

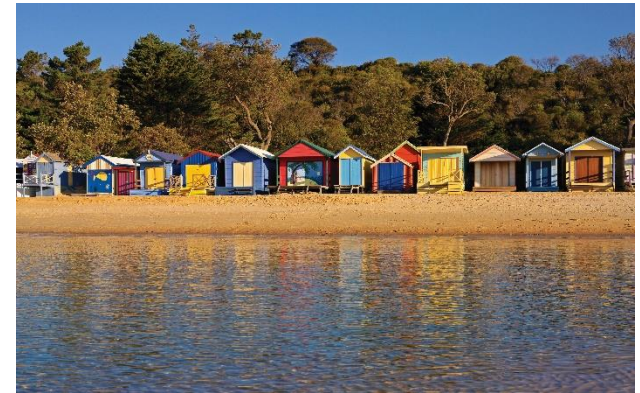
# Saving Costs: A New CEO's perspective

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# An introduction to the Shire



- Located just over an hour's drive from Melbourne
- Separates two contrasting bays: Port Phillip and Western Port
- Hosts 192 kilometres of coastal boundaries, or around 10 per cent of Victoria's total coastline
- Is a mixture of urban areas, townships, natural reserves and rural land
- Is approximately 70 per cent zoned as rural within the Green Wedge planning zone, while the other 30 per cent is towns and villages
- Within the Green Wedge, there are areas of highly productive agricultural land as well as highly significant landscapes and ecosystems
- The estimated residential population is 155,015 people (as at 30 June 2015). Population growth is stable at 1.1 per cent per annum
- Gross regional product is \$6.3 billion and the Shire administers an annual budget of approximately \$220 million



# General reflections on Local Government



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- Bureaucratic – red tape
- Untouched compared to federal and state government
- Regulatory
- Not cost conscious
- “We’re local government”
- Masterplans, Feasibility studies
- Consultant reports on consultants reports
- Lack of action
- Not customer-focused
- Lacking agility
- Sense of ‘having’ to provide everything for the community
- The world over, four council workers to do the job of one worker
- Insular, inward-looking organisation



# What I actually found...



- It wasn't broken, but it was largely as I had expected
- Focus was more on the things we planned to do, rather than the doing
- Focus was not on ratepayers as the employer (where our income comes from)
- Focus was on double checking everything, rather than action
- No real sense of urgency with business
- Cost containment was a low priority with rates income uplift of 5.9% per annum
- Cost overruns or budget blow outs absorbed by the capital budget
- Driving costs down and squeezing out inefficiency were alien concepts
- No focus on maximising deals for the organisation – strategic purchasing
- Enterprise Agreement with very generous conditions creating a real sense of entitlement
- Some *very smart* people in the organisation and very committed to serving the community well

## **Challenge:**

How to change this organisation into a forward facing, agile, responsive organisation, recognised as high performing, which clearly placed the customer at the heart of every decision and action.

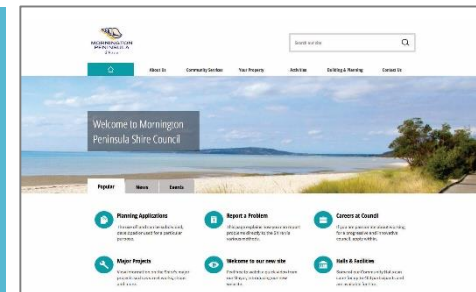
# Cultural change



- The key goal has been to shift the focus of the organisation into realising what it is we are here for
  - We put the customer at the heart of everything we do – customer *needs* drive our service delivery

## Examples:

- SeeViews Program
- Disaggregation of the customer service function to better provide responsive and accessible information and services to the community
- Website revamp, better information, clearer communication
- Digital transformation – replacing old ways



# Analysing the organisation - efficiencies



- People
- Products
- Processes
- Services
- Structure
- Revenue

# People



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- It starts here. It's the most important part.
- If you haven't got the right people, two things:
  - 1) you will not succeed
  - 2) get them!
- Organisation was top heavy
- Ineffective leadership and management resulted in sub optimal performance
- Costs of salaries required recalibration
  - High salary costs relative to productivity
  - Current EBA is restrictive
  - Salary rate increases and conditions unsustainable especially in 'rate cap' environment
- Review was required in line with detailed Directorate reviews
- Culture change focused on 'the customer', productivity and efficiency gains
- Succession planning, balancing the need for new recruits to complement the best existing staff



# Products

- **Purchasing Function** critical to cost saving success
- What are we buying? / from which suppliers? / how often?
- What are the terms and term of the deals? How much do we buy?
- If we give long contracts, what's the trade off?
- What level of 'cost-down' exists? No automatic rights to cost escalations
- **Services**, how do we ensure we're getting what we pay for?
- And how do we ensure compliance with all Shire policies and procedures?

Example:

- The efficiencies in scale achieved by appointing a sole architect consultant to provide design services in the development of the Shire's pavilions





# Processes

- Organisation has had antiquated systems and processes
- This is expensive, labour cost being the main driver of a high transaction cost
- People dependent systems and processes lead to inefficiency
- These out of date systems equate to:



- Organisation lacked an IS strategy particularly on digitalisation
- Current systems are duplicated in the information coverage they provide, are expensive, do not deliver value but can add costs, are not aligned with processes or outcomes and result in expensive rework
- Organisation has an abundance of information ‘floating around’ but no real data to optimally inform excellent decision making
- We have taken a number of bold steps to resolve these issues for the future

# Services



- Increasing social demand on and for services, increasing costs of maintaining services and infrastructure, with an inadequate contribution from a declining revenue base
- In local government there's a generally accepted view that we do > 100 services and we need to because the community needs us to. SAYS WHO?
  - The classic finance questions. Purchase or lease?
  - Do we just do it all?
    - If Yes → Who?
      - 1) Us (the organisation)
      - 2) The market
      - 3) or a Hybrid
    - If No → how do we exit?
- For instance
  - At the Shire we manage a public golf course – Why? Who is best to do that?
  - We run all our leisure centres and in our HACCC services we are significantly 'out of the money' given our cost structures
- Rate capping 2.5% vs. normal 5.9% FY'18 → might be 1.7%

# Structure



- Four SILO'S existed

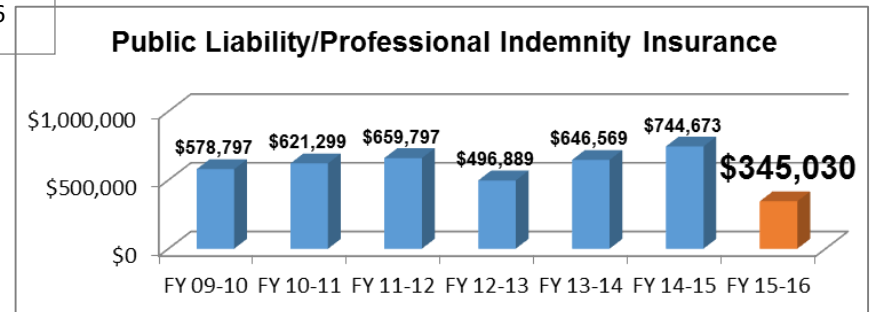
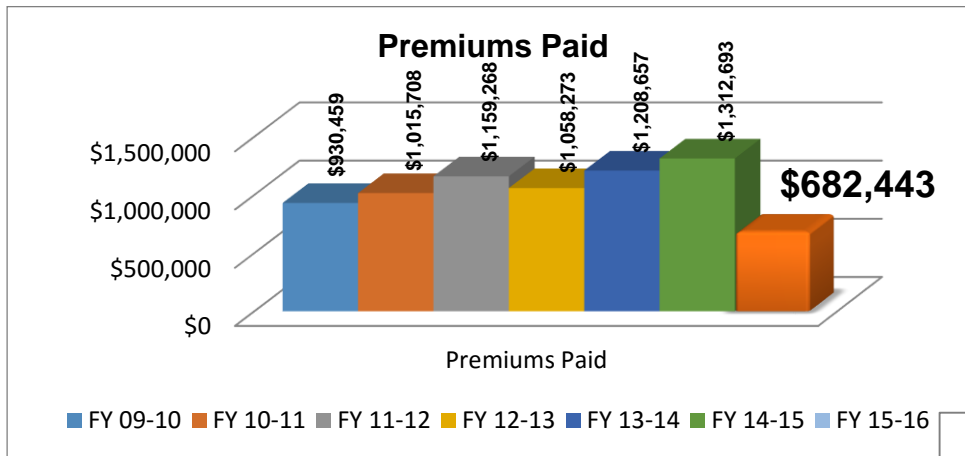


- These directorates were consolidated under two positions: CFO and COO
- This almost halved the cost of managing these areas of the business
- CEO invests a lot more into 'hands-on' operational time too. You have to.
- Structure produces succession
- Get the right blend of experienced local government with new external sector people with that 'commercial edge'
- I am trying to create a space where people see this as a real alternative career path
- Simplify the structure, make decisions faster and back yourself

# Review of Insurances



- Insurances had not been market tested in at least five years
- Wrote to MAV advising that MPSC would be testing the market for insurances
- Established a small team of key staff the manage the process of providing brokers with all relevant information



# Possible Alternative Revenue Streams

- Development rate of infill
- New major economic development options
  - RACV Cape Schanck
  - Moonah Links and others
- Sell land and buildings
- Become the Developer – build an Industrial Park
- Car parking everywhere for visitors
- Charge for more of the current free services



# The way forward

- To foster long-term sustainability, the Shire will need to adopt a more commercial focus to raising revenue
  - Identify new streams of income
  - Deliver value for money
  - Assess whether we are adding costs or value in our endeavours
- Some services, by their nature, need to be delivered by entities other than local government
- Council input into approving the hard decisions will be essential

