub-regional or regional level
- Capacity building across the sector based on lived experiences.

The Latrobe and Kentish Councils have adopted the creation of Centres of Excellence with the Kentish Council being the Centre of Excellence for roads and the Latrobe Council being the Centre of Excellence for buildings and facilities and green spaces. The two Councils also provide specialist skills to the West Coast Council as previously detailed.

The Councils also believe that the allocation of resource shared costs is a major initiative which has been undertaken and is pivotal to the success of a shared services arrangement. A copy of the paper titled "Allocation of Resource shared Costs – General Principles and Methods" is attached at **Appendix 3**.

The general principles and objectives of the inter-council costing system are detailed below:

General Principles

- Overall, the proportion of shared costs borne by each Council should reflect the best estimate of the proportion of benefits received by each Council
- Neither Council is to cross-subsidise the costs of the other
- Issues of relative equity regarding effort and results for each respective Council are to be dealt with in Position Descriptions and managed through the Councils' performance management system
- The plant and fleet of both Councils is to be managed as if it were a single jointly owned fleet with the aim of maximising efficiency and value for money for both Councils.

Objectives of inter-council costing system

- Relatively simple to apply and consistent with existing systems
- Flexibility to cover a wide range of hire agreements and changing circumstances
- The amount charged should be based on the Councils' best estimate of full cost recovery (excluding overhead charges).

The Councils strongly believe that shared service models, whereby one Council sets out to profit from the arrangement, are unsustainable.

5. Review Themes and Local Government – Activities and Services

The following comments are made in relation to the 7 Activities and Services themes that have been identified by the Local Government Board for review.

Community Well-being

Councils can have a significant role to play in supporting activities that enhance community wellbeing. Rural Councils often do this very well with an emphasis on the principles of "handups" and " not handouts". What can often be described as parochialism can also be regarded as community pride. Councils have a major role in coordinating activities in this area such as self-help, community events, sporting clubs, markets, and festivals etc. While specialist staff can assist in this area it is the encouragement of volunteerism and groups working together that makes a significant difference to the well-being of residents and their community. Council has a role to play in lobbying for transport accessibility and the provision of public health and medical services.

Council Emergency Management staff most probably know their area best, including regular risks, vulnerabilities, and people, yet they are often not the best resourced nor trained to address emergency pressure situations most effectively. They have established this knowledge and those relationships because emergency management is only a small part of what the officers do on a day-to-day basis, thereby permitting a strong connection with their community. Time committed to Emergency Management activities is generally on a need's basis rather than a well resourced proactive occurrence. State authorities including the SES, Police, Fire, Ambulance are the best and most appropriate responders to events irrespective of there being a state or regional emergency declared for the particular event.

Further to the above, combined municipal emergency management areas under the Emergency Management Act were pioneered by the Devonport, Central Coast, Kentish, and Latrobe Councils approximately 25 years ago and still function well with improved efficiencies, knowledge, relationships, and access to resources. It also reduces the impost on other agencies attendance at numerous quarterly municipal emergency management meetings. The larger sub-regional area does highlight that the NW regional emergency management committee now has a very similar agenda, representation, and attendance. As the greater Burnie areas now also has a combined EM committee there is potential to combine the committee's three meetings into one with oversight by the regional SES emergency management planner.

It is understood the work on the Emergency Services Act review may allow for additional resources (including the massively underfunded volunteer SES unit vehicle replacement program) to be commissioned. It is hoped that any additional financial resources are not used to simply build up 'project officers' and

the like that transfer or highlight additional expectations or shortcomings onto local government staff.

The General Manager represented Australian Local Government at the Global Platform on Disaster Risk Reduction in Geneva in May 2019. Some of the lessons from this conference were:

1. Local Government and communities are essential to meet targets in the Sendai framework. Local leadership at the highest level is required with local wisdom and know-how. The Latrobe and Kentish Councils' response to the 2016 flood events at Latrobe and at Railton were well recognised and emphasised the importance of local leadership in times of crisis.

2. Building resilience is everybody's business, and we need to plan for the future. Pre-disaster investment is a much better investment than post-disaster recovery. The Federal Government need to be aware of risk hazards so they can prioritise funding. Local and state governments have a responsibility to develop a shortlist to reduce residual risks in consideration of feasibility, cost effectiveness and financial resources, et cetera. They need to obtain consensus with stakeholders and obtain Federal Government endorsement of the developed plans.

   The Latrobe Council is currently about to construct a $14 million project to mitigate flooding of the Latrobe Township and the Kentish Council are in the process of planning a $9 million project to mitigate future flooding of the Railton Township.

3. The key to early warning systems is to know what to do with the warning. They can only be successful if residents are aware of what actions need to be taken on the information provided. **There is a need to strengthen resources to local Councils to undertake this work.**

Economic Development and Local Promotion

There is an opportunity to strengthen the economic development capacity of local government by co-opting the resources located within State Growth and the Coordinator Generals office on a regional basis. Councils are at the coalface in this area and are often the first place of call when a developer wants to establish in the local area. Council also understands opportunities that exist to stimulate economic activity such as development of mountain bike tracks at Derby and at the Wild Mersey trails between Latrobe, Railton, and Sheffield. The advocacy by local government has been instrumental in obtaining Federal and State government funding for these infrastructure projects to be implemented. There is often duplication of effort between the state government, regional authorities and Councils in this space and the proposed reform is an opportunity to address this issue.

Environment

The Dulverton Waste Management Authority is an outstanding example of what can be achieved when neighbouring Councils work together to address issues which extend beyond Council boundaries and require economies of scale to address issues such as waste management. The North West Coast Councils have also cooperated on the regional collection and processing of recyclable materials and on developing best practice guidelines for the operation of transfer stations.

The Cradle Coast Authority is a good example of how natural resource management issues can be coordinated at the regional level. There are opportunities for Councils to better coordinate their local activities and local Landcare groups into the operations of the regional NRM groups.

Weeds have no regards for municipal boundaries and eradication programs need to be considered, prioritised, and funded at a regional, if not state level. Other than high level policy, it appears State Government agencies have all-but moved away from weed management and have an unmet expectation that local and regional bodies would prioritise their general income and rate revenue to address weed management issues. With increasing weed spread across the state, this has clearly been ineffective and landowners need to be better informed with expert advice from professionals focusing on weed management as well as consistent regulatory activities. **The current system of weed management is not working and should be reviewed as part of the process.** Local government is an inconsistent regulator in this instance given Councils' regulatory staff generally lack the required skillset, knowledge, and priority. This will continue to be the case and remain a minor function within a much wider and more diverse role.

Councils are not in position to justify diversion of existing funding or the raising of additional revenue to make tangible improvements. It is believed improved outcomes can be had at a state level with on-ground officers with clear and consistent targets, reporting mechanisms and priorities. However, local Councils could take on this role if adequate funding were provided.

Finance and Administration

The Latrobe and Kentish Councils believe there are lessons to be learnt from the shared services journey that they embarked on over the last decade. Most of this paper has been dedicated to detail the history of this arrangement and the issues that have been addressed that may be useful to the Local Government Board and other Councils who wish to pursue shared services. The Councils believe that there are changes required to the Local Government Act that enable the shared appointment of General Managers and to include a state consenting system for planning and building approvals allowing planning and building staff to work across multiple Councils. There are also opportunities to develop centres of excellence to allow access to specialist skills for smaller Councils and to share information such as

best practice 10 year financial plans, risk management frameworks and risk management policies and asset Management plans. The Latrobe and Kentish Councils have developed a cost sharing model as detailed elsewhere in this submission. There are opportunities for the State government to provide the tools such as the cost sharing model to enable Councils to build shared service models easily and affordably.

The Local Government Association of Tasmania has developed a procurement purchasing scheme which could be better used by Councils across the state.

Governance, Accountability and Representation

The proposed changes to the Local Government Act will improve this area of Council operations.

Infrastructure Provision and Management

Roads – including hierarchy, bus facilities and streetlighting

There is currently inconsistency regarding responsibility for roads and the associated road hierarchy which should be addressed. For example, forestry companies 'maintain' through roads available for regular use by the public and, to a sometimes unsatisfactory and spasmodic standard. Responsibility for other significant roads is uncertain. At face value some roads should potentially be maintained by higher level of government, whilst others should be maintained at a lower level. Councils are aware that the historic transfer of responsibility of roads from state to local government without adequate ongoing funding has been detrimental to the ongoing viability of Councils.

Councils have next to no control over bus routes and stops. Funding, determining the locations and construction of suitable bus stops, shelters and pull over areas should be part and parcel of the provision of a complete bus service.

Streetlighting had traditionally been a simple process between local government and TasNetworks. With additional suppliers and contracts becoming available there has been a move by some Councils to 'chase' the lowest cost outcomes but with higher complexity and initial capital costs. These initiatives have not necessarily considered the risks, whole of life cost and effort to manage such contracts, both during construction and over the life of the contract. There remains options for a relatively simple arrangement with TasNetwork to continue providing the service in a relatively uncomplex manner and should therefore not be a contributing reason for a change to the scope or size of local government boundaries.

Airports, seaports, jetties and wharves

Councils should have limited involvement in this infrastructure unless an agreement is made with the State Government for appropriate funding to build, maintain and

operate these facilities. MAST receives funding from boat licences and should continue to be responsible for the upkeep of jetties and wharves.

Other infrastructure mentioned

Councils should be able to build, maintain and manage local infrastructure to meet the needs of their local residents and visitors to the area. They should also retain autonomy to decide on parking requirements and if parking meters should be used, as an example.

Land Use Planning and Other Regulatory Services

The following table provides a summary of the number of discretionary and permitted Planning Applications for the Latrobe and Kentish Councils' for the 2019 – 20 and 2021 – 21 financial years.

Latrobe

	2019-20	Council decision	2020-21	Council decision
Discretionary	175	22	246	20
Permitted	77		100	
Total approved	252		346	

Kentish

Discretionary	81	11	71	10
Permitted	35		23	
Total approved	116		94	

The table reveals that approximately 10% or less of the total planning applications received go to the Councils Planning Authority for approval. These applications are the ones where representations had been received and are likely to be of a sensitive or controversial nature. Most of the applications received are determined by Council officers under delegated authority from the Councils. Council understands that there is a push to take planning away from Councils to independent Planning Panels. Council wishes to oppose this suggestion as it does not believe it will streamline the administrative and approval processes.

The Councils believe however, that there are instances where some approvals should be referred to another Council, or to an independent Planning Panel. These include applications where Council is both the applicant and the Planning Authority and where the Council chooses, because of the size or potential disruptive influence within the community of the development, to refer the application to the Panel.

The Councils believe they are best placed to undertake the Strategic land use Planning for the area noting that there is an obligation to work within the regional land use plan and State legislation.

The Councils believes there is an opportunity for Councils to share the technical expertise relating to Environmental protection/pollution control and food and other public health standards. The Latrobe and Kentish Councils employ two Environmental Health Officers, and their expertise is shared with the West Coast Council under a resource sharing arrangement. Council does not make a "profit" from this shared service however the arrangement allows the Latrobe and Kentish Councils to employ two Officers when this would be hard to justify if the arrangement with the West Coast Council did not exist.

6. Summary

The Latrobe and Kentish Councils appreciate the opportunity to provide a submission to the Local Government Board as part of the review into the future of Local Government.

The two Councils entered a municipal alliance approximately 10 years ago and believe the lessons learnt on how to achieve economic efficiency while maintaining local democracy are valuable to your review process

The Councils understand that this is the only arrangement in Australian Local Government whereby one organisation manages the resources of two Councils with separate Local Government area representatives.

The Councils believe that the allocation of resource shared costs is a major initiative which has been undertaken and is pivotal to the success of a shared services arrangement.

The Councils have made comment on the 7 Activities and Services themes that have been identified by the Board for review. In respect of Land Use Planning the Councils believe that this function should remain with local government; however, there are instances where some applications should be referred to an independent Planning Panel. These include applications where the Council is both the applicant and the Planning Authority and where Council chooses to send the application to the Panel.

APPENDIX 1

Memorandum of Understanding

Embedding Shared Resources

Kentish Council and Latrobe Council

December 2019

1. Introduction

This Memorandum of Understanding (MoU) is made between Kentish Council and Latrobe Council.

The purpose of this document is to formalise understanding between both Councils' in relation to resource sharing arrangements in order to create sustainable arrangements for the future.

The benefits of resource sharing include:

- Ability to adapt to emerging and increasing community needs while retaining two distinct organisations that serve their local communities, as well as retain local political representation
- Lower cost and more efficient service delivery due to economies of scale as well as improved, resolution-focused service delivery and better capacity to respond to risks and emergencies
- Attraction and retention of specialist staff who would not otherwise have been available for both local government areas
- Staff are empowered and skilled to resolve external enquiries on a "once and done" basis

2. Principles of Resource Sharing

The Councils are committed to working together in a spirit of mutual cooperation and transparent communication, addressing problems that arise and successfully continuing the arrangement. This will be achieved with reference to the following principles:

1. Providing services to the community at better value
2. Implementing choice and optionality for the community to do business with the Councils
3. Integration of the workforces of both Councils in ways that result in efficiencies

In summary, resource sharing is intended to create long term, sustainable value and service outcomes for our communities. It is intended that Kentish's and Latrobe's resource sharing will serve as a model of resource sharing to other Councils and agencies in Tasmanian local service delivery.

3. Operational Arrangements of Resource Sharing

3.1 Employment of staff:

The General Manager shall be employed by both Councils with contracts containing similar provisions and terms of appointment. Both Councils will formally appoint the officer as the General Manager of its local government, agree conditions of employment, and be responsible for the annual performance review.

The Councils will maintain a shared organisational structure under which staff are appointed.

3.2 Sharing of expenses and savings

Costs borne by each Council will reflect the best estimate of the proportion of benefits received by each according to agreed general principles and methods. Savings will be apportioned on the same proportionate basis.

Cost sharing arrangements will be agreed by the Councils from time to time.

3.3 Municipal Alliance Committee

The Councils will maintain the Municipal Alliance committee, consisting of six Council members, comprising three representatives from each Council, and the General Manager who will have no voting rights. The purpose of the committee is to monitor the efficacy of the arrangements and provide direction regarding identified opportunities and risks.

The committee shall meet not less than three times in a calendar year and will keep minutes.

The General Manager must submit a report to every meeting of the committee that shall include matters that the General Manager considers should be brought to the attention of the committee or that the committee has requested by resolution.

3.4 Common technological platform

The Councils will maintain a common technological platform for their information and communication technology requirements.

3.5 New ways of working

The new shared arrangements of ways of working are documented by way of common policies, systems, and processes.

3.6 Termination of Memorandum of Understanding

The Councils acknowledge that termination of this MoU is an absolute last resort option. Before a Council can withdraw from the MoU it must give no less than twelve months notice to the other Council.

A Council which withdraws may be responsible for contractual commitments notwithstanding its decision to withdraw.

Either Council wishing to withdraw must attempt to resolve the issues by participating in the *Mechanisms to resolve disputes* procedure as detailed in item 3.7 below.

3.7 Mechanisms to resolve disputes

The Councils will address disputes early and in a conciliatory, transparent manner.

The General Manager will use best endeavours to identify and resolve any arising problems in the first instance. Any matters that require escalation or more formal resolution will be addressed by the Municipal Alliance Committee in the first instance. If the committee cannot resolve a matter, it is to be referred to a special meeting of both Councils sitting jointly.

If the dispute is not resolved through the above procedures, a third-party arbitrator will be engaged to resolve it. The Councils will each nominate an arbitrator and if they

cannot agree on a suitable appointment, the President of the Local Government Association of Tasmania will be asked to nominate one. A person so nominated will be the arbitrator.

4. Amendments to the Memorandum of Understanding (MoU)

The MoU Embedding Shared Resources may be amended by mutual agreement of the two Councils.

5. Review of the Memorandum of Understanding (MoU)

The Memorandum of Understanding Embedding Shared Resources – Kentish Council and Latrobe Council will be reviewed every two year period from the date of both Councils signing the MoU.

6. Statement of understanding

This document is a Memorandum of Understanding and it is not intended to create binding or legal obligations on either party.

7. Resolutions of the Councils

That the Latrobe Council of Latrobe, Tasmania enter into the resource sharing Memorandum of Understanding with the Kentish Council of Sheffield, Tasmania and the Memorandum of Understanding be duly executed.

Latrobe Council Resolution Number 16108 – 9th December 2019

Kentish Council Resolution Number 3.1 – 17th December 2019

In witness whereof the parties have executed this Memorandum of Understanding on 20 December 2019.

The COMMON SEAL of the LATROBE COUNCIL
was duly affixed hereto in the presence of

.....
Signature

Council Mayor Peter Freshney

The COMMON SEAL of the KENTISH COUNCIL
was duly affixed hereto in the presence of

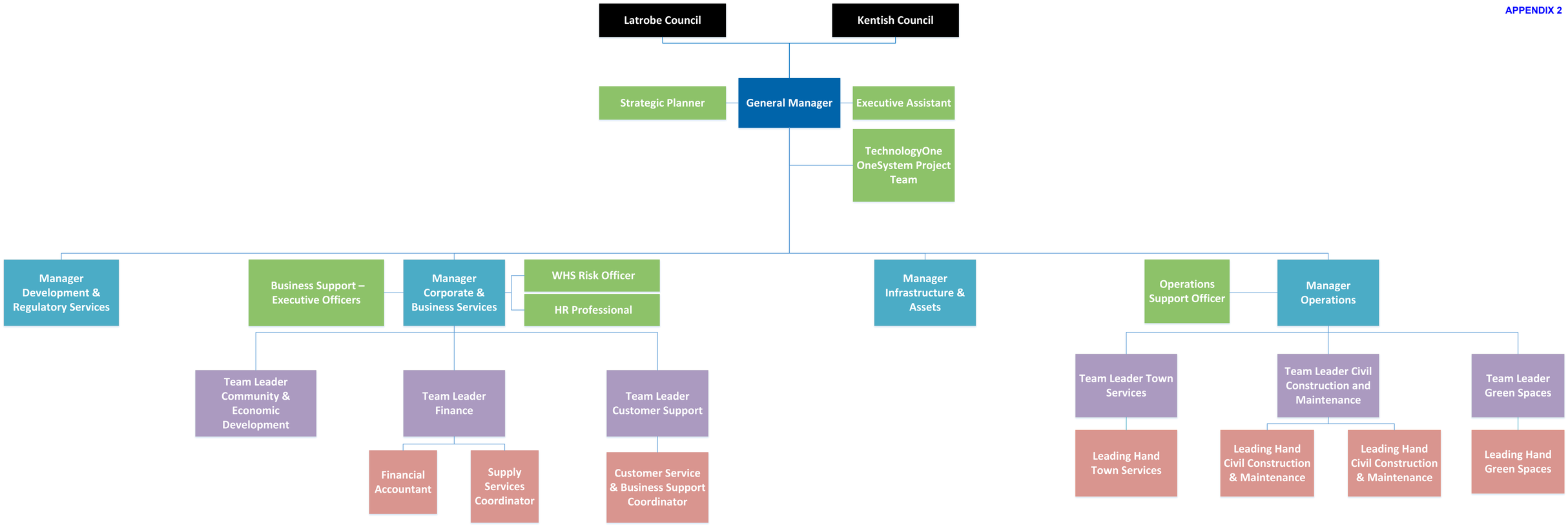
.....
Signature

Council Mayor Tim Wilson

BACK TO SUBMISSION

Kentish and Latrobe Structure – as at 5 May 2022

APPENDIX 2



BACK TO SUBMISSION

General principles

- Overall, the proportion of shared costs borne by each council should reflect the best estimate of the proportion of benefits received by each council
- Neither council is to cross-subsidise the costs of the other
- Issues of relative equity regarding effort and results for each respective council are to be dealt with in Position Descriptions and managed through the councils' performance management system.
- The plant and fleet of both councils is to be managed as if it were a single jointly owned fleet with the aim of maximising efficiency and value for money for both councils.

Objectives of inter-council costing system

- Relatively simple to apply and consistent with existing systems
- Flexibility to cover a wide range of hire agreements and changing circumstances.
- The amount charged should be based on the councils' best estimate of full cost recovery (excluding overhead charges).

Outputs or inputs as a driver of cost allocation

If resource shared cost allocation is to reflect relative benefit, then it is arguable that outputs should drive relative cost allocation rather than inputs (i.e. value of the work completed rather than the cost of completing it).

For costs that do not clearly apply to just one council, a 'standard costing' approach is used across selected activities where an appropriate 'driver' is agreed as an indicator of the relative benefit for each council and the estimated proportion of this 'driver' is agreed up front every two years and used as a basis for monthly charging costs between the two councils.

The cost sharing proportions for each council determined under the above approach are signed-off by the General Manager and reviewed by the Municipal Alliance Committee and the Audit Panel.

Agreed Approach to labour cost allocation

The councils have agreed to apply a combination of direct input (actual time based) and output (cost driver based) allocation on a case-by case basis as outlined below.

The councils prefer to use direct input (actual time based) where reasonably practical and where this provides a better reflection of the proportionate value received by each council.

Management Labour

Some positions, particularly management may have a low correlation between hours directly spent for each council and the benefit received (for example a particular system or document could be produced over many hours at one council, then duplicated at the other council in much fewer labour hours).

In the case of management activities, it is assumed that the benefit of the manager to the respective Councils will generally be relative to the proportionate level of overall activity of each council in the manager's department. Issues regarding the relative effort / results by the manager for each council are to be dealt with through Council's performance management processes rather than through adjustments in inter-council costings.

Direct costing of time will still be relevant for managers when they are working on specific projects that are relevant to only one council.

Costing allocation of managers across the two councils will often be a combination of direct costing and proportionate allocation.

Indicators of relative benefit for various management positions:

Position	**Allocation Method /Indicator**	**Calculation of share of costs (when not time-based costing)**
General Manager	Equitable share of General Manager as agreed by the councils	Latrobe portion: 50% Kentish portion: 50%
Manager Corporate and Business Services	Combination of: Direct costing per timesheets; and (for the balance) Average (over 4 years to 2021) recurrent expenditure as a measure of overall activity	Latrobe four-year average $12.89m Kentish four-year average $9.68m Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Manager Development and Regulatory Services	Combination of: Direct costing per timesheets; and (for the balance) Average (over 4 years to 2021) recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Team Leader Customer Service and Business Support	Combination of: Direct costing per timesheets; and (for the balance) Average (over 4 years to 2021) recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%

Position	Allocation Method /Indicator	Calculation of share of costs (when not time-based costing)
Team Leader Community and Economic Development	Combination of: Direct costing per timesheets; and (for the balance) Average (over 4 years to 2021) recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Team Leader Finance	Combination of: Direct costing per timesheets; and (for the balance) Average (over 4 years to 2021) recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Manager Infrastructure and Assets	Combination of: Direct costing per timesheets; and (for the balance) Property, Plant and Infrastructure replacement value (at 30/6/21)	Latrobe: $289.3 Kentish: $227.5m Latrobe portion: 56% say 55% Kentish portion: 44% say 45%
Manager Operations	Combination of: Direct costing per timesheets; and (for the balance) Recurrent operations expenditure (2021)	Latrobe: $7.6m Kentish: $6.4m Latrobe portion: 54% say 55% Kentish portion: 46% say 45%
Team Leader - Civil Construction and Maintenance	Combination of direct costing to projects where appropriate and total road length for the balance.	Latrobe: 288 km Kentish: 471 km Latrobe portion: 38% say 40% Kentish portion: 62% say 60%

Position	Indicator	Calculation of share of costs (when not time-based costing)
Team Leader – Green Spaces	Combination of direct costing per timesheets where appropriate and parks and reserves expenditure for the balance	Latrobe: $1,650,000 Kentish: $445,000 Latrobe portion: 79% Kentish portion: 21%
Team Leader – Town Services	Combination of direct costing per timesheets where appropriate and buildings expenditure for the balance	Latrobe: $2,045,102 Kentish: $954,981 Latrobe portion: 68% say 67% Kentish portion: 32% say 33%

Governance: The above indicators and their application as a basis for cost sharing across the two councils are to be ratified by the General Manager and Municipal Alliance every two years.

Where a manager has sole use of a council vehicle or other equipment the cost of those items will be shared across the two councils on the same basis as the labour cost allocation outlined above.

Other Labour (hourly hire)

Direct costing based on time spent is preferred when practical and when this gives the best reflection of the relative value received by each council (e.g. time spent on jobs/ activities that mainly relate to one council with little or no benefit to the other council)

Where labour hours is agreed as a relatively good indicator of the level of benefit received by each council, then the council receiving the labour hire services will pay the full direct cost, plus oncost rate based on cost recovery for the actual hours allocated on timesheets. Any Labour hours that do not relate directly to just one council (for example training) can be pooled and allocated on the same benefit % as used to allocate the cost of the staff member's manager

Position	Indicator	Calculation of share of costs (when not time-based costing)
Strategic Planner	Direct costing per timesheets	
Executive Assistant	Direct costing per timesheets where appropriate; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
TechnologyOne OneSystem Project Officer	Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Customer Service and Business Support Coordinator	Direct costing per timesheets where appropriate; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Customer Service Officers	Direct costing per timesheets where appropriate; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Business Support Officers	Direct costing per timesheets where appropriate; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Business Support - Executive Officers	Direct costing per timesheets where appropriate; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Risk Management and WH&S Officers	Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
HR Officer	Pre-restructure full-time equivalent staff (based on benefit – i.e. after resource-sharing adjustments)	Based on 2016: FTE Latrobe: 49.5, Kentish: 32.9 Latrobe portion: 60% Kentish portion: 40%

Position	Indicator	Calculation of share of costs (when not time-based costing)
Financial Accountant	Direct costing per timesheets where appropriate; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Supply Services Coordinator	Direct costing per timesheets where appropriate; and (for the balance) Full-time equivalent staff (based on benefit – i.e. after resource-sharing adjustments) Number of invoices processed	Based on 2016: Payroll Latrobe: 49.5 Payroll Kentish: 32.9 Latrobe portion: 60% Kentish portion: 40% Payables Latrobe (4,481 AP+ 916 AR) = 5397 Payables Kentish (3,200 AP + 857 AR) = 4,057 Latrobe portion: 57% say 60% Kentish portion: 43% say 40%
Finance Officers - Revenue	Direct costing per timesheets where appropriate; and (for the balance) Number of Rates Assessments (2021)	Rates Latrobe 6,560 Rates Kentish 3,696 Latrobe portion: 64% say 65% Kentish portion: 36% say 35%
Finance Officers – Supply Services	Direct costing per timesheets where appropriate; and (for the balance) Full-time equivalent staff (based on benefit – i.e. after resource-sharing adjustments) Number of invoices processed	Based on 2016: Payroll Latrobe: 49.5 Payroll Kentish: 32.9 Latrobe portion: 60% Kentish portion: 40% Payables Latrobe (4,481 AP+ 916 AR) = 5397 Payables Kentish (3,200 AP + 857 AR) = 4,057 Latrobe portion: 57% say 60% Kentish portion: 43% say 40%

Position	Indicator	Calculation of share of costs (when not time-based costing)
Buildings and Facilities Coordinator	Direct costing per timesheets	Judgement to be used to allocate hours jointly benefitting both councils
Buildings and Facilities Officer	Direct costing per timesheets	Judgement to be used to allocate hours jointly benefitting both councils
Roads and Drainage Engineer	Combination of direct costing where appropriate and total roads and stormwater expenditure for the balance.	Latrobe: $3.86m Kentish: $5.04m Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Infrastructure & Asset Coordinator	Combination of direct costing where appropriate and Property, Plant and Infrastructure replacement value for the balance.	Latrobe: $289.3 Kentish: $227.5m Latrobe portion: 43% say 45% Kentish portion: 43% say 45%
Assets and Design Officer	Combination of direct costing where appropriate and Property, Plant and Infrastructure replacement value for the balance.	Latrobe: $289.3 Kentish: $227.5m Latrobe portion: 56% say 55% Kentish portion: 44% say 45%
Infrastructure & Assets Support Officer	Combination of direct costing where appropriate and Property, Plant and Infrastructure replacement value for the balance.	Latrobe: $289.3 Kentish: $227.5m Latrobe portion: 56% say 55% Kentish portion: 44% say 45%
Community Development Officers	Combination of: Direct costing per timesheets; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45% (Also checked average actual direct time charge proportions for the past two years and the result was also 57% Latrobe, 43% Kentish)

Position	Indicator	Calculation of share of costs (when not time-based costing)
Economic &Tourism Development Officers	Combination of: Direct costing per timesheets; and (for the balance) Actual direct time charge proportions for 2021	Latrobe portion: 49% say 50% Kentish portion: 51% say 50%
Planning Officers	Combination of: • Direct costing per timesheets; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Development and Regulatory Support Officers	Combination of: • Direct costing per timesheets; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Environmental Health Officers	Combination of: • Direct costing per timesheets; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
–Plumbing Compliance Officer	Combination of: • Direct costing per timesheets; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Permit Authority Officers	Combination of: • Direct costing per timesheets; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Position	**Indicator**	**Calculation of share of costs (when not time-based costing)**

Development & Building Compliance Officer	Combination of: • Direct costing per timesheets; and (for the balance) Average recurrent expenditure as a measure of overall activity	Latrobe portion: 57% say 55% Kentish portion: 43% say 45%
Leading Hand – Town Services	Combination of direct costing per timesheets where appropriate and buildings expenditure for the balance	Latrobe: $2,045,102 Kentish: $954,981 Latrobe portion: 68% say 67% Kentish portion: 32% say 33%
Town Services Officers	Combination of direct costing per timesheets where appropriate and buildings expenditure for the balance	Latrobe: $2,045,102 Kentish: $954,981 Latrobe portion: 68% say 67% Kentish portion: 32% say 33%
Waste Management Operator	Direct costing per timesheets	
Cleaners	Direct costing per timesheets	
Leading Hand – Green Spaces	Combination of direct costing per timesheets where appropriate and parks and reserves expenditure for the balance	Latrobe: $1,650,000 Kentish: $445,000 Latrobe portion: 79% Kentish portion: 21%
Green Spaces Officers	Combination of direct costing per timesheets where appropriate and parks and reserves expenditure for the balance	Latrobe: $1,650,000 Kentish: $445,000 Latrobe portion: 79% Kentish portion: 21%
Leading Worker – Road Construction	Combination of direct costing to projects where appropriate and total road length for the balance.	Latrobe: 288 km Kentish: 471 km Latrobe portion: 38% say 40% Kentish portion: 62% say 60%

Position	Indicator	Calculation of share of costs (when not time-based costing)
Leading Hand – Civil Construction and Maintenance	Combination of direct costing to projects where appropriate and total road length for the balance.	Latrobe: 288 km Kentish: 471 km Latrobe portion: 38% say 40% Kentish portion: 62% say 60%
Plant Operators (Civil)	Combination of direct costing to projects where appropriate and total road length for the balance.	Latrobe: 288 km Kentish: 471 km Latrobe portion: 38% say 40% Kentish portion: 62% say 60%

- Where an employee has sole use of a Council vehicle or other equipment, then the cost of that equipment should be allocated as outlined for the employee's manager above.
- Where an employee uses a Council fleet vehicle or equipment for the benefit of the other council then that cost is to be allocated to the receiving council through the plant hire system using the agreed hire rate.

Plant Hire

Due to the variability of cyclical activities and capital projects, plant hire costs are generally to be allocated on a usage-rate basis (i.e. hourly or per km rate).

- Ownership and the physical "home" Council for each item of plant (for future plant purchases) should be based on the estimated proportion of usage (i.e. owned / housed at the council with highest proportion of use)
- Resource sharing hire rate is to be the same internal rate of hire across both councils.
- Hire rate is to be based on lifetime average cost including an allowance for opportunity cost of ownership (imputed interest) and lifetime average usage estimates. Annual standard-to-actual variance report to be produced to check if any material variances require adjustment (mainly for plant used creating assets).
- Standard hire rates are to be established for similar plant (e.g. mowers, utes) and plant is to be rotated to smooth out usage rate variations
- Plant relocation costs (from one council area to the other) are to be allocated based on proportionate estimated usage by each council.
- External hire rates (e.g. for private works are to be based on market rates for similar equipment). In the absence of a market rate, the external hire rate is to be the internal rate times 1.5. All external hire rates are to be approved by the operations manager.

Governance: Plant hire rates are to be calculated annually and updated after each acquisition / disposal. The hire rates are to be ratified by the Operations Manager and GM on an annual basis.

Information and Communications Systems and Equipment
Computer and communication systems are essential infrastructure that underpin all of the activities of Council and it is arguable that their cost should be shared based on average recurrent expenditure as a measure of overall activity as for the General Manager.

- Latrobe portion: 55%
- Kentish portion: 45%

Overheads (e.g. occupancy costs etc.)
To keep cost allocation relatively simple, general overhead costs such as occupancy costs, stationery, meeting costs etc. are generally allocated based on location.

Future Work

- Review and adjust the principles and methods as necessary every two years.

Summary of Labour Costing Methods

Position	Allocation Method /Indicator	Kentish Share when not direct costing time	Latrobe Share when not direct costing time
General Manager	Council/ Municipal Alliance Agreement	50%	50%
Executive Assistant	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Strategic Planner	Direct costing per timesheets		
Manager Corporate and Business Services	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
HR Officer	FTE staff (pre-resource-sharing restructure - based on 2016)	40%	60%
Risk Management and WH&S Officers	Average recurrent expenditure as a measure of overall activity	45%	55%
Business Support Executive Officer	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Team Leader Community and Economic Development	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Community Development Officers	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Economic & Tourism Development Officer	Combination of Direct costing per timesheets and (for the balance) proportionate direct time charged in 2021	50%	50%
Team Leader Customer Service and Business Support	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Customer Service and Business Support Coordinator	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Customer Service Officer	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Business Support Officer	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Team Leader Finance	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Financial Accountant	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Supply services Coordinator	Combination of Direct costing per timesheets and (for the balance) staff nos. and no. of invoices from 2016	40%	60%
Finance Officers - Revenue	Rates Assessments	35%	65%
Finance Officers -Supply Services	Combination of Direct costing per timesheets and (for the balance) staff nos. and no. of invoices from 2016	40%	60%
Manager Development and Regulatory Services	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Development and Regulatory Support Officer	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Environmental Health Offier	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Permit Authority Officer	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Planning Officers	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Plumbing Compliance Officer	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Development and Building Compliance Officer	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Manager Infrastructure and Assets	Property, Plant and Infrastructure replacement value	45%	55%
Assets and Design Officer	Combination of direct costing where appropriate and Property, Plant and Infrastructure replacement value for the balance.	45%	55%
Buildings and Facilities Coordinator	Direct costing per timesheets (Judgement to be used to allocate hours jointly benefitting both councils)		
Buildings and Facilities Officer	Direct costing per timesheets (Judgement to be used to allocate hours jointly benefitting both councils)		
Infrastructure & Asset Coordinator	Combination of direct costing where appropriate and Property, Plant and Infrastructure replacement value for the balance.	45%	55%
Infrastructure & Asset Support Officer	Combination of direct costing where appropriate and Property, Plant and Infrastructure replacement value for the balance.	45%	55%
Roads and Drainage Engineer	Combination of direct costing where appropriate and total roads and stormwater expenditure for the balance.	55%	45%
Manager Operations	Combination of Direct costing per timesheets and (for the balance) average recurrent expenditure as a measure of overall activity	45%	55%
Team Leader – Green Spaces	Combination of direct costing per timesheets where appropriate and parks and reserves expenditure for the balance	33%	67%
Leading Hand – Green Spaces	Combination of direct costing per timesheets where appropriate and parks and reserves expenditure for the balance	33%	67%
Green Spaces Officers (and Trainees)	Combination of direct costing per timesheets where appropriate and parks and reserves expenditure for the balance	33%	67%
Team Leader - Civil Construction and Maintenance	Combination of direct costing to projects where appropriate and total road length for the balance.	60%	40%
Leading Hand – Civil Construction and Maintenance	Combination of direct costing to projects where appropriate and total road length for the balance.	60%	40%
Plant operators - Civil (and Trainees)	Combination of direct costing to projects where appropriate and total road length for the balance.	60%	40%
Team Leader – Town Services	Combination of direct costing per timesheets where appropriate and buildings expenditure for the balance	33%	67%
Leading Hand – Town Services	Combination of direct costing per timesheets where appropriate and buildings expenditure for the balance	33%	67%
Town Services Officers	Combination of direct costing per timesheets where appropriate and buildings expenditure for the balance	33%	67%
Waste Management Operator	Direct costing per timesheets		
Cleaners	Direct costing per timesheets		

BACK TO SUBMISSION